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HOW IS BORN THE ORGANIZATIONAL PROBLEM

The organization is born as a result of the division of labor that creates specialized activities.

In the second half of the Eighteenth Century, with the first Industrial Revolution, the principles of division of labor and specialization are applied in extended measurement to manufacturing supplanting the shapes craft.
At the beginning of the Twentieth Century, the scientific organization of labor (Taylor), gave rise to a second industrial revolution with the birth of mass production.

The specialized activities allow you to access:

- **Economies of specialization, permitted by machines and production units dedicated;**

- **Economies of learning, as the operator, by limiting its cognitive orientation to a small range of operations manages to learn more quickly through the repetition;**

- **Economies of scale production, since the specialized installations may take significant dimensions and such to achieve lower unit costs, thanks to the distribution of fixed costs on a higher production.**

The specialized activities must be reduced through the coordination to the unit, which was broken by the division of work.

More widespread the specialization, more important and complex the role of coordination.

In this perspective, the coordination is the essence of the organization and the various organizational solutions differ in how the realize the coordination.

The first form of coordination is represented by the market.

The invisible hand of the market, through the PRICE MECHANISM, coordinates the activities of many individual specialized producers.

The market in this perspective, it is the more efficient structure of coordination because it operates with a single information: the PRICE.

At the other extreme we find the HIERARCHY, in which the visible hand of management that coordinates and returns to the unit the specialized activities collected in the internal organization.

Between the two extremes, the market and internal organization, we find a myriad of hybrid forms that combine in different degrees the two ideal forms.

The specialized activities are carried out by persons with goals that can be different and even conflicting versus the organization. Organizations are systems of coordinated actions between persons and groups with preferences, information, expertise and interests different.

The problem that must resolve the organization and how to make the delicate conflict transformation in cooperation, the mobilization of resources and coordination of efforts that facilitate the survival of both the organization and of its members.

The organization, as the coordination of specialized activities, is assumed that goals, knowledge and technology are well defined and that the problem you are trying to solve is how to distribute the tasks in the most efficient and effective manner, the answer lies in the structure.

But if the organized activity must generate strategies, produce knowledge and technology, it passes by a learning for repetition to a learning for exploration based on activities centered on the totality of human capacity that can hardly be subrogated to a structure.

Coordination activities still needed, but takes different forms since, having to deal with the risk and uncertainty.
Different is the role of the organization that goes from prescriptive and procedural to a role activator of experimentation and exploration, having to generate variety and innovation, not only uniformity of behavior and minimizing costs.

This leads to the difference between the choice of what to make and how to produce.

STRATEGY AND STRUCTURE

The choice of what produce is traditionally a competence of the strategy.
The choice of how to produce is a competence of the organizational structure.

This division of responsibilities has generated the paradigm strategy - structure (Chandler 1963), which postulates a linear relation: before is defined the strategy, after will be built the most suitable structure to implement the organizational problem.

The organizational problem is completely closed within the structure.

In the presence of a complex and variable environment, a linear approach is no longer feasible.

Strategy and structure influence on each other, and both are subject to the influences of the environment.

The structure conforms to the strategy, which in turn is influenced by the structure in a circular process.

The strategy of tomorrow will be the product of the current structure that has transposed and rearranged the stimuli from the environment we talk then of interdependent approach.

The organization is a system that learns and turns through the action of a plurality of parties that interact with the external changes.
The shaped structure on the company - environment has the ability to evolve and differentiate under the thrust of a plurality of individual and collective subjects.

The idea of strategy presupposes the freedom of the one who decides, in the case of the linear approach, this freedom is recognized only one actor, together with the ability to implement the decision.

In the interdependent approach it is in some way bounded by interdependence, which normally undergoes and only rarely manages the strategy is measured with the ability to create alternatives that generate value through the combination of elements that allow you to dominate and exploit, rather than undergoing, the environmental complexity.

The approach that it follows is then qualified as evolutionary.

The relationship between strategy and structure changes from circular to contextual.

In this approach, in addition to the environment, include the strategies of the actors and the structures that govern the relationships between the actors.

What is an Organization?

DEFINITION OF ORGANIZATION

Organizations are social entities that are goal directed, with deliberately structured activity systems, and with a link to the external environment.

Importance of Organizations

- **Organizations create value for owners, customers, and employees by their activities.**

- **Bring together resources to achieved desired goals and outcomes**

- **Organizations produce goods and services efficiently**

- **Use innovative techniques and modern manufacturing technology, for competitive pricing**

- **Facilitate innovation**

- **Adapt to and influence a changing environment**

- **Accommodate ongoing challenges of diversity, ethics, and the motivation and coordination of employees**

ORGANIZATIONS AS OPEN SYSTEMS

AN OPEN SYSTEM IS:

- **A set of interacting elements that acquires inputs from the environment, transforms them and discharges outputs to the outside environment**
- **Composed of multiple subsystems that perform specific functions required for the survival of the organization**
- **Open systems must interact with the environment to survive.**
- **Managers realize they must pay close attention to what is going on with their customers, suppliers, and competitors.**
- **Subsystems perform functions such as production, boundary spanning, maintenance, adaptation, and management.**

Dimensions of Organization Design

The first step for understanding organizations is to look at dimensions that describe specific organizational design traits.

- **Structural dimensions provide labels to describe an organization's internal characteristics.**
- **Contextual dimensions characterize the whole organization and describe the organizational setting.**

To understand and evaluate the organizations is necessary to consider both dimensions.

STRUCTURAL DIMENSIONS

The structural dimensions provide labels to describe the internal characteristics of an organization; they create a basis for measuring and comparing the organizations.

1. **FORMALIZATION:**
   Formalization pertains to the amount of written documentation in the organization.
   Documentation includes procedures, job descriptions, regulations and policy manuals.
   These written documents describe behavior and activities.
   Formalization is often measured by simply counting the number of pages of documentation within the organization

2. **SPECIALIZATION:**
   Specialization is the degree to which organizational tasks are subdivided into separate jobs.
   If specialization is extensive, each employee performs only a narrow range of tasks.
   Specialization is sometimes referred to as the division of labor.

3. **HIERARCHY of AUTHORITY:**
   Hierarchy of authority describes who reports to whom and the span of control.
   The hierarchy is depicted by the vertical lines on an organization chart.
   The hierarchy is related to the span of control (the number of employees reporting to the supervisor).

4. **CENTRALIZATION:**

Centralization refers to the hierarchical level that has authority to make a decision.

When decision making is kept at the top level, the organization is centralized.

When decisions are delegated to lower organizational levels, it is decentralized.

5. **PROFESSIONALISM:**

Professionalism is the level of formal education and training of employees. Professionalism is considered high when employees require long periods of training to hold jobs in the organization.

6. **INDICES OF STAFF:**

Refer to the use of persons in the various functions and departments.

Each indicator is obtained by dividing the number of employees for a certain category by the total number of employees of the organization.

CONTEXTUAL DIMENSIONS

The contextual dimensions characterize the entire organization; they describe the organizational environment that influences and shapes the structural dimensions

- **SIZE:**
  Size is the organization's magnitude.
  Because organizations are social systems, seize is typically measured by the number of employees.
  Other measures as total sales or total assets also reflected magnitude but they do not indicated the size of the human part of the system.

- **TECHNOLOGY:**
  Organizational technology refers to the tools, techniques, and actions used to transform inputs into outputs.
  It concerns how the organization actually produces the products or services, it provides for customers and includes such things as flexible manufacturing, advanced information systems, and the Internet.

- **ENVIRONMENT:**
  The environment comprises all the elements outside the boundaries of the organization.
  The key elements include the sector of activity, the public administration, customers, suppliers competitors the labor market and the financial community.

- **GOALS AND STRATEGY:**
  Goals and strategy define the purpose and competitive techniques that set it apart from other organizations.

Goals are often written down as an enduring statement of company intent.

A strategy is the plan of action that describes resource allocation and activities for dealing whit the environment and for reaching the organization's goals. Goals and strategies define the scope of operations and the relationship with employees, customers, and competitors.

- **CULTURE:**
  Culture is the underlying set of key values, beliefs, understandings, and norms shared by employees. These underlying values and norms may pertain to ethical behavior, commitment to employees, efficiency, or customer service, and they provide the glue to hold organization members together.
  An organization's culture is unwritten

PERFORMANCE and EFFECTIVENESS OUTCOMES
The organization must learn to be efficient using the least amount of resources to achieve its goals, as well as effective the degree to which an organization actually achieves its goals.
In doing this, the company must consider its stakeholders who consist of any group within or outside the organization that has a stake in the organization's performance.
Typical stakeholders include employees, customers, creditors, management, government, unions, the community, suppliers, and owners and stockholders.
It is difficult for managers to satisfy multiple stakeholders, so they must establish goals that achieve at least minimal satisfaction for them.

The Evolution of Organization Theory and Design

Organization theory is a way to see and analyze organization more accurately and deeply than one otherwise could.

The way to see and think about organization is based on patterns and regularities in organizational design and behavior.

The organizational design and managerial practices have changed radically over time in response to the changes in society.

Historical Perspectives

Organization design has varied over time in response to societal changes.

The classical perspective, which puts the emphasis on efficiency, is associated with the development of the hierarchy and bureaucracy, remains the basis of management theory today.

- **MAX WEBER (1864 - 1920) is the founder of the Organizational Theory with his studies on the relationship between economy, society and modern capitalism.**

  Bureaucracy was an effective approach for the needs of the Industrial Age.

  Designing and managing organizations on an impersonal, rational basis through such elements as clearly defined authority and responsibility, formal recordkeeping, and uniform application of standard rules. It remained the primary approach to organization design through the 1980s.

- **The SCIENTIFIC MANAGEMENT pioneered by Frederick Taylor (mechanistic-rational approach) postulates that decisions concerning the organization of work should be based on scientific studies.**

  He emphasize that decisions based on the rules of thumb and tradition should be replaced whit precise procedures developed after careful study of individual situations.

  To use this approach, managers develop precise, standard procedures for doing each job, selected workers whit appropriate abilities, train workers in the standard procedures, carefully plan work, and provide wage incentives to increase output.

  Through scientific procedures in 1898, Taylor identified correct movements and tools for loading four times as much iron or steel for the Bethlehem Steel plant.

  The ideas of creating a system for maximum efficiency and organizing work for maximum productivity are deeply embedded in our organizations.

  Scientific Management focused primarily on the technical core on work performed on the shop floor.

- **Administrative principles focused on the total organization based on insights of practitioners.**

  Fayol proposed fourteen principles as management, such as " each subordinate receives orders from only one superior" (unit of command) and "similar activities in an organization should be grouped together under one manager" (unit of direction).

  These principles formed the foundation for modern management practice and organization design."

- **The EXPERIMENTS OF HAWTHORNE (MAYO): ducts in the years '30 from Mayo and his collaborators on the relationship between lighting and productivity.**
  The results of these experiments allowed him to say that a better psychological relationship with workers leads to an increase of motivation and productivity.
  From here began the first studies on industrial psychology and the birth of the movement of human relations that analyze the issues of leadership and motivation.

- **Contingency theory means that one thing depends upon other things, and for organizations to be effective, there must be a fit between the structure and the conditions in the external environment.**
  What works in one setting may not work in another setting.
  There is not one best way to manage, and instead, the correct management approach varies for an Internet firm versus a large processing plant.
  Contingency theory means it depends.
  The correct management approach is contingent on the organization's situation.

- **The LEARNING ORGANIZATION (the organization that learns).**
  Managers and organizations are still conditioned to a large extent from the traditional approach of hierarchical and bureaucratic, but the challenges of the current environment require answers decidedly different.
  In this new environment many managers are redesigning their companies, according to the principles of the organization that learns.
  The Learning Organization promotes the communication and collaboration in such a way that everyone is involved in the identification and solution of these problems, allowing the organization of experience, enhance, and increase its capacity.
  It is based on equality, on the open information, on a low level of hierarchy and a culture that encourages the adaptability and the participation in such a way that the ideas arising from every point of the organization in order to seize the opportunities and manage the crisis.
  The essential value in a Learning Organization is the ability to solve problems

THE MODEL OF MINTZBERG

The organization is formed by five subsystems

1. TECHNICAL CORE:
The technical core includes people who do the basic work of the organization. This part actually produces the product and service output of the organization. This is where the primary transformation from inputs to outputs take place.

2. TECHNICAL SUPPORT:
The technical support function helps adapt the organization to the environment technical support. Employees such as engineers, researches, and information technology professionals scan the environment for problems opportunities and technological development. Technical support is responsible for creating innovations in the technical core, helping the organization change and adapt.

3. SUPPORT STAFF:
The administrative support function is responsible for the smooth operations and upkeep of the organization, including its physical and human elements. This includes human resource activities such as recruiting and hiring, establishing compensation and benefit, employee training and development.

4. TOP MANAGEMENT:

Management is a distinct function responsible for directing and coordinating the other parts of the organization.

Top Management provides direction , planning, strategy, goals, and policies for the entire organization or major divisions.

5. MIDDLED MANAGEMENT:

Middle Management is responsible for implementation and coordination at the department level. In traditional organizations middle managers are responsible for mediating between top management and the technical core, such as implementing rules and passing information up and down the hierarchy.

Mintzberg proposed that the five basic parts of organization could fit together in five basic types of organization, due to the differences in size, goals, and other characteristics of the organization.

1. Entrepreneurial Structure.

The organization with an entrepreneurial structure is typically a new, small start-up company.

It consists mainly of a top manager and workers in the technical core. The organization is managed and coordinated by direct supervision from the top rather than by middle managers or support departments.

The primary goal of the organization is to survive and become established in its industry.

There is little formalization or specialization. This form is suited to a dynamic environment because the simplicity and flexibility enable it to maneuver quickly and compete successfully with larger, less adaptable organizations.

2. *Machine Bureaucracy.*

 The machine bureaucracy is very large, typically mature, and the technical core is often oriented to mass production.

 It has fully elaborated technical and administrative departments, including engineers, market researchers, and financial analysts who scrutinize, routinize, and formalize work in the high-volume production center. The narrow middle management area reflects the tall hierarchy for control. This form reflects extensive formalization and specialization, with a primary goal of efficiency.

 This form is suited to a simple, stable environment.

3. *Professional Bureaucracy.*

 The distinguishing feature of the professional bureaucracy is the size and power of the technical core, which is made up of highly skilled professionals, such as in hospitals, universities, law firms, and consulting firms.

 The technical support staff is small or nonexistent, because professionals make up the bulk of the organization. A large administrative support staff is needed to support the professionals and handle the organization's routine administrative activities.

 The primary goals are quality and effectiveness, and although there is some specialization and formalization, professionals in the technical core have autonomy. Professional organizations typically provide services rather than tangible goods, and they exist in complex environments.

4. *Diversified Form.*

Organizations with a diversified form are mature firms that are extremely large and are subdivided into product or market groups.

There is a relatively small top management and a small technical support group for the top level. There is a larger administrative support staff to handle paperwork to and from the divisions.

The middle management is key.

Each of the independent divisions illustrates a machine bureaucracy with its own technical and administrative support staff, but on occasion a division may resemble the entrepreneurial structure, professional bureaucracy, or even adhocracy.

The diversified form helps to solve the problem of too-large bureaucracy by dividing it into smaller parts.

5. *Adhocracy.*

The adhocracy develops in a complex, rapidly changing environment.

The design goal is frequent innovation and meeting continually changing needs, as in the aerospace and defense industries.

The various parts (middle management, technical, and administrative support) are merged together into an amorphous mass in the middle. The main structure consists of many overlapping teams rather than a vertical hierarchy. Adhocracies are usually young or middle-aged and can grow quite large. The organization has professional employees, and the technical and administrative support staff are part of the mix of ongoing innovation teams and projects rather than being placed in separate departments.

THE ORGANIZATIONAL CHALLENGES

GLOBALIZATION put the different parts of the organization wherever is most convenient

INCREASING COMPETITION and ENVINRONMENTAL COMPLEXITY

ETHICS and SOCIAL RESPONSIBILITY

RAPIDITY of RESPONSE to changes in the business, organizational crisis and changes in customers' expectations

DIGITIZATION: organizations are pervaded by the information technology

DIVERSITY MANAGEMENT: management of the diversity of the workforce in terms of age, sex, race, nationality, sexual orientation and physical abilities

KNOWLEDGE MANAGEMENT AND INFORMATION

THE ANSWERS OF THE ORGANIZATIONAL DESIGN TO THE CURRENT CHALLENGES

1. **FROM VERTICAL TO HORIZONTAL STRUCTURES :**
   Structure created around flows of horizontal activities processes

2. **FROM ROUTINE TASKS TO THE ENRICHMENT OF ROLES:**
   Continuous processes of redefinition and redeployment of roles

3. **FROM THE SYSTEMS OF FORMAL CONTROL TO THE SHARING OF INFORMATION:**
   Wide and free flow of information within the entire organization

4. **FROM COMPETITIVE STRATEGY TO COLLABORATIVE STRATEGY**
   High level of cooperation within the organization and inter-organizational partnerships also with competitors

5. **FROM RIGID CULTURE TO ADAPTIVE CULTURE:**
   Culture that encourages openness, fairness, continuous improvement and the change