

TU-A1300

Introduction to Industrial Engineering and Management

Week 3 Pre-lecture Reading

How Does One Become a Part of a Value Chain?

A crucial part of industrial engineering and management in organizations. Organization means a particular social order, which seeks to manage people's collective efforts toward specific goals that produce value. As its name implies, organizations' mission is to organize people's activities. Organizing means among other things to divide and structure work, tasks, responsibilities to achieve objectives. Organizational research examines the structural and interpersonal phenomena through which people become part of economic activity. Organizations vary greatly in size and objectives. A small start-up, a family global conglomerates, nations, religious communities are all organizations-. Simply put, an organization collects resources from its environment and transforms them into products back into its environment. These products generate value when they are more valuable than the sum of the resources and the transformation process that made them. This value can be material or intangible, such as providing comfort or learning.

One way to think of organizations is to divide its elements into two parts. On the one hand, there are structural factors: how the organization distributes work and tasks and how work is coordinated. The structure deals with the form of the organization, the division of tasks and the formation of authority and hierarchy: rules, regulations and routines. On the other hand, the organization has a cultural side: The human side of organizations deals with people's values, assumptions and behaviors, as well as people-to-people interaction, communication and collaboration.

The structure of an organization brings to mind various diagrams of boxes and lines that represent its formal structure. Different forms of organizations include:

- A functional organization, where employees work in departments built around particular skills, e.g. sales and marketing.
- A process organization, where the organization is divided into processes under the responsibility of the process manager
- A matrix organization, where a cross-sectional process is built into a functional organization
- A networked organization where the organization acts as a kind of intermediary between other independent organizations that provide its services to it

Each form of organization has its own strengths and weaknesses. A good and effective organization form depends on, among other things, the purpose, resources, and operating environment of the organization.

The structural side of an organization also include issues related to work coordination. Work coordination refers to the mechanisms by which people's activities are coordinated to achieve organizational goals. Traditional coordination mechanisms include direct control, a hierarchical structure with clear reporting chains, standardization of resources and products, and setting and enforcing rules and practices. As tasks get more demanding, organizations'

environment changes faster, and organizational boundaries become more fluid, new ways of coordination, which give room for creativity and quicker response, become prominent. Sharing of information, effective and fast communication between different actors and utilization of different IT systems are essential tools of coordination.

Organizational culture refers to the values, beliefs, habits, and practices that people working in a particular organization share with one another. This also often refers to the atmosphere in the organization. The culture changes relatively slowly as it is passed from old employees to new ones

Motivation examines how people's goal-oriented activities are directed and sustained. One key challenge for an organization is how to get a multitude of people to work towards the same goal? Individual goals and aspirations are not always fully in line with the organization's goals. This issue becomes relevant when for example planning rewards for organizations. On the one hand, there is external motivation, which can be fed by various rewards and, for example, with promotions. On the other hand, people have an intrinsic motivation that increases when one does things that are meaningful. Intrinsic motivation can be nurtured by building an environment where the employees have trust and psychological security, and opportunities to personalize one's job description.

Communication looks at interactions between persons. Understandable, effective, and adequate communication is important, but notoriously complex, part of organizations workings. According to Osmo A. Wiio, a famous Finnish communication professor, the first rule of communication is that "Communication usually fails, except by coincidence". The basic level of communication deals with how people exchange information through spoken or written words, symbols, or actions to reach a common understanding. In today's society, both relevant and unnecessary information is constantly increasing. Different IT systems allow the management of huge amounts of data. At the same time, the cultural and linguistic background of the employees of the organizations is diversifying. This makes efficient, understandable and well-timed communication both more difficult and more important. Management and leadership in organizations can be viewed through several key concepts.

Management usually refers to controlling and planning: it aims at efficiency and predictability. Roughly speaking, management includes the structural aspects of an organization e.g. organizing people, work planning, resource management and coordination. Insufficient management leads to inefficiency and disorder in organizations. On the other hand, leadership is directing people-to-people activities. It is about influencing people, setting common goals and taking actions to achieve them. Creating a vision, stimulating people's enthusiasm and motivation, and supporting development and learning is a part of leadership.

Leadership, in this text, in particular, is related to the human aspect of organization: how can people's collective action be directed toward achieving common goals. Poor leadership leads to waste and the loss of ability to change an organization.

Organizations are tools for directing people's collective action toward shared,

value-producing goals. Its structural elements refer to the division of labour, coordination of tasks and the form of the organization and its rules. The human side of an organization includes cooperation, interaction, communication, and understanding the basic nature of the human mind. Management and leadership are ways to structure different aspects of an organization. In a well-functioning organization, through good management and leadership, people become part of a value chain.