

Module 4: Chapter 5

ORGANIZATION



**Indian Association of Preventive and Social Medicine
Gujarat Chapter**

ORGANIZATION

Learning Objectives: the students are expected to

1. Understand the concept of organisation
2. Characteristics & components of an organisation
3. Design of an organisation

INTRODUCTION

Organization is a principle of life. We seek the help of organizations to meet our day to day requirements such as to feeding, clothing; educating, entertaining, protecting etc. organizations are as old as human race. Modern society, however, has more organizations which are fulfilling a larger category of societal and personal needs.

MEANING AND CHARACTERISTICS OF ORGANIZATION

The term organization is derived from the Greek word organon i.e., tool or instrument. It is often been understood as the embodiment of persistent efforts to coordinate, influence and control human behavior in order to reach some desired result. According to Chester I. Bernard, an organization is “a system of consciously co-coordinated activities or forces of two or more persons”.

Max Weber in his ideal type defined the following features and dimensions as basic for all organizations,

1. **The organization has transparent and definite boundaries:**
2. **The organization has a central coordination system:** there is one locus of final authority who make collective decisions. Leaders at the center manage the concentrated efforts of the organization, making it a unitary, hierarchical actor.
3. **The organization is differentiated internally:** Internal organizational roles are sharply differentiated and codified in rationally established formal rules. Decisions are implemented by a disciplined, specialized, continuously and rationally operating staff.
4. **The organization is legitimate:** The organizational order, including the distribution of authority, power and responsibilities, is legitimate. That is, discipline is based on a belief that actors holding certain positions have the authority to impose orders and others have duty to obey.
5. **The organization's Characteristics Establish what is achieved:** there is a high degree of steadiness between organizational goals, structures, processes, behavior and outcomes. The quality of achievements depends directly on organizational structures and processes.
6. **The organization is flexible:** Organizations are rationally designed tools, and are deliberately structured and restructured in order to improve their problem-solving capacity and their ability to realize predetermined goals.

ORGANIZATION AS SYSTEM

Meaning of System

A system is a set of integrated and mutually dependent parts arranged in a manner that produces a union (unified whole). It has been defined as “an arrangement of interrelated parts. The words *arrangement* and *interrelated* describes the interdependent elements forming an entity that is the system. Thus, when taking a systems approach, one begins by identifying the individual parts and then seeks to understand the nature of their collective interaction”

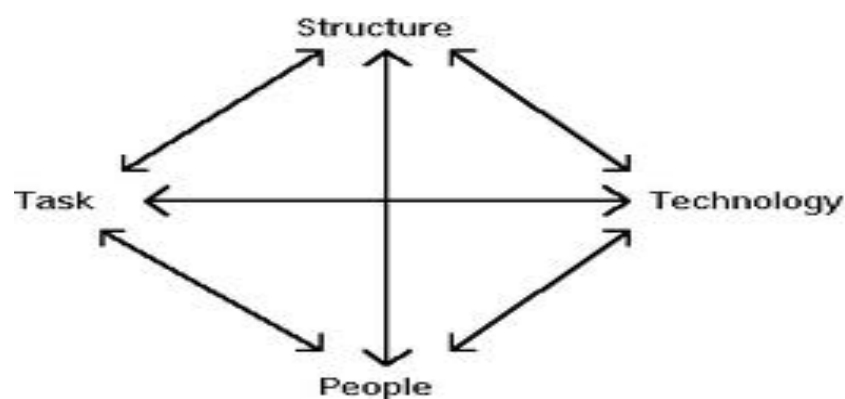
A system is desired to have certain qualities like:

- A system must be to accomplish an objective/a set of objectives.
- A system composed of interrelated parts called subsystems. Interrelationships must be synergistic in nature.
- The basic ingredients (Human resource, patients, material) of a process is more vital than the basic elements of a system.
- Organization objectives are more important than the objectives of its subsystems.

Organization as System

Components of Organization System: Organizations are systems of some interacting components. Levitt (1965) sets out a basic framework for understanding organizations. This framework emphasizes four major internal components such as: task, people, technology, and structure.

Diagram:



The task of the organization is its mission, purpose or goal for existence. The people are the human resources of the organization. The technology is the wide range of tools, Knowledge and/or techniques used to transform the inputs in to output. The structure is how is designed at the micro levels, as well as how departments divisions and the overall organization are designed at the macro level.

Differentiation and Integration: Like any other systems, organization system is characterized by two diverse force differentiation and integration. In a system specialized functions are differentiated.

Organizations have divisions, departments separated out to perform specialized activities. At the same time in order to maintain unity among the differentiated parts every system has a reciprocal process of integration. In organizations, this integration is typically achieved through methods such as coordinated levels of hierarchy; supervision; and rules procedures and policies

The Organization as an Open system

There are two basic types of system: open and closed. A closed system is one that is self-contained and isolated from its environment. An open system is one which constantly interacts with the environment. In the strictest sense, every worldly system is partly closed and partly open. Closed systems exist only in theory for all real system interacts with their environment.

The characteristics of an open system are:

Subsystems: A system is composed of interrelated parts called subsystems.

Synergy: Synergy means that the whole is greater than the sum of its parts.

The Input-Output Model: All open system transform inputs into output.

Goal seeking-open system: Interaction between elements results in some final state or goal.

Entropy: Every transformation process involves the degradation or use of energy and resources. To keep a system operating there must be an infusion of energy and resources.

Steady State: The notion that systems are goal seeking implies that they are adaptive and self-regulating.

Feedback: The feedback of information regarding performance is used to adjust and control performance.

7Ss MODEL



Seven S Framework was first appeared in “The Art of Japanese Management “ by Richard Pascale and Anthony Athos in 1981. The global management consultancy McKinsey has taken up it as a basic tool, therefore at times it is known as the McKinsey 7S Model. There is no particular order to the 7Ss.

1. **Strategy:** A set actions that the organization starts with and which it must maintain. It also means the integrated vision and direction of the institute, as well as the manner in which it derives, articulates, communicates and implements that vision and direction.
2. **Structure:** How people and tasks/work are organized, the policies and procedures which govern the way in which the organization acts within itself and within its environment.
3. **Systems:** All the processes and information and flows that link the organization together, the decision making systems within the organization that can range from management intuition, to structured computer systems to complex expert systems and artificial intelligence.
4. **Style:** How manager behave, leadership style and common way of thinking and behaving- unwritten norms of behavior and thought, organizational culture etc.
5. **Staff:** How the company develops managers (current and future), selection, training, reward and recognition, retention, motivation and assignment to employees etc.
6. **Super Ordinate Goals:** Longer term vision, and all that values stuff, that shapes the destiny of the organization. Shared values means that the employees share the same guiding value.
7. **Skills:** Dominant attributes or capabilities that exist in the organization. Training and Development- ensuring people know how to do their jobs and stay up to date with the latest techniques.

These seven are often subdivided into the first three (strategy, structure and systems), considered as the “hardware” of success whilst the last four (style, staff, skills and shared values) are seen as the “software”.

Companies, in which these soft element are present, are usually more successful at the implementation of strategy. All seven are interrelated, so a change in one has a ripple effect on all the others.

Strategy:

Planned versus Opportunistic

Organization need both planned and opportunistic tendencies, but the key to success lies in the in a dynamic blend before therefore. Opportunistic responses often form the content of a new direction. Strategy formulation is the search for a new business paradigm.

Structure:

Elitist versus Pluralist

Pascale uses the term “elites” to describe those specialized organizational units with closeness to power and/or superior capability. These functions signify a particular organization’s typical capability. It is, however, important that more than one such elite function exist. They need to be complementary so be complementary so as to make sure that they serve as a check on another.

Pascale uses the term “pluralist” to explain these essential forces that play a important role in decision making. The tension that is created amongst these forces stimulates and lead to self-improvement and competitiveness.

Systems:

Mandatory versus Discretionary

Systems do not only refer to hard copy reports and procedures but also to informal mechanisms such as meetings and conflict management routines. It is important that systems emphasise key themes, but at the same time it should permit discretion and exception.

Style:***Managerial versus Transformational***

Pascale defines “managerial” as an administrative orientation whose aim is to get the maximum out of the existing organization whilst a transformational orientation aims at quantum leaps in performance. The focus is on creating a new order of the things.

Staff:***Collegiality versus Individuality***

Collegiality refers to the supportive relationship and teamwork and in organizations where this is present, one will find communal tendencies in the form of consists social rules and common identities. Such a well- constructed network can make employees feel independent but yet still part of the coherent whole.

Shared Values:***Hard Minds versus Soft Hearts***

“Hard Minds” refers to the financial performance of an organization.

When short-term profits are over-emphasised, a company’s long-term competitive position can be sacrificed. Hard-Minded values are tried to goals that are unambiguous and quantifiable.

Soft hearted values, are tried to higher-order ideals that effects employees (treating them with dignity), customers (treating them with fairness) and society (making a social contribution). Soft hearts act as a counterweight to tangible financial goals.

Skills:***Maximize versus “Meta-Mise”***

Pascale uses the terms “maximize” and “meta-mise” to describe a company’s decision to decide whether it should be getting better at what it is already good at or whether it should be looking toward higher order capabilities that are beyond the old.

Meaning of organization design

The term 'organizational design' refers to how various parts of the organization and the district elements are brought together to make it. It considers both, how these elements match together and ways in which they may be analyzed and improves.

The design aspects broadly include how the organization is structured, the types and numbers of jobs, and the processes and procedures used to:

- Make decision;
- Produce results;
- Manage quality;
- Communicate information;
- Plan, develop and manage resources;
- Innovate and handle crisis (Cushway and Lodge, 2002).

Purpose of the Organization Design

- To support the organization's strategy, goals and objectives;
- To arrange resources in the most efficient and effective way;
- To provide effective division of tasks and accountabilities among individuals and groups;
- To ensure effective co-ordination of the organization's activities and clarify the decision-making process;
- To enhance lines of communication up, down and across the organization;
- To permit for the effective monitoring and review of the organization's activities;
- To develop with mechanisms for coping with change the internal and external environments;
- To aid the handling of crises and problems;
- To help to motivate, manage and give job satisfaction to individual members of the organization; and
- To provide for management succession

Principles of good Organizational Design

- The various parts of the structure should be divided into specialist areas. These specialist areas need to be interlinked.
- The number of levels in the structure should be as few as possible.
- Clearly defined Reporting positions and authority.
- Every post in the structure should have a clear role and add value to the way the organization functions.

Basically, there are two theories of organization design: universalistic & contingency theories. The universalistic theory assumes that there is “one best way” to organize. It means the maximum organizational performance comes from the maximum level of a structural variable, e.g various specialization/specialist.

Contingency theory differs from all such universalistic theories in that it sees maximum performance as resulting from adopting (not the maximum) the appropriate level of the structural variable that fits the contingency. Therefore, the optimal structural level is seldom the maximum, and which level is optimal is dependent upon the level of the contingency variable.

KEY FACTORS AFFECTING ORGANIZATION DESIGN

Primary factors that often affect organization design are: size, environment, strategy, and technology.

Factors in organization Design Decisions

I. Size and Organization Design

Size is a main contingency factor affects several aspects of structure.

Size as a key structural variable is subject to two schools of thought. The first approach, often called the “*bigger is better*” model. In effect, bigger is said to be more efficient. The second approach i.e. “small is beautiful”. Large and impersonal organizations are said to trigger apathy and alienation, with resulting problems such as turnover and absenteeism.

Recent research hints that when designing their organizations, managers should stick to a middle ground between “bigger is better” and “small is beautiful” because both models have been oversold.

II. Environment and Organizational Design

The environment of an organization may be defined as general or specific. The general environment is the set of cultural, economic, legal-political, and societal conditions within the areas in which the organization operates. The specific environment constitutes its employers, suppliers, contracting agencies, and private sector(competitors) with which an organization must interact to grow and survive.

III. Strategy and Organization Design

Organizational strategy refers to the way the organization positions itself in its setting in relation to its stakeholders, looking to organization’s resources, capabilities, and mission. Basically two types of strategies are popular at present: *Generic and Competence- based strategies*.

IV. Technology and Organization Design

Two important technological contingencies that influence the type of organizational structure are the *variety* and *analyzability* of work activities. *Variety* refers to the number of exceptions to standard procedure but can occur in the team or work unit. *Analyzability* refers to the extent that the transformation of input resources to outputs can be reduced to a series of standardized steps.

Organizational effectiveness:

The actual effectiveness of a specific organization is determined by the degree to which it realizes its goals.

Organizational effectiveness can have a broad meaning that includes efficiency, profitability, employee satisfaction, innovation rate, or patient well-being. Organization effectiveness can be defined as the ability of the organization to attain the goals set by itself, or by its ability to function well as a system, or by its ability to satisfy its stakeholders & clients.

Fortune magazine applies the following eight effectiveness criteria:

1. Quality of management.
2. Quality of products/services.
3. Innovativeness.
4. Long-term value.
5. Financial soundness.
6. Ability to attract, develop, and keep talented people.
7. Responsibility to the community and the environment.
8. Wise use of corporate assets.

Goal accomplishment: Goal accomplishment is the most widely used effectiveness criterion for organizations.

Resource acquisition: This second related to inputs rather than outputs. An organization is deemed effective in this regard if it acquires necessary factors of production such as raw materials, labor, capital, and managerial and technical expertise.

Internal Processes: Some refer to this third effectiveness criterion as the “healthy systems” approach. An organization is said to be a healthy system if information flows smoothly and if employee loyalty, commitment, job satisfaction, and trust prevails. Healthy systems, from a behavioral standpoint, tend to have a minimum of dysfunctional conflict and destructive political maneuvering.

Strategic Constituencies Satisfaction: Organizations both depend on people and affect the lives of people. Satisfaction of key interested parties to be an important criterion of organizational effectiveness. A strategic constituency is “any group of individuals who have some stake in the organization-for example, resource providers, users of the organization’s products or services, procedures of the organization’s output, groups

whose cooperation is essential for the organization's survival, or those whose lives are significantly affected by the organization" (Cameron. 1980).