

Chapter 5

Enterprise Organization

Learning objectives

- Basic concepts and principles of organization.
- Organizational structure of the governance system and types of organizational structures of enterprises.
- Implement authority in enterprise.
- Innovation of the corporate governance organization.

1. Basic concepts and principles of organization

What is an organization?

- Philosophy defines organization, as follows:

“Organization, broadly speaking, is the existing structure of things. Things cannot exist without a certain form of connection between the elements of content. Organization is therefore a property of the things themselves.”

- According to Chester I. Barnard,

“An organization is a system of activities or efforts of two or more people that are consciously combined.”

What is an organization? (Cont.)

- Organization work is the determination of the functions, tasks, and powers of each person, each department, and the relationship between them in the working process.
- Individuals and departments can coordinate with each other to realize the organization's strategic goals.

The importance of organizational work

- Every decision, every plan, and every leadership and control process will not become a reality or be effective without knowing how to scientifically organize its implementation.
- If it does not know how to organize work scientifically, it can ruin work, waste resources, lose opportunities, and weaken an organization.
- With the function of creating a structural framework and human resources for the process of plan implementation, organizational work has a particularly important meaning, largely determining the success or failure of the organization.

Content of organizational work

- Organizational work includes the following main contents.
 - ❖ Building and perfecting the apparatus and management structure includes dividing the enterprise into different departments and determining tasks for each department.
 - ❖ Linking the activities of individuals, departments, and fields of operation into a unified whole to achieve the proposed management goals.
 - ❖ Design the work implementation process, making the built management structure can be operational in practice through the development of internal cooperation rules and regulations.
 - ❖ Build a team of administrators who are good at expertise, enthusiastic, and responsible in their work, unite, and help each other to complete assigned tasks.

Objectives of organizational work

- The goal of the organizational function is to create a favorable internal environment for each individual and each department to promote their abilities and enthusiasm with the best contribution to achieve the overall goals of the organization.
- Specific organizational goals include:
 - ❖ Build a compact and effective management apparatus.
 - ❖ Build a healthy organizational culture.
 - ❖ Detect, correct, and promptly adjust all weak activities in the organization.
 - ❖ Organize scientific work.
 - ❖ Maximize the strength of capital resources in the organization.
 - ❖ Make the organization adapt to all favorable and difficult circumstances internally and externally.

Basic principles of organization

- Principle of command unity
 - It states that subordinates have only one superior. Subordinates have the responsibility to know who commands them and to whom they must report.
- The principle is based on goals
 - The enterprise's apparatus must be consistent with its goals. The main goal is the basis for building the organizational structure of the enterprise.
- Principle of balance
 - Balance between authority and responsibility, balance of work between parts.

Basic principles of organization (Cont.)

- Principle of efficiency
 - The organizational structure must be built on the principle of cost reduction.
- Principle of flexibility
 - The management apparatus must be flexible to promptly respond to changes in the external environment.
 - Administrators must be flexible in operations to make decisions in response to the organization's changes.

2. Organizational structure of the governance system and types of organizational structures of enterprises

Organizational structure of the governance system

- Organizational structure (or structure) is how parts of an organization are arranged in a relationship to each other.
- In human society, there have been major types of governance organizational structures.
 - ❖ Online structure.
 - ❖ Functional structure.
 - ❖ Product structure.
 - ❖ Geographical structure
 - ❖ Matrix structure.

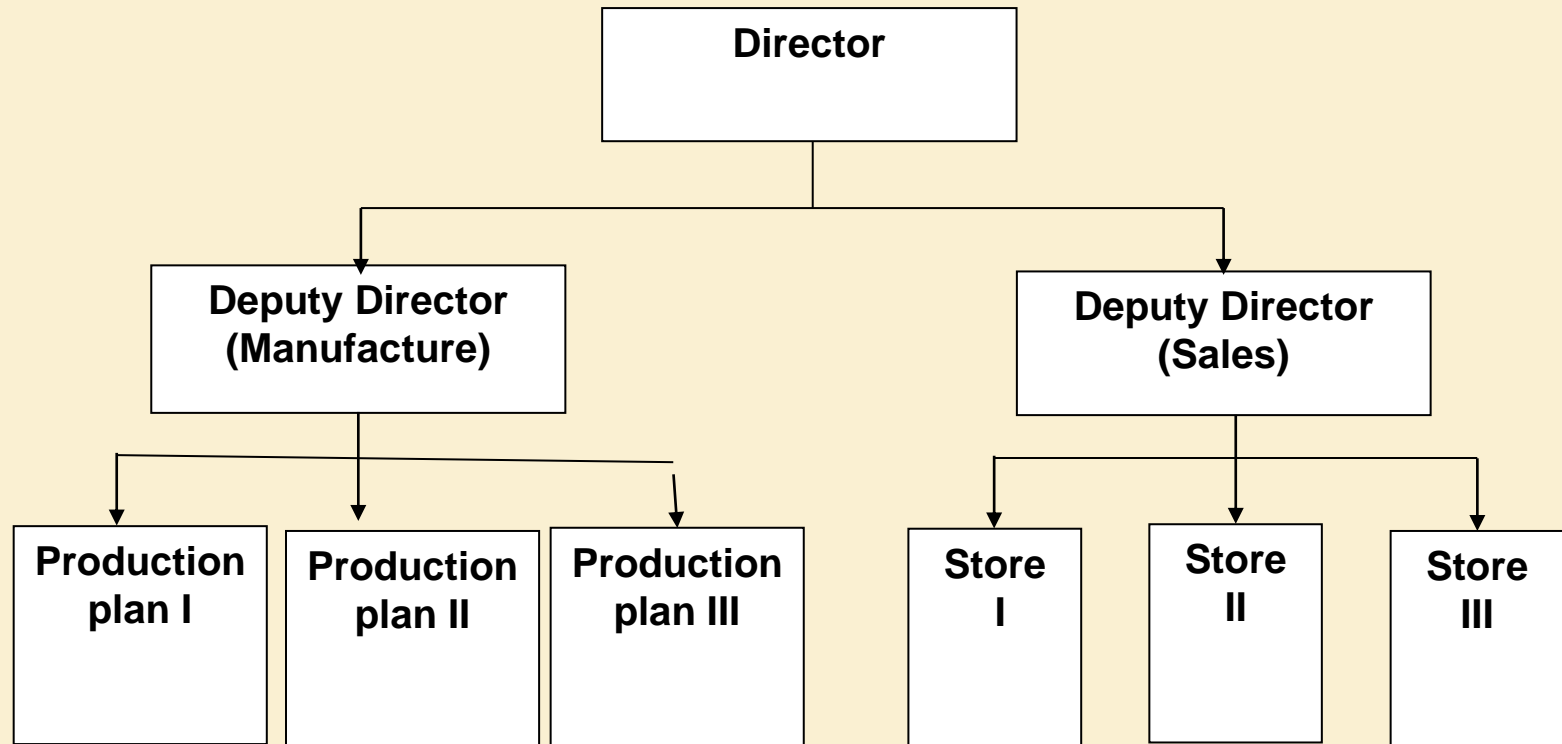
Organizational structure of the governance system (Cont.)

- An organizational structure of governance needs to meet the following criteria.
 - ❖ Ensure optimization.
 - ❖ Meet the principle of flexibility.
 - ❖ Relative stability.
 - ❖ High reliability.
 - ❖ Economical.

Types of organizational structures of enterprises

- ***Online structure***

- The diagram illustrates the organizational structure in an online style.



Types of organizational structures of enterprises (Cont.)

- ***Online structure***

- ❖ ***Advantages***

- Decisions are made and implemented quickly and promptly.
 - Implement well the principle of command unity.
 - The organizational structure is simple, compact, and flexible.

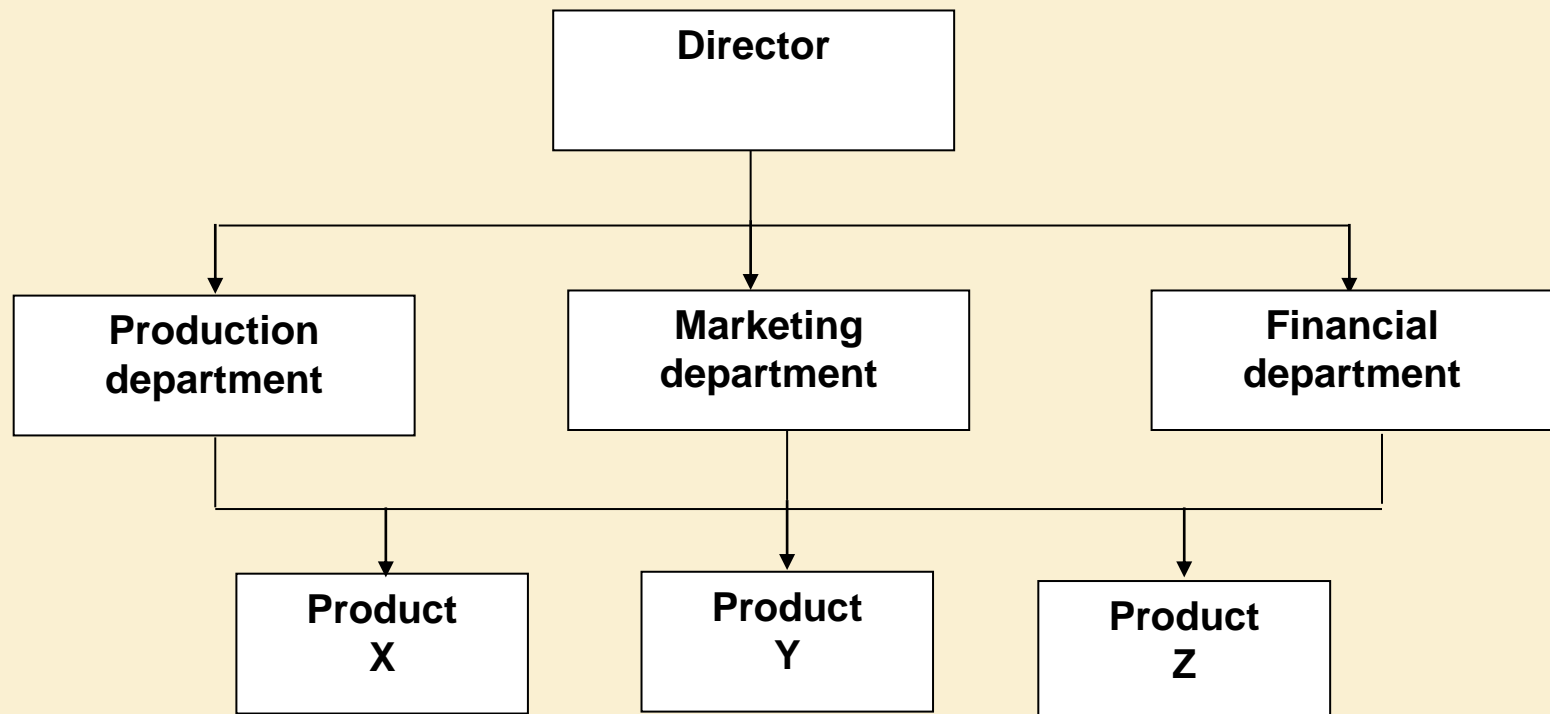
- ❖ ***Disadvantages***

- Easily leads to authoritarian and bureaucratic situations.
 - Work is easily congested.
 - Requires managers to have comprehensive abilities in all aspects.
 - Not receiving positive comments from intermediate departments.
 - Can only be suitable for small-scale businesses with a small amount of management work.

Types of organizational structures of enterprises (Cont.)

- ***Functional structure***

- The diagram illustrates the organizational structure in a functional style.



Types of organizational structures of enterprises (Cont.)

- ***Functional structure***

- ❖ ***Advantages***

- Overcome the disadvantages of the online structure.
 - Promoting the strength and ability of staff according to each function.
 - Promote specialization of skills and workmanship.
 - Reduce costs and shorten training time.
 - Increase cooperation between departments.

Types of organizational structures of enterprises (Cont.)

- ***Functional structure***

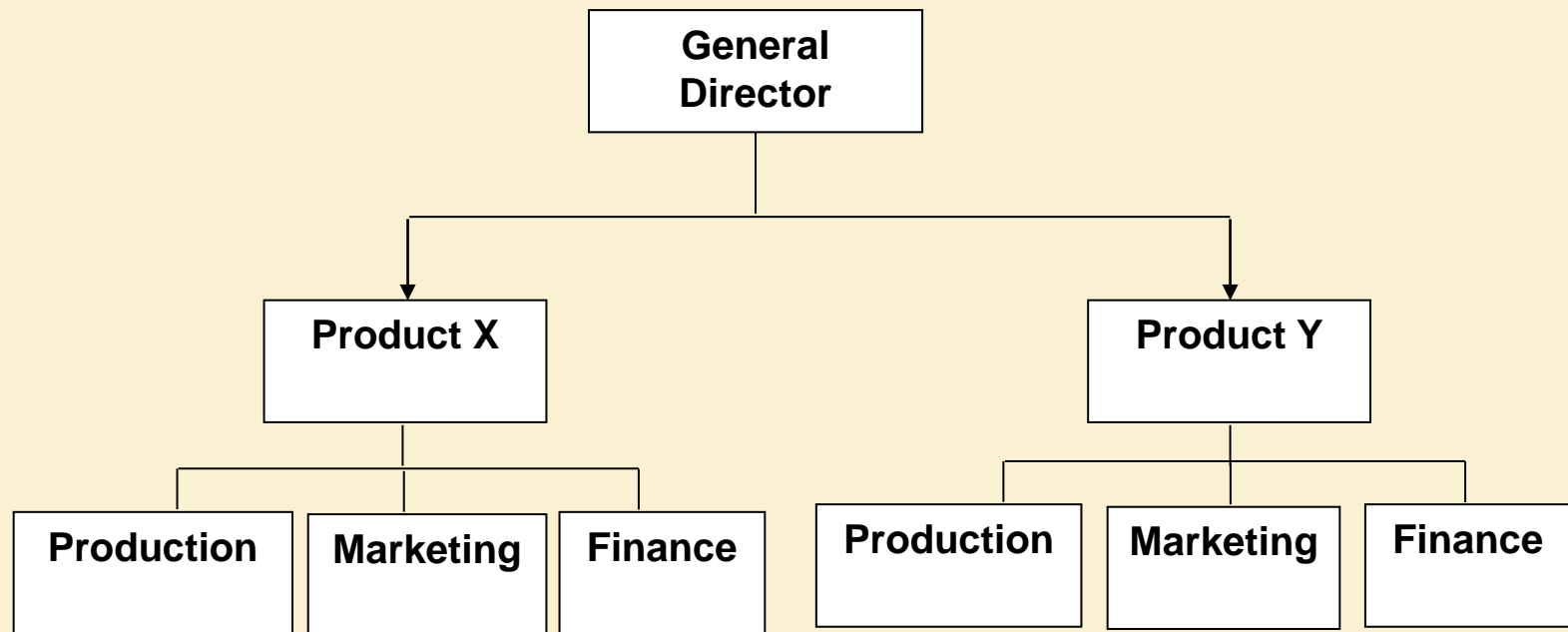
- ❖ ***Disadvantages***

- Overlapping functions and tasks between individuals and departments can easily occur.
- Decisions are sometimes made slowly.
- Coordination between leaders and functional departments faces many difficulties.
- It is difficult to determine responsibility and often blame each other.

Types of organizational structures of enterprises (Cont.)

- ***Product or service structure***

- The diagram illustrates the organizational structure in a product or service style.



Types of organizational structures of enterprises (Cont.)

- ***Product or service structure***

- ❖ ***Advantages***

- Adapt to rapid changes in product or service needs and environment.
- Encourage interest in customer needs.
- Improve coordination of functional activities.
- Clearly define responsibilities.
- Develop management thinking skills within the product scope.

Types of organizational structures of enterprises (Cont.)

- ***Product or service structure***

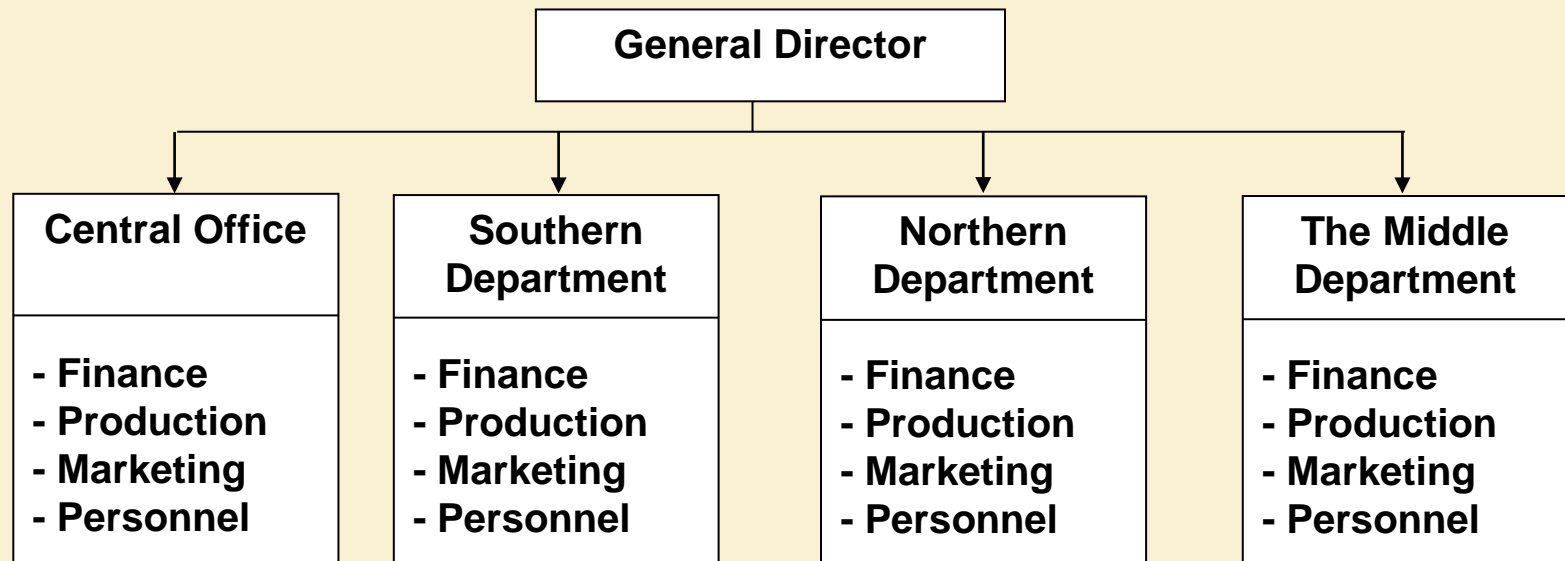
- ❖ ***Disadvantages***

- Do not promote close cooperation between product/service lines within the organization.
 - Limit output within the scope of a single product or service.
 - Limit the ability to transfer employees outside the product line they serve.

Types of organizational structures of enterprises (Cont.)

- ***Geographical structure***

- The diagram illustrates the organizational structure in a geographical style.



Types of organizational structures of enterprises (Cont.)

- ***Geographical structure***

- ❖ ***Advantages***

- Based on local sources of raw materials, labor, etc. used for production, they allow for saving time and costs.
- Administrators can develop professional skills to solve professional and practical issues.
- Enterprises better understand customers in each region.

Types of organizational structures of enterprises (Cont.)

- ***Geographical structure***

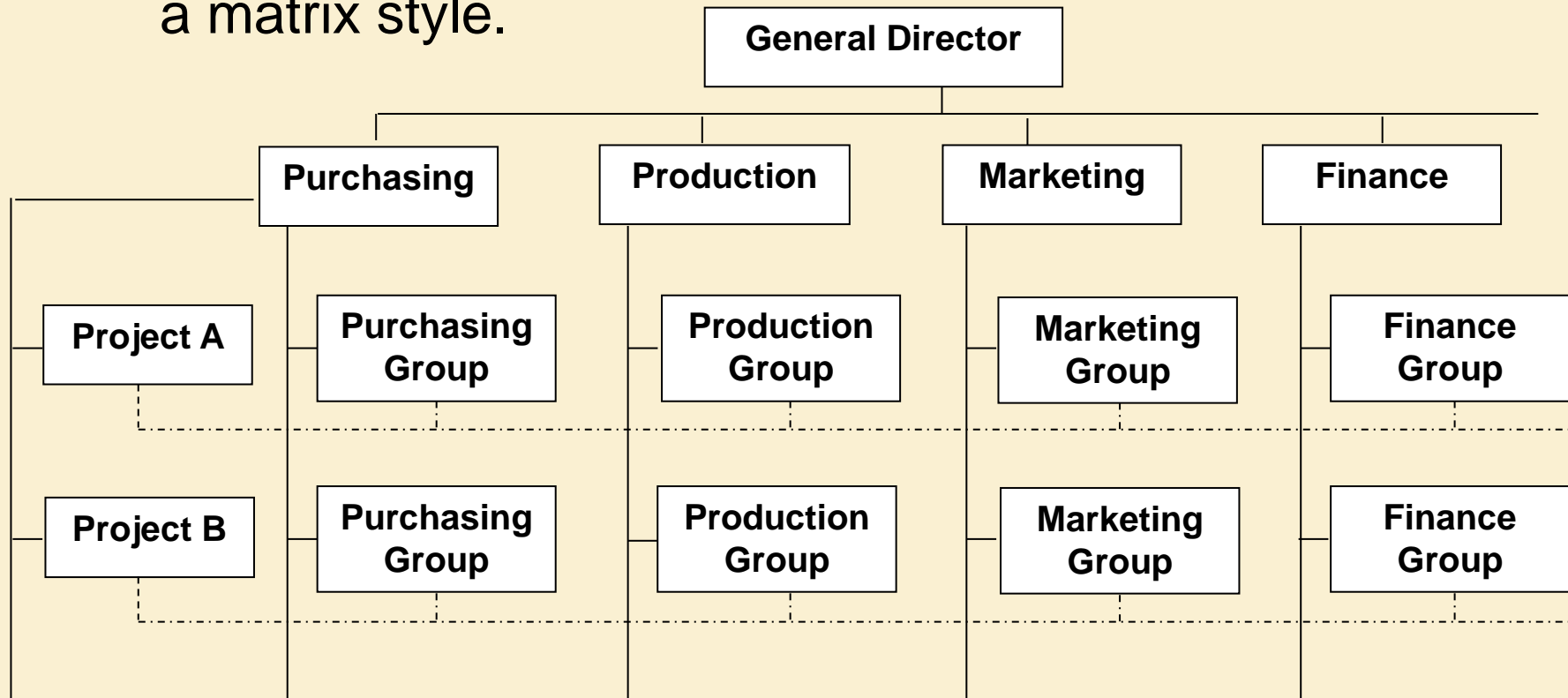
- ❖ ***Disadvantages***

- The organizational structure becomes cumbersome.
- It is easy for conflicts to occur between the goals of each regional office and the overall goals of the organization.
- The organization must point out many rules and regulations to coordinate and ensure unity among regional departments.
- This organizational structure does not encourage employees to develop knowledge to solve issues in other regions.

Types of organizational structures of enterprises (Cont.)

- ***Matrix structure***

- The diagram illustrates the organizational structure in a matrix style.



Types of organizational structures of enterprises (Cont.)

- ***Matrix structure***

- ❖ ***Advantages***

- Combine the capabilities of many administrators and experts.
 - Create administrators who can adapt to different areas of administration.
 - Concentrate resources on key stages.
 - Allows implementing multiple projects at the same time and producing many different types of products.
 - The formation and dissolution are easy and quick; Low cost, effective use of human resources.

Types of organizational structures of enterprises (Cont.)

- ***Matrix structure***

- ❖ ***Disadvantages***

- There is a conflict of authority within the organization.
 - This structure requires administrators to have great influence.
 - The scope of the application is limited because it requires a certain level of proficiency.
 - The power and responsibilities of administrators can overlap, so it is easy to create conflicts and gaps in efforts between individuals and parts.

Types of organizational structures of enterprises (Cont.)

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3. Implement authority in enterprise

What is authority?

- Authority is a social category, that expresses the relationship between people. Authority is a compound category, created from two categories "Rights" and "Force".
 - ❖ **Rights** are a social category in which people realize that their certain needs must be fulfilled in recognition of others. Recognition can be legislated in the form of legal documents or recognized by society in the form of ethical norms.
 - ❖ **Force** is an inherent attribute of things and phenomena, but it is expressed and revealed in interactions with others in the ability to cause change or keep things unchanged. Force exists in natural objects and phenomena and in each human being.

Elements and principles of using authority in enterprise

- ***Elements of authority***

- ❖ ***Position power (brought about by position)***

- Authority is officially defined by the organizational system.
 - The right controls all areas of the organization.
 - The right makes reward and punishment.
 - The right controls and distributes information.
 - The right controls the organization's work environment.

Elements and principles of using authority in enterprise (Cont.)

- ***Elements of authority***

- ❖ ***Personal power***

- Due to personal experience.
 - Due to communication and acquaintance.
 - Due to your reputation and personal qualities.

- ❖ ***Political power***

- Control the decision-making process.
 - The right associates between individuals and other organizations.
 - Power institutionalizes regulations and decisions.
 - The right of cooperation and alliance.

Elements and principles of using authority in enterprise (Cont.)

- ***Principles of using authority***

- ❖ Authority itself often contains the resistance negation.
- ❖ Power can only be used effectively when it is consistent with the leader's style and leadership purpose.
- ❖ Perception of power base influences personal empowerment.
- ❖ Power has no limits.
- ❖ Power is expressed in action and the leader is the one who acts.
- ❖ A person who can influence others and control many work directions to achieve results will have many followers, and that's the leader.

Influence strategies to empower leaders

- ***The goal of influence***

- ❖ Get help; Delegate work to others; Complete the task; Create change.

- ***The result of influence***

- ❖ *Active and enthusiastic participation*: people agree to the subject's required activities and are willing to actively participate.
- ❖ *Obedience*: people carry out the subject's requests but do not agree with the subject about what to do; Perform tasks with indifference rather than enthusiasm.
- ❖ *Resistance*: people do not perform but resist the subject's requests, manifested as boredom, sadness, dissatisfaction, and strike.

Influence strategies to empower leaders (Cont.)

- ***Influence strategy***

- ❖ *Friendly strategy*: Create sympathy for others so that they will well think of us.
- ❖ *Negotiation strategy*: Negotiate to resolve problems based on "win-win" benefits.
- ❖ *Reason-giving strategy*: Provide information, evidence, etc. to justify and convince your opinion.
- ❖ *Assertive strategy*: Make bold decisions when faced with difficulties.
- ❖ *Strategy for consulting superiors*: Acknowledge and ask for opinions from subordinates.
- ❖ *Alliance strategy*: Using others to create prestige for yourself.
- ❖ *Punishment strategy*: withdraw privilege and powers of some subjects in case of necessity.

4. Innovation of the corporate governance organization

Innovation of the corporate governance organization

- Innovation is the improvement and implementation of an invention to have a usable technique or product.
- Innovation is an important tool to improve market performance, for example, by reducing costs, improving quality, and increasing growth.
- Business innovation is the use of knowledge to introduce new products and services to the market to satisfy customer needs.

Innovation of the corporate governance organization (Cont.)

- ***Cause of innovation***

- ❖ *Macro environment*: it can be factors of economic, political, legal, social culture, natural conditions, scientific, and technological factors, etc.
- ❖ *Industry environment*: it can be competition, substitute products, customer pressure, supplier pressure, and the threat of potential competitors.
- ❖ *Internal environment*: Resources and activities in the enterprise's value chain.

Innovation of the corporate governance organization (Cont.)

- ***Innovative content***

- ❖ Innovate business strategy.
- ❖ Technological innovation.
- ❖ Innovate and improve existing products.
- ❖ Innovate marketing activities and markets.
- ❖ Improve and innovate existing production processes.
- ❖ In addition, enterprises can also carry out other innovations, such as management innovation and value chain activities.

Innovation of the corporate governance organization (Cont.)

- ***Conditions for successful enterprise innovation***
 - ❖ Enterprises need to have the determination and support for innovation from top leaders in the enterprise.
 - ❖ Develop specific policies and regimes to encourage and evaluate the innovation process.
 - ❖ Get clear vision.
 - ❖ Ensure minimum physical and human factors to carry out innovation.
 - ❖ Build an appropriate and effective management information system.
 - ❖ Relevant conditions outside the enterprise, such as Law, response to innovation from relevant partners, and other external conditions.

In conclusion

- Basic concepts and principles of organization.
- Organizational structure of the governance system and types of organizational structures of enterprises.
- Implement authority in enterprise.
- Innovation of the corporate governance organization.

Understand



**THANK YOU
FOR YOUR ATTENTION**

Q&A