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ORGANIZATION THEORY AND ORGANIZATIONAL DEVELOPMENT

Manual

for students majoring in 29 "International Economic Relations"

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The manual is designed for students studying the discipline "Organization Theory and Organizational Development". The manual examines the most important aspects of organization theory: its subject, tasks, theoretical and methodological foundations of the organization as a system, process, and object of management; the principles and methods of creating an effective organization, organizational design, forming the optimal structure of the organization, ensuring high organizational culture; the features of the application of information-analytical technologies in the organization's activities. It gives students the basics about mechanisms and principles of organizations functioning and provides students with constructive knowledge in the form of certain methods and techniques for finding solutions to specific organizational tasks and improving organizational structure. The manual is equipped with test tasks, questions for preparing for seminar classes and self-monitoring of acquired knowledge, questions for conducting midterm tests and the final test, a list of recommended literature and a short terminological dictionary. By the content the manual corresponds to educational and professional specialists training programs in "Management", "International Economic Relations" and "International Business".

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PREFACE

"Organizational theory and Organizational Development" as an educational discipline is necessary to ensure the quality of special theoretical training of economists and managers and the effectiveness of organizational activity of administrators, both working for the enterprises and institutions of various forms of ownership and spheres of the national economy. Mastery of the basics of organization theory and organizational development allows seeing any problem through the system of organizational relations and finding the way to solve it through organizational and constructive activity.

Organization theory and organizational development is considered through the prism of tasks faced by managers regarding management processes of organization design and work of organizations of a new formation. The discipline "Organization Theory and Organizational Development " includes the following topics, which are covered in the manual: "Subject, methodology, task of organization theory and organizational development"; "The general characteristics of the organization"; "Organization as a system", "Organization as a process", "Theoretical foundations of the organization as an object management", "Organizational design", "The structure of organization as a factor of ensuring its effectiveness", "Organizational culture", "Information and analytical technologies in the organization", "Effectiveness of the organization's: economic and social aspects". Every section besides the texts, which highlight the content, contains questions for self-controll and a list of recommended literature. Content of the discipline caused the following sections to be distinguished: "Basic concepts in organization theory and organizational development", "Organization as a management system, process and object" and "Effective organizations design".

Content and purpose of the manual "Organization Theory and Organizational Development" determine its main goals:

1) forming basic ideas about laws, principles and mechanisms of organizational functioning systems

2) developing skills in studying the activities of modern organizations

3) studying the basics of designing organizations of a new formation and their management in market conditions.

Materials used in the manual include works of Ukrainian and foreign scientists who researched and analyzed organizations and their development in Ukraine and abroad, in particular, works of Professor of management R.L. Daft, Professor, Doctor of economic sciences H.L. Monastyrskyi, Professor G.R. Jones and others. Their research and analysis allows seeing and analyzing relationships, rooting causes of successes and failures of organizations from the point of view of organizational implementation; rationally combining and connecting different elements into integral formations to achieve a certain goal of organizations that now should independently form objectives, develop strategies and tactics for their development, find the necessary materials and labor resources for the implementation of the assigned tasks.

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SECTION 1. BASIC CONCEPTS IN ORGANIZATION THEORY AND ORGANIZATIONAL DEVELOPMENT

Topic 1. Organization theory and organizational development as a branch of management science

Topic 1.1. Organization theory and Organizational Development as a science

In the first decade of the XXI century such fundamental science as organization theory, which stood out as an independent discipline, received an accelerated development. The following tasks have become relevant today: to formulate the scientific foundations of the design of organizational and economic systems and processes; to develop the basic concepts and logic of building a general organizational science in modern conditions; ensure the maximum combination of organizational theory and practice, implementing organizational laws, principles and methods primarily in the real economic activity of domestic enterprises.

1. The subject and tasks of organization theory and organizational development

Organization theory is a theory of organizational relations. *Object of knowledge is usually considered to be what general activity of the researcher is aimed at; the subject of knowledge is parties, properties, relations of the object researched with certain purpose. From a theoretical-cognitive point of view, both the object and the subject of knowledge are single-order phenomena; they refer to the reality that surrounds us and oppose the subject [22].*

The object of organization theory is regulated and self-organizing processes that occur in social organizational systems; a set of organization relations both vertically and horizontally: organization and disorganization, subordination and coordination, arrangement, and coordination, that is, the interaction of people about the organization of joint activities, production of material goods, reproduction of themselves as subjects of societal changes. Also, the object of study is the organizational experience of the reality that surrounds us. Since self-organizing, regulated processes are parts of all complex organizational systems, the **object of organization theory** has a multi-level character as well: from society, its main subsystems to primary ones of entrepreneurial, state, municipal and public organizations.

The **subject of organization theory** is organizational relations, i.e., connections and interactions between various kinds of integral formations and their structural components, as well as processes and actions of organizing and disorganizing orientation.

A variety of types of organizational relations is revealed clearly enough through regulatory mechanisms: conjugations (connection of elements and complexes among themselves); ingression ("entry", formation of connecting intermediate link between heterogeneous links when forming a new integrity); disinheritance ("enter-formation", the formation of a neutralizing, destructive link in the processes of disorganization of some integrity); chain link (unification using common links); selection and choosing, natural regulation measures; biregulation (reverse communication), egression and digression (methods of centralized and skeletal formation of complexes).

The subject of organization theory also includes the basic external methods, categories, concepts that reveal the essence of science, the nature of organizational activity.

Authors of various schools and trends in theory and practice of management approached the selection of the object and the subject of the organization in different ways:

F. Taylor: the object of organization is organization of work, and the subject is work processes, work techniques and movements, as well as work methods.

H. Ford: the object of the organization is the organization of production, and the subject is technological flows, production processes.

Classical school: the object is the organization, and the subject of organization is the structure and functions of management apparatus, regulation of content and work methods.

Theory of human relations and various **behavioral schools**: the object of organization is people, and the subject of research is motives of people's behavior in the organization.

The **main tasks** of cognition include systematization of new experience, understanding the ways of organizing nature and human activity, explanation and generalization of these methods, establishment of trends and patterns of their development.

The **fundamental task of organization theory** is to study the influence that individuals and groups of people have on functioning of the organization, on the changes taking place in it, to ensure effective purposeful activity and obtaining the necessary results. Organization theory is designed to use the achievements and data of several related scientific disciplines (psychology, sociology, and social psychology, anthropology) to solve these tasks.

2. Main categories of organization theory and organizational development

All categories of organization theory can be divided into three relatively independent groups:

1) general categories for most social sciences (society, state, property, market, social activity, human being, person, resources, social institutions, authorities)

2) categories that mainly reflect organizational phenomena and processes occurring in social and socio-economic systems (organizational system, organization, organization structure, mission, the goal of the organization, the leader of the organization, formal and informal organization, organization laws, organization culture)

3) categories revealing the technology of organizational activities and management (rules, procedures, cycles, communications, resolution of contradictions and conflicts, composition, typification, classification).

The presented division of organization theory into categories is conditional. In the process of research of an organization´s problems and in the practice of organizational activity the categories are applied comprehensively, in interaction with one another.

3. The structure and interdisciplinary connections of organization theory and organizational development

As a result of effective integration of organizational laws, methods, and principles a new scientific discipline, "Organization Theory" appeared, necessary for study by students of higher educational institutions majoring in "Management". However, it should be emphasized that organization theory as an independent science is still only at the stage of its formation. Being an interdisciplinary theoretical and applied science, organization theory should constantly be nourished by new scientific research, analysis, and generalization of advanced practical experience in the conditions of dynamic market production of goods and services.

Organizations cannot be the subject of study of only one science — organization theory. They should be considered as a subject of interdisciplinary study because organization theory is based on three main areas of scientific knowledge: mathematical, natural, and social sciences. System of organizational sciences is presented in Fig. 1.1. According to this approach, the starting point in this system is organization theory.

The decisive role in ensuring the viability of the organizations and their achievement of goals belongs to the science of management. The question of distinguishing organization theory and management science in the ongoing research is ambiguously resolved. In some works,

organization theory is considered as an integral part of the science of management. This is motivated by the fact that management is purposeful activity of transferring the object to the desired state cannot be considered separately from the nature and properties of the managed object. In several works on management theory, the main categories, regularities, principles, and typology of organizational systems are formulated, but no distinction is made to which branch of the general theory — to organization or management — the postulate applies.

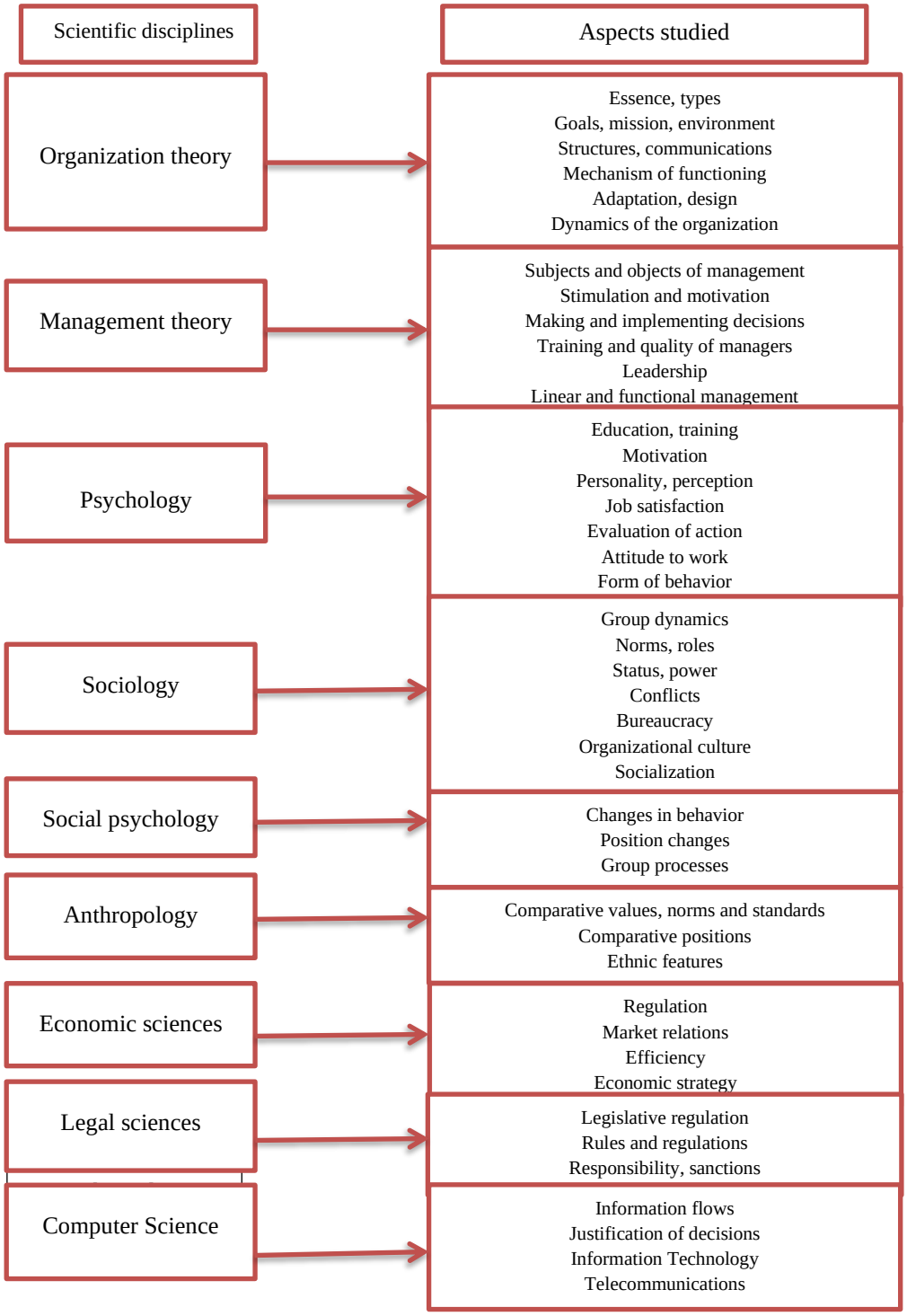


Fig.1.1. System of sciences about organization
Source: [22-25]

There are also many works highlighting the problems of the organization in a relatively independent field of knowledge. The initial position of their authors is that "organization"

answers the question of what to manage, and "management" - why and how to influence the object. Understanding the organization provides a foundation for learning management. Such a position allows deeper and comprehensively research the patterns and principles of building organizations of various types, identify the most appropriate conditions and ways to ensure the effectiveness of individual elements, interrelationships, and interdependencies, consider the peculiarities of each stage of the life cycle of organizations. With this approach, the objectively existing connection and mutual influence of organization and management within the framework of a single process of purposeful activity is preserved.

Complex solutions to the problems of organizations require considering the fact that their elements include objects of a dual nature. On the one hand, they are factors determining the socio-economic structure of organizations (individuals with their abilities, interests and training, social groups, divisions, distribution of powers and responsibilities, informal relations, information flows). On the other hand, these are the elements that determine the production and technical structure of the organization (tools, material resources, technological rules): an enterprise is a complex hierarchical system that unites many functional subsystems (production preparation, main production processes and their infrastructure, technical-economic and operational production planning). For all elements of the enterprise's production system to be united into a single whole, it is necessary to organize it, i.e., to design and ensure the functioning of the integrated system of the enterprise.

It was proposed to attribute organization of production to the group of disciplines on production, although the desired classification of production sciences has not yet been developed or singled out in the general system of scientific knowledge. Many specialists in this field are inclined to attribute the organization of production to borderline technical and economic sciences or to purely economic sciences. Thus, before the development of the above-mentioned classification, it is conditionally assigned to **a group of economic sciences.**

In theory and practice, as a rule, three meanings of the term "organization" (**trinity**) are used, including the concepts (Fig.1.2):

- "organization as an object"
- "organization as a process"
- "organization as influence"

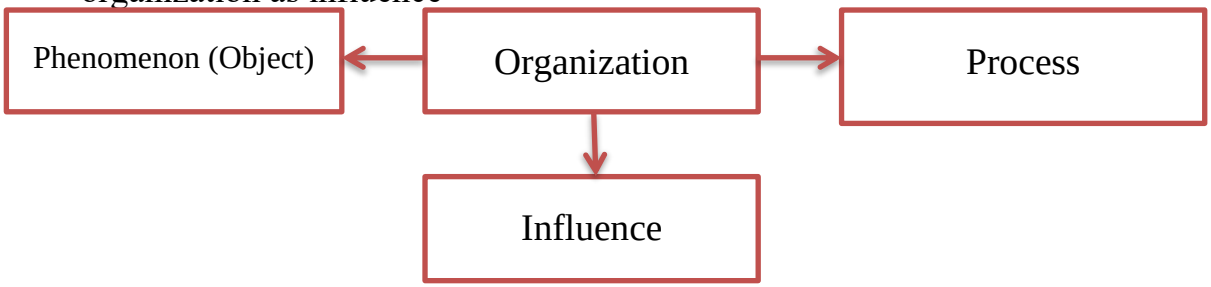


Fig.1.2. The concepts of the trinity of the term "organization"
Source: developed [17; 22]

The concepts of the trinity of the term "organization":

(a) "phenomenon (object)" is an artificial association of people that is an element or part of the social structure and performs certain functions. In this sense, organizations include enterprises, firms, corporations, authorities, banking institutions, public and other organizations, associations, unions, etc.

(b) "process" is a set of measures that ensure the relationship between the elements of the

system in the process of its existence (process approach). This is mainly an activity that includes the distribution ("organizing") of functions and processes.

(c) "influence" is characterized as adjusting the action of any object ("ordering"). The introduction of this concept of organization, in our opinion, is quite logical, although it is rarely noted in the literature.

The concepts of organizational system and team are interrelated, but not identical. The staff is a union of all the employees of the organization who carry out joint labor activities. The connection of the organization as an object with the team can be represented in the form of the following dependence:

Organization = Team + MTB + F + P + I + ...,

where MTB - material and technical base

F – finance

P - production

I - information activity

"+" - symbol of unification of the concept

... - other elements included in the organization.

Why do we need Organization Theory and Organizational Development? In the context of the disciplines studied by future economists, managers, business administrators, the organization can be perceived as something purely related to a specific practical activity. And the practice of the organization, as you know, is extremely diverse and complex. In this regard, the words of the founder of the general organizational science (Tectology), A.Bohdanov, are still very relevant today: "... the very course of life increasingly, insistently and steadily puts forth organizational tasks in a new form - not as specialized and partial, but as integral. "

In the difficult period of formation and development of the market economy in Ukraine, it is especially necessary to generalize the advanced organizational experience accumulated both by humanity as a whole and in our country, as a basis for further successful social and economic development of society. Also, it is important to highlight the continuity of the domestic theory and practice of the organization in the XX-XXI centuries, the significant positive contribution of Ukrainian scientists and industrial workers, who put truly precious "cornerstones" in the "scientific building" of universal knowledge in the field of organization and rejecting the ideological "husk" of the socialist period.

Organization theory actively begins to occupy a leading place among the fundamental scientific disciplines, within the framework of the general system of knowledge and, first, the economic and management block. Organization theory and Organizational Development in this block is presented as a single and complex theoretical basis that forms and ensures a consistent relationship and harmonious development of the entire set of management sciences.

At the same time, the practical implementation of the application of organization theory as a concrete applied guide to action in real economic conditions is relevant today. The obvious significance of the practical implementation of the achievements of organization theory as a toolkit in the construction, structuring and presentation of such *production* disciplines as technology and organization of production and, of course, production (operational) management.

The modern organization theory determines the structure and forms of the complex display of this field of knowledge in the form of a clear system of organizational laws, principles and methods, classifications, and other scientific categories. The theory and practice of organization represent, on the one hand, scientifically based approaches, principles, and methods of organizational activity, and on the other hand, they offer a practical toolkit for this activity in the form of procedures, structures, organizational processes and systems at machine-building

enterprises and other branches of the national economy.

Thus, in all fields of knowledge and types of activity, any object of research (influence), as a rule, is considered and improved first as an organization. Thus, the "universal" worldview role of organization theory in modern science and practical activities of people is emphasized.

However, in our opinion, there are still few publications in the educational and scientific literature in the last direction; not enough scientific research is conducted at the intersection of two management disciplines: organization theory and organizational development and management.

4. Basic methods of organization theory and organizational development

Method (from the Greek methodos *— literally "the way to something") is an orderly activity to achieve a certain goal. Cognitive human activity can be theoretical and practical; therefore, the concept of "method" equally refers to theory, as well as to practice. The scientific method is all about the action of a scientist and is a set of mental or physical operations, carried out during the research. It contains knowledge of procedures for obtaining new knowledge. The basis of the formation of the method is properties, peculiarities, the laws of the studied object, as well as the goal-oriented activity of a scientist who has certain needs and has capabilities and abilities.*

Thus, the scientific method is simultaneously the result of scientific activity of a person, and a means of their further work. The tool of theoretical research of the subject is scientific method.

The **method of organization theory** is a set of theoretical and cognitive and logical principles and categories, as well as scientific (formal-logical, mathematical, statistical, organizational) tools for research of organizational relations system. Organizational science method does not describe the very object and subject of research (organizational experience and system of organizational relations) but indicates to the researcher which and how to use research tools to gain valid knowledge of the subject.

The main methods of organization theory include **inductive, statistical, abstract-analytical, comparative.**

The inductive method is the movement of thought from a single to general, from knowledge of a lesser degree to knowledge of more degree of generalization.

The statistical method includes quantitative accounting of the factors and their frequency of recurrence. Mass research of phenomena of the surrounding world using probability theory methods, groupings, average values, indices, graphical images allow you to establish character and stability of organizational ties of structural elements in various complexes, evaluate their level of organization and disorganization. This method helps to find stable connections and regularities between organizational relations.

The abstract-analytical method allows determining laws of phenomena reflecting connections and constant trends. The means for this is "abstraction", i.e., imagining highlighting the essential properties and connections of the subject, rejection of the partial, which allows discovering the basis of the studied phenomena. In all cases, abstraction is carried out by either deduction of the investigated phenomenon from some integrity, or composition of a generalized picture of the phenomenon under study or replacement of a real empirical phenomenon by an idealized scheme.

The comparative method selects similar organizations as research objects. This method is extremely important for elucidating processes of changes, development, dynamics of the studied phenomenon, uncovering the trends and regularities of the functioning of organizational systems.

The effectiveness of the comparative method in practical organizational activity and scientific

research is determined by the rules developed by many centuries of research experience: (1) we can compare only interconnected, homogeneous and comparative events (facts); (2) not only signs of similarity should be identified in compared events (facts), structures, but also signs of differences; (3) the comparison should be made first for everything, according to such signs of similarity and difference, which have an important, essential meaning. One should compare non-known (substantiated facts) with known (previously established knowledge).

Organizational processes and phenomena have universal character and cannot be described by the methods of one disciplinary science. Therefore, in these conditions, new methods of complex and functional analysis, systemic and historical approaches are especially important.

Approaches to the study of an organization:

Systemic approach considers the organization as a system; studies object integrity, detects multiplicity of types of connections in the object and their generalization.

Complex approach discloses new properties of organizations with the help of study of the object in interdisciplinary context.

Functional approach considers the organization from functional positions; discloses its functional integrity and laws of behavior (functioning).

Historical approach researches the organization in times, discloses patterns of its transition from one qualitative state in another.

Due to the wide application of new methods and approaches to the problems of organization theory, there is an opportunity to study them the most completely, in-depth and comprehensively.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 1.2. Evolutionary development of organization theory

1. Stages of the development of organization theory

Many schemes are used to characterize the evolution of organization theory, for example, the scheme of I. Ansoff, built on the forecast of the future of the organization; the scheme of R. Akoff, which reflects the view of nature of corporations; and schemes built on the definitions of different schools. In the basis of any organization theory development scheme there is one or another classification feature. Therefore, it is important to show the change in the boundaries of organization theory, which adequately reflects the evolutionary nature of this theory.

Two fundamentally opposite approaches to characterizing the development of organization theory can be distinguished. The first one characterizes the organization as a system and reflects the development of management thought from a mechanistic view of organization (closed) to holistic (open). The second approach characterizes the nature of the organization in the direction from rational to social.

Development of views on the organization as a system. Until the 1960s, organizational problems were solved only from the point of view of closed systems. Questions of business environment, competition, sales that go beyond the scope of the internal organization and determine the external environment for the organization were not considered. With the development of the market, the ideas about the organization changed. It became obvious that the internal dynamics of organizations are formed under the influence of external events. Organization theory begins to consider it as an open system in unity of all component parts and elements that perceive changes in the external environment and react to them. In the 70s of XX century a methodological apparatus is formed for the study of influence of external environment on the organization with use of systems theory. The direct inclusion of factors of the external

environment on internal processes of organization in impact analysis was the beginning of the era of "open systems".

Development of views on the nature of the organization in direction from rational to social. "Rational thinking" means that there is a clear perspective of the organization, and its goals are clearly and unambiguously defined. Suppose the machine-building enterprise aims to obtain the maximum profit from increasing production efficiency and product quality. If we accept this goal as given, then the top management should only choose the means that will lead to its achievement. Such a position allows make rational decisions. Thus, the actions of the organization become programmed.

"Social thinking" means ambiguity in defining and choosing goals and making specific decisions on improving the efficiency of production in workshops, on areas of the machine-building enterprise, etc. The social approach assumes that decisions about the goals of the organization have a nature of value rather than mechanistic choice. The nature of the decisions that are made is determined not so much by clarity of thought, but permanent, accumulated habits, experience of solving similar problems, that is, those factors that determine the behavior of people in organizations.

From the positions of the noted approaches, four stages are distinguished in the development of organization theory (Fig. 1.3). Each stage is determined by a single combination of established features (closed — open system, rational — social thinking) on a two-dimensional grid.

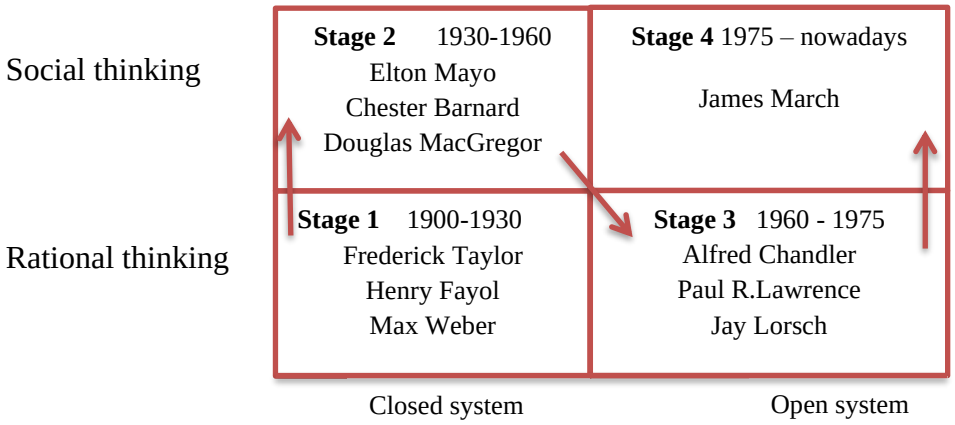


Fig. 1.3. Stages of development of organization theory
Source: [2; 23]

The first stage (1900-1930) in organization theory can be defined as the era of "closed systems and a rational individual". The approach is oriented on organizational and technical improvements of the system by increasing the efficiency of the organization's internal functions.

The second stage (1930-1960) is the era of "closed systems and social individual". A group of theorists developed questions of management of closed systems, relying on internal relations and non-economic motivation of employees.

The third stage (1960-1975) is the period of "open systems and a rational individual". Organization theory takes a step forward, considering the organization as a component part of the higher-level system, and at the same time — a step back, as it returns to mechanistic ideas about a person.

The fourth stage, which began around 1975, can be defined as the period of "open systems and social individual". At this stage, there is a return to "social thinking", but already within the framework of open systems. The leader of modern organization theory is James March.

2. Method of organization theory

A certain difficulty for the development of the theory of organization is the problem of quantitative measurement of organizational parameters. Organizational theory forms a system of scientific knowledge in the field of analysis and synthesis of social organizations and social relations. The development of organization theory includes seven stages. All the listed stages are repeated cyclically, one after the other, while improving knowledge of organization theory.

Stages are:

1) collection of facts, phenomena, forecasts, trends, historical and folklore information, legends, and myths about existence or functioning of organizations, about features of the organization

2) systematization of information and compilation of typology (by time, effectiveness, nature of organizational relations, field of activity)

3) creation of a conceptual apparatus (categories, terms, their relationship);

4) search for dependencies between parameters and categories, formulation of laws and regularities (norms of personnel management depending on the nature of the activity, development law)

5) involvement of the scientific research of other sciences for a fuller understanding of its own problems

6) practical testing of developed theories and methods

7) generalization of theoretical and practical research results of application of certain provisions of organization theory, accumulation of statistical data.

3. The place of Organization Theory in the system of management sciences

There are different approaches to determining the place of the theory of organizations in the system of sciences. According to one of them, organization theory studies the principles, laws and regularities of the organization and management of organizations, in particular enterprises, institutions, authorities, companies, personnel, and other resources of social organizations. It is necessary for the scientific organization of public (social) structures. Organization theory is one of the management sciences, the basis of which is management theory.

General organizational science (founded in 1913) laid the foundations of organization theory. During the period from the emergence of the general organizational science to nowadays there has been a rapid increase in scientific directions close to organization theory in terms of content, such as cybernetics, general systems theory, structural analysis, catastrophe theory, synergy, management theory, as well as applied theories of social direction: theory of management, sociology of organizations, organizational behavior. They selected the main conceptual ideas of organizational science, subjecting them to further research and developing them. With all similarities of common problems solved by these related scientific areas, each of them has its own delineated circle of researched tasks.

Cybernetics studies the laws of operation of a special kind of system called cybernetics, which relate to perception, memorization, processing, and exchange of information. The theoretical core of cybernetics includes information theory, theory of algorithms, pattern recognition, and optimal management.

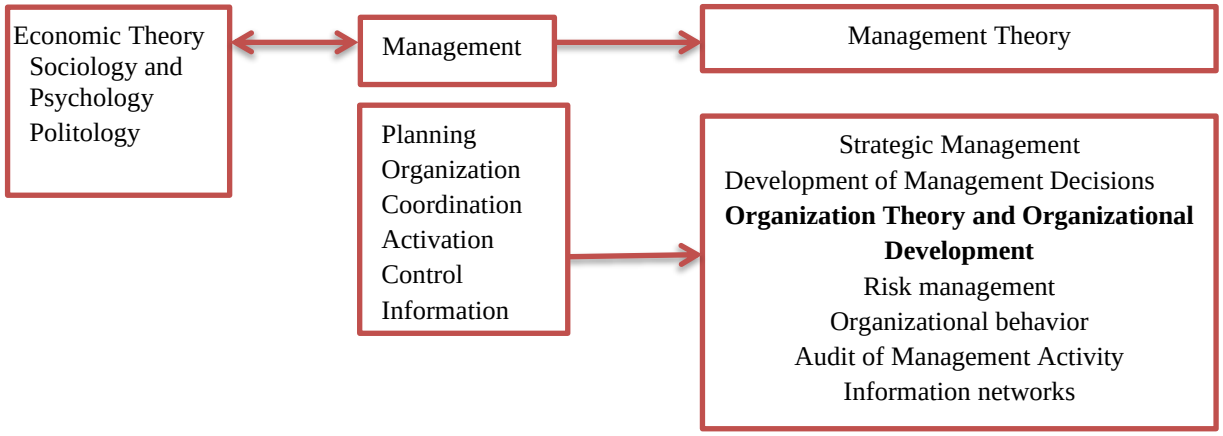


Fig. 1.4. The place of Organization Theory and Organizational Development in the system of management sciences

Source: [22 -25]

According to the same considerations, structural analysis, synergy, and management theory cannot replace organization theory, because each of them studies part of the world around us. As for applied theories: management, sociology of organization, organizational behavior, and many others, they consider the general regularities of organizational processes in the specific conditions of their operation. Organizational theory is closely related to natural sciences and social sciences (Fig. 1.4). They are sources of ideas, images, and organizational experience. A lot of information for understanding the general organizational laws and principles is drawn from biology, chemistry, physics, as well as for spreading them to the processes of preservation and destruction of all types of systems. Mathematics not only provides tools for quantitative assessment of organizational ties and relations, but also is a clear example of the organizational forms of the whole.

Of particular importance is the connection between organizational theory and the system of social sciences. Thanks to the study of the regularities of organizational processes, it has a positive impact on the development of the theory of social management, the science of managing the national economy, and the theory of public administration. However, organization theory cannot replace any of them, although it contributes to the development of applied scientific research in these areas.

Thus, organization theory is based on three main areas of scientific knowledge: mathematical, natural, and social sciences. This determines the connection between organization theory and other areas of scientific knowledge.

4. Directions of development of modern organization theory

H.L. Monastyrskyi thinks that "*the development of any science is characterized by two processes: differentiation and integration of knowledge. Differentiation is the search for the niche (the research object) for in-depth research. Integration is based on the desire to explore the problem from different angles, to form priorities of influence of the procedure on the situation as a whole*" [22].

Three ways of the development of organization theory are distinguished:

1) Creation of a general approach to basic scientific beliefs based on those available in management, economics, sociology and other sciences of scientific visions and further advancement in research

2) Selection of the local area of research of a part of the organization and its development

3) Formation of a three-stage development scheme as can be seen in Table 1.1.

Table 1.1

Levels of development of organization theory

1 Level	2 Level	3 Level
Creating a local area of research and bringing organization theory closer to the level of economics, psychology, and other related sciences development	Joining efforts of related sciences regarding system development of organizations	Separating from related sciences and developing of its own subject research

Source: [22-25]

Modern organizational theory develops in three directions: a situational approach to considering organizational problems, an ecological approach, and an organizational learning approach.

The situational approach is based on the recognition that there is no single right way in organizational activity. The organization should adapt to the conditions of the environment. It is impossible to provide creation of such structures, methods, organizational order types that would be perfectly suited for any time, goals, values, and situation. Each type of management situation, tasks, and external environment corresponds to its optimal requirements for the state of the organization, strategy, and structure.

The ecological approach claims that among organizations "the most adapted survive" and the process of natural selection and replacement of organizations takes place. In a simplified form, this approach to the examination of organizations can be characterized as follows:

1) the focus of researchers' attention is not on individual organizations, but groups, or populations of organizations

2) the effectiveness of the organization is determined by its ability to survive

3) the role of the environment information of structure, strategy of the organization is recognized as absolute, it is believed that management does not have a significant impact on the organization's ability to survive

4) since natural and social resources are limited, in the process of fierce competition some organizations will survive, while others will cease to exist.

In modern models of organizational ecology (1980—1990s) the main attention of researchers is paid to the problems of the structure of the external environment, its dynamics, as well as mechanisms that ensure structural changes in organizations.

The organizational learning approach is based on the recognition of two types of organizational learning: first order — by "single loop" and second order — by "double loop". The difference between these types of training related to organization consists in the fact that training on "single loop" is a common should personnel training for any organization, it increases the organization's ability to achieve its goals, and double-loop training is an organized and consciously managed process of self-learning of organization that leads to complete rethinking of the experience of the organization (reevaluation of its organizational goals, values, beliefs) and its learning through this process.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 2. The essence, basic concepts, and principles of an organization

1. Peculiarities of the development of an organization

Basic ideas of organization theory

F. Taylor and the scientific foundations of organization theory. The beginning of a series of fundamental works in the field of organization theory was laid by F. Taylor's "Principles of Scientific Management", published in 1911.

Frederick Taylor (1856—1915) was an American engineer. After graduating from the Technological Institute in 1876 Taylor worked for the metallurgical company "Midvale steel company" and worked his way up from foreman to chief engineer of the factory. In 1886, he joined the American Society of mechanical engineers. Taylor left behind a solid creative work heritage, which includes, in addition to social works on metallurgy, books that made his name famous around the world: "Detachment System" (1895), "Shop management" (1903) and "Principles of educational management" (1911). He was buried in Philadelphia and "Father of Scientific Management" is written on his grave.

With his experiments and scientific works, F. Taylor sought to prove that the methods of scientific labor organization he developed and the principles of "scientific management" formulated on their basis would make a real revolution in modern production, replacing outdated authoritarian methods with scientific approaches to management.

F. Taylor derived several general principles from his research and experiments that formed the basis of classical organization theory. These include:

Division of labor. This principle is not only traced at the level of a workshop or shop, but also extends to management echelons. The planning function should be the responsibility of a manager, and an employee's responsibility is the execution function. Beside this division of labor in a broad sense, Taylor recommended also dividing specific production tasks so that each member of the staff (both a worker, and a manager) was responsible only for one function.

Functional management. Supervision of workers should be functional in nature and carried out at each phase of production. Taylor suggested moving from a one-person to functional leadership, replacing the power of one master with functional administration (with several managers-specialists, each of whome would give a worker instruction within their competencies). In the special literature on problems of organizations such specialist managers and their subdivisions are called functional bodies (departments), and the organization is called functional.

Labor measurement. Taylor insisted on studying the processes of working time, seeing this as the most optimal way to implement production tasks. This principle involves measurement of working time using the so-called "units of time", which represent discrete elements of labor processes.

Task-order. According to this principle, production tasks should not only every minute be dismembered, but also be accompanied by a detailed description of the optimal methods of their implementation. The goals of the enterprise are clearly planned, and each worker is issued with written instructions for his work specific tasks. Through the implementation of these measures, both the worker and the manager receive certain standards that contribute to the measurement of work.

Incentive programs. For the worker it should be clear that any element of work has its price, and its payment depends on the established production of finished products, in the case of achieving greater productivity, the worker is paid a bonus.

Work as an individual activity. Group influence makes the worker less productive.

Motivation. The essence of this principle is that self-interest is the driving force for most people.

The role of individual abilities. A distinction is made between the abilities of workers and managers: workers work for remuneration in the present and managers — for future rewards.

F. Taylor did not neglect the human component of organizations, as many believe, but put an accent, rather, on individual, and not on collective employee qualities. He believed that the application of principles of scientific management would lead to the elimination of almost all causes of disputes and disagreements of business owners and hired workers. Unfortunately, this optimism was not "appreciated". Trade unions in the 20s and 30s of the XX century strongly resisted the implementation of "scientific management". Taylor's methods were considered as a scientifically based system of exploitation of workers that leads to the intensification of work and the growth of unemployment. However, Taylor was undoubtedly one of the greatest pioneers in the field of organization theory and social engineering. He proposed a new concept of "labor distribution", which was accepted by all. Its influence is still possible to see both at industrial enterprises and in state institutions when organizing clerical work.

Principles of organization by A. Fayol. A while after the publication by F. Taylor of the results of his research in the USA, the Frenchman A. Fayol formulated the general principles of organization. The main work of Fayol "General and industrial management" was published in 1916. And although the works of Taylor and Fayol were written at about the same time, they were significantly different from each other. Taylor's ideas were based mainly on scientific research, while the principles formulated by Fayol were the result of numerous experiments and were determined by the experience of his work as a manager. For 30 years (1888-1918) he was the main head of the French mining and metallurgical concern "Comambo"; the concern, which was initially on the verge of collapse, before Fayol's resignation it turned into one of the largest and most prosperous enterprises in France. Fayol sought to develop principles of organization which could be applied to all levels of management. They can be briefly formulated as follows: *To work effectively, the organization should have:*

- clear goals
- one center of subordination (unity of management)
- one management department (unity of control)
- clear lines of authority along which orders are issued (a scalar chain of subordination from the upper echelons of the hierarchy to its lower links)
- equality of rights and obligations
- rational division of labor and logical grouping of tasks by subdivisions, departments, and administrative sectors of the higher echelon
- clear definition of responsibility for results of activities and such established official relations, so that everyone in the organization knows their role and status in the team
- favorable opportunities for initiative.

A. Fayol attached special importance to the formal organization structure. Using the principle of the scalar chain, according to A. Fayol, allows creating a system of responsibility of different links and ensures unity of administration with consistent transmission of instructions and information. However, he warns against excessive formalism of organization, showing what obstacles are created by the organizational structure on the way of the communication flow. Fayol illustrated the problem of limitations of formal organizational structures using the following typical example (Fig. 2.1).

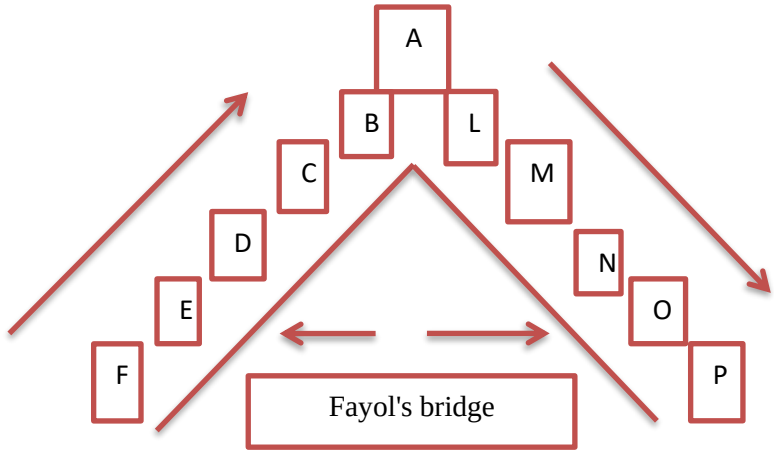


Fig. 2.1 Levels of management hierarchy
Source: [22]

Suppose it is necessary to transmit a message from an individual E to an individual O, who are located at the same level of hierarchy, but in different departments. In accordance with the specified hierarchical structure formal contact between them can be carried out only through the degrees of the power hierarchy (up and down). However, it is obvious that it is smarter, and it is much faster for E and O to make direct contact, past six senior executives. Fayol argued that such direct horizontal communication should be allowed in any organization, at least in crisis situations when speed of action is important. This social communication channel was called "Fayol Bridge".

Fayol recognizes that when some principles of management are violated in organizations, communication problems arise. For example, if the manager's *span of control* expands a lot and the number of subordinates exceeds 5-6 persons, then his ability to communicate effectively with subordinates may decrease. Therefore, Fayol and Taylor are trying to develop the rules and norms of controllability in digital expression. Thus, in effectively working organizations, according to Fayol, the range of control at the level of masters can be from 10 to 30 people; presence of 2, 3, 4 or 5 masters requires introduction of the position of workshop manager; and the presence of 2-5 workshop managers requires the introduction of a department manager.

To solve the problems of control and coordination of the actions of subordinates, it is proposed to delegate the authority of the manager to lower levels of the hierarchy, which is characterized by a decrease in the range of control. The discussed principles of general management have been criticized at all levels. It was believed that Fayol's principles only more accurately express "commonly known truths" and in a specific situation the assessment of the circumstances by the manager becomes of primary importance. However, without looking to significant remarks, the works of A. Fayol had a huge impact on the development of organization theory, and the results of implementation of his ideas can be seen in many industrial and social organizations.

Bureaucracy of M. Weber. German sociologist Max Weber (1864-1920) developed the principles of building an ideal type of organization structure, which was named bureaucratic. The term "bureaucracy" was used by M. Weber in its exact meaning — "government of the state employees". In his opinion, bureaucracy is distinguished by accuracy, strict discipline, stability and responsibility. The principles of building a bureaucratic organization are:

- all activities based on the division of labor are divided into elements, which allows defining

the tasks and responsibilities of each official

- the organization is built on the principles of hierarchy, a strict system of subordination and responsibility, a system of power and authority
- organization's activities are regulated based on instructions, standards, and rules defining responsibility of each employee and his duties
- management of the organization is carried out based on formal impersonality, that is, excludes personal motives and emotions
- selection, appointment, and career ladder promotion are based on merit and achievements, not on traditions and whims

M. Weber believed that the system of principles proposed by him would ensure satisfactory performance of many monotonous organizational tasks, and hierarchy, power and bureaucracy is the basis of all social organizations. Although Weber perceived bureaucracy as a threat to basic personal liberties, he also recognized it as the most efficient possible system of organizing. He predicted the triumph of bureaucracy because of its ability to ensure more efficient functioning of organizations in both business and government settings. Weber identified a set of organizational characteristics, listed in Fig. 2.2, that could be found in successful bureaucratic organizations. Rules and standard procedures enabled organizational activities to be performed in a predictable, routine manner. Specialized duties meant that each employee had a clear task to perform. Hierarchy of authority provided a sensible mechanism for supervision and control. Technical competence was the basis by which people were hired rather than friendship, family ties, and favoritism. The separation of the position from the position holder meant that individuals did not own or have an inherent right to the job, which promoted efficiency. Written records provided an organizational memory and continuity over time. Although bureaucratic characteristics carried to an extreme are widely criticized today, the rational control introduced by Weber was a significant idea and a new form of organization. Bureaucracy provided many advantages over organization forms based on favoritism, social status, family connections, or graft. Consider the situation in many Latin American countries, where graft, corruption, and nepotism are rampant throughout government and business institutions. In Brazil, for example, government officials have been accused of paying bribes to legislators for their support, favoring contractors who made clandestine campaign contributions, and using their influence to gain jobs or favorable circumstances for family members. In China, the tradition of giving government posts to relatives is still widespread, but China’s emerging class of educated people doesn’t like seeing the best jobs going to children and other relatives of officials. The United States, as well, sees its share of corruption, as evidenced by the case of Illinois Governor, accused of a wide-ranging corruption that included trying to sell the Senate seat vacated by President Barack Obama. By comparison with these examples, the logical and rational form of organization described by Weber allows work to be conducted fairly, efficiently, and according to established rules. A study of empirical organization research over four decades confirms the validity and persistence of Weber’s model of bureaucracy, showing positive relationships among elements such as specialization, formalization, and standardization. Bureaucratic characteristics can have a positive effect for many large organizations. Consider United Parcel Service (UPS), one of today’s most efficient large organizations. UPS illustrates how bureaucratic characteristics increase with large size. UPS is so productive and dependable that it dominates the small package delivery market. As it expands and transitions into a global, knowledge-based logistics business, UPS managers may need to find effective ways to reduce the bureaucracy. New technology and new services place more demands on workers, who may need more flexibility and autonomy to perform well.

CASE STUDY: UPS, sometimes called Big Brown for the color of delivery trucks and employee uniforms, is the largest package-distribution company in the world, delivering over 15 million packages a day, and a global leader in supply chain, logistics, and information services. The company operates in more than 200 countries and territories around the world. How did UPS become so successful? Much efficiency was realized through adoption of the bureaucratic model of organization. UPS operates according to a mountain of rules and regulations. It teaches drivers an astounding 340 precise steps to correctly deliver a package. For example, it tells them how to load their trucks, how to fasten their seat belts, how to step off the truck, how to walk, and how to carry their keys. Strict dress codes are enforced—clean uniforms (called browns) every day, black or brown polished shoes with nonslip soles, no shirt unbuttoned below the first button, no hair below the shirt collar, no beards, no tattoos visible during deliveries, and so on. Before each shift, drivers conduct a "Z-scan", a Z-shaped inspection of the sides and front of their vehicles. There are safety rules for drivers, loaders, clerks, and managers. Employees are asked to clean off their desks at the end of each day so they can start fresh the next morning. Managers are given copies of policy books with the expectation that they will use them regularly, and memos on various policies and rules circulate by the hundreds every day. Despite the strict rules and numerous policies, employees are satisfied, and UPS has a high employee retention rate. Employees are treated well and paid well, and the company has maintained a sense of equality and fairness. Everyone is on a first-name basis. The policy book states, "A leader does not have to remind others of his authority by use of a title. Knowledge, performance, and capacity should be adequate evidence of position and leadership. "Technical qualification, not favoritism, is the criterion for hiring and promotion. Top executives started at the bottom — former CEO James Kelly began his career as a temporary holiday-rush driver, and the recently retired CEO Michael Eskew started off at UPS by redesigning a parking lot to accommodate more trucks. The emphasis on equality, fairness, and a promote-from-within mentality inspires loyalty and commitment throughout the ranks [3].

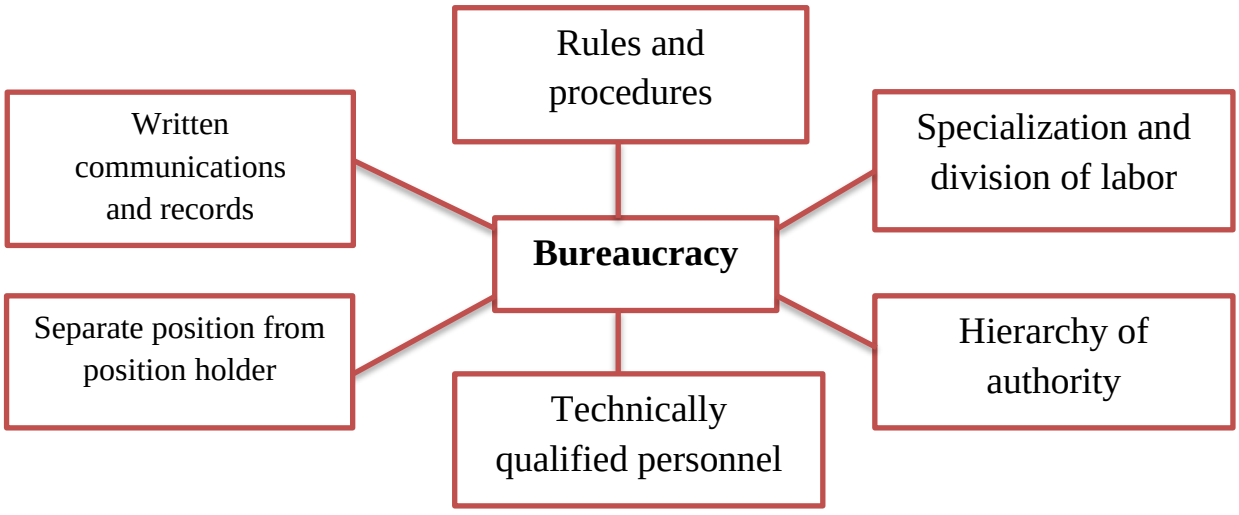


Fig.2.2. Weber's dimensions of bureaucracy
Source: [3]

E. Mayo and the Hawthorne experiment. Early work on industrial psychology and human relations received little attention because of the prominence of scientific management. However, a breakthrough occurred with a series of experiments at a Chicago electric company, which came to be known as the Hawthorne Studies. Australian consultant, sociologist, professor at

Business School at Harvard University Elton Mayo (1880—1949) headed a series of experiments conducted at "Western Electric" plant in Hawthorne (1924-1927). The results of these experiments significantly changed the idea of motives of an employee's behavior in the organization in that period and became the beginning of the second stage in the development of organization theory. Research at the Hawthorne plant began with a series of experiments to improve workplace lighting to find ways to increase labor productivity. The results of the experiments did not allow drawing a conclusion about such dependencies. However, it was possible to establish that productivity of work relates to the fact that the workers felt special attention to themselves as participants of the experiment. This phenomenon received the name *Hawthorne effect*. Interpretations of these studies at the time concluded that positive treatment of employees improved their motivation and productivity. The publication of these findings led to a revolution in worker treatment and laid the groundwork for subsequent work examining treatment of workers, leadership, motivation, and human resource management. These human relations and behavioral approaches added new and important contributions to the study of management and organizations. However, the hierarchical system and bureaucratic approaches that developed during the Industrial Revolution remained the primary approach to organization design and functioning well into the 1970s and early 1980s. In general, this approach worked well for most organizations until the past few decades. However, during the 1980s, it began to lead to problems. Increased competition, especially on a global scale, changed the playing field. North American companies had to find a better way.

The Hawthorne effect refers to the tendency of people to deviant behavior when they perceive that they are the object of the experiment and feel special attention to them. This kind of "special" appeal to test subjects led to the emergence of a **new scientific school in the administration**, which was named "School of Human relations".

The conducted research allowed E. Mayo to draw several significant conclusions that contradicted the concept of a "rational worker". The main ones are:

- clear division and rationing of labor do not always lead to productivity increase
- people are more sensitive to the social influence of a group of people equal to them than to incentives and control measures emanating from management
- managers should be well trained professionally to be real leaders. They should understand the needs of individuals and groups, listen to the problems of both, be able to give the necessary piece of advice and convince the employee to accept changes.

The influence of E. Mayo's ideas is evident even today. In programs for improvement of management in many large organizations, the need for and importance of special training of managers for conducting interviews, establishing interpersonal relationships, understanding the group, development of other social skills in the manager is emphasized. All these the problems are relevant and directly or indirectly stem from the works of E. Mayo.

Mayo formulated several principles that can be useful and used in the management of any organization:

1. Individuals have unique needs, goals, and motives. Positive motivation requires that workers be treated as individuals.
2. Human problems cannot be simple.
3. Personal or family problems of the worker may adversely affect labor productivity.

Chester Barnard and purposeful organizations. Combining the ideas of Taylor, Fayol, and Weber with the results of the Hawthorne experiment led to the conclusion that an organization is "a system of consciously coordinated actions of groups of people". Its main elements are technology and a person, focusing on just one of these elements does not lead to system

optimization. This provision is for the first time was proposed by Ch. Barnard. Chester Barnard is a professor, businessman and philosopher. He began working for the AT & T Corporation in 1909 as a statistician and quickly rose through the ranks. In 1927 Ch. Barnard was already the president of one of the telephone companies. His only book "The Functions of the Manager" (1938) is recognized as a classic work in the field of organization theory.

Ch. Barnard gave a definition of a formal (**purposeful**) organization and its constituent elements, purpose, highlighted the subjective and objective aspects of managerial power. The perception theory developed by him received special recognition; it explains the relations of managers and employees in a new way. The essence of Ch. Barnard's ideas can be expressed in the following provisions:

● physical and biological limitations inherent in individuals, force them to cooperate, to work in groups, because cooperation is the most effective way to overcome these limitations

● cooperation leads to the emergence of systems that act in concert. Successful functioning of such systems depends on the effectiveness and inherent efficiency: effectiveness characterizes achievement of the corporate goal; efficiency is the consequence of individual productivity and means achieving a goal with minimal costs for its participants

● individuals have personal motives for cooperation, but there is a limit to which they continue to contribute to the corporate goal. Therefore, the success of the organization also depends on degree of satisfaction of its members

● organizations can be divided into two types: "formal", that is, those that combine the efforts of several people and coordinate their actions to achieve general purpose, and "informal", which means a set of personal contacts and interactions, as well as associated groups of people who do not have a common or consciously coordinated goal

● an informal organization acts as a peculiar self-defense of individuals against the expansion of formal organizations. Its main functions include communication, support of cohesion, strengthening a sense of personal dignity, self-respect, and independence of choice. Formal organization occurs when there are individuals who are able to communicatewith each other, agree to contribute to group activities, and have a common goal

● each formal organization includes the following elements: (a) general purpose (goal); (b) system of incentives that will encourage people to contribute to the achievement of the set goal; (c) system of power, which inclines group members to agree with the dicisions of administrators; (d) communications

●power is an information connection (team) through which information is perceived by members of organizations as a tool for managing their activities. The leader is given power by people who want to be managed. Therefore, the real bearer of power is not the manager, and the staff themselves, since it is they who decide whether to follow orders from above. Perception of power by employees serves as a subjective element of power and the nature of the team or information communication — objective

● functions of an administrator in a formal organization are (a) supporting of information communication with the help of organizational structure, (b) ensuring the operation of the most important areas by the efforts of individuals who are included in the organization, a formalized definition goal (planning).

C. Barnard, as well as E. Mayo, was a supporter of concepts of "social human being" and considered non-economic incentives as a decisive factor of production. He believed that the essence of the relationship between an individual and an organization is hidden in cooperation. There are certain needs that cannot be satisfied by the individual himself, so they should cooperate with others. Thus, the organization simply helps the individual to reach a goal that

they cannot reach in another way.

D. McGregor and X-Y theory. Douglas McGregor (1906-1964) is one of the most famous theorists who made a significant contribution to the development of the organization theory at the second stage. His works are devoted to issues of practical management (leadership). The most significant work is the book "The Human Side of Entrepreneurship" (1960). Observing the relationship between management and staff McGregor concluded that the manager was building his own behavior towards subordinates in accordance with his personal ideas about employees and their abilities. The conducted research allowed McGregor to characterize the system of management from two opposite positions, each of which can be taken by a manager in relation to his subordinates. A simplified version of this system considers marked positions on different sides of the continuum. One of the extreme positions that reflect the traditional view on management and control is called Theory X and the other is called Theory Y.

According to theory X, the manager most often expresses his attitude to his subordinates as follows:

- reluctance to work is characteristic of every person by nature, so they try to avoid labor costs wherever possible
- since people do not want to work, they should be compeled, controled, directed or threatened to be punished if they don't do sufficient efforts to achieve the set organization goal
- ambition is characteristic of very few, people tend to avoid direct responsibility and prefer to be known
- above all, people want personal peace and need protection.

Theory Y considers the opposite idealized situation in which subordination looks like a partnership and formation of the team takes place in an ideal environment. It includes the following provisions:

- expenditure of physical and mental forces at work is the same natural, as during play or rest, and under normal conditions, a person does not refuse to perform certain duties
- threat of punishment or external control is not the only means that stimulate achievement of goals set by organization. People are endowed with the ability to self-governance and self-control achieving goals they are committed to
- commitment to goals is a function of reward, that is involvement in the activities of the organization implies that the reward for the activity will correspond to which tasks faced by the team have been completed
- ingenuity and creativity are very common among the population, but in the conditions of modern life, when technology is so highly advanced, they often remain hidden

According to McGregor's view, Theory X is management and control through direct application of power. In this case, a person acts as an object of powerful action. On the contrary, theory Y is based on the principle of integration or the creation of conditions in which the members of a given organization would best achieve their goals by directing their own energy to achieve its success.

Significance of assumptions formulated by McGregor forced managers and authors in the field of organizational theory carefully consider the relative merits of different organizational leadership styles. Soon the major question in research of leadership was: what does it mean to lead the best way?

A. Chandler, J. Thomson, P. Lawrence, J. Lorsch research the impact of the external environment on the organization. The most significant contribution to the development of organization theory in the third stage was made by Alfred Chandler. The results of his research were reflected in the book "Strategy and Structure" (1962). A. Chandler established that with a

change in the company's strategy, appropriately its organizational structure is also changing. The need for strategic changes is dictated by the requirements of external environment. A change in the operating conditions of the organization leads to a change in strategy, and this has a direct impact on the organizational chart. Thus, A. Chandler showed that the increase in the volume of products produced is oriented towards flow production and leads to the necessary transition from a functional organizational form to a structural scheme based on divisions.

J. Thomson performed theoretical substantiation of the relationship between the environment and the structure of the organization in the book "Organizations in Action", showing the difference between closed and open organizations. According to Thomson, a closed organization strives for certainty and is focused on internal factors that are related to its goals achievement. An open organization recognizes the interdependence of the organizational structure and its environment, tries to achieve stabilization in its relations with external environment requirements. As stated by J. Thomson, organizations, after all, are closely connected with their environment: they acquire resources in exchange for manufactured products; their technologies are based on the realities of the surrounding world.

Following A. Chandler and J. Thomson in 1967, the study of the influence of the external environment on the organization was conducted by Harvard Business School professors Lawrence and Lorsch. The result of this cooperation was the book "Organization and its Environment". Lawrence and Lorsch considered organizational structures and management systems, comparing companies with better results in *dynamic business* (production of special plastics), with the best companies in a *stable, little-changing* industry (production of containers). They found that the best firms in the business, which is characterized by stability use a *functional organization scheme* and simple control systems. On the contrary, leaders in dynamic production have more decentralized forms of organization and more complex systems of management than their competitors. By sociometric method of survey P. Lawrence and J. Lorsh revealed a close correlation dependence of the internal parameters of the organization and the characteristics of the external environment. The obtained results and conclusions served as the basis to form the concept of the organization as an ***open system***. Theorists put forward and substantiated the proposition about that between the organization and the environment not only exist adaptation relations, but external characteristics of the environment, on the one hand, and internal structural and behavioral parameters, on the other hand, are inextricably linked by objective regularities and interdependencies (environment, of course, is not the only determinant of the organization; independent variables of goals, technology, dimensions, innovations, etc., are also important). By the beginning of the 70s of the XX century this approach, named by Lawrence and Lorsch organizational theory of "cases", took shape as one of directions of this science.

R. Sayert, J. March, G. Simon, and the model of the "garbage can". The modern concept of the development of views on the organization emphasizes *informality, individual initiative, and evolution*. The most famous theorists of this stage are Richard Sayert, James March, and Gilbert Simon. R. Saiert and J. March made attempts to build a theory of the firm operating in conditions of permanent "quasi-solution" of conflicts between units in the organization that make up according to March, "political coalitions". However, they considered the sources of conflicts to be natural for any organization, distribution of responsibility for achieving different goals and the "bounded rationality" of managers in their desire to cope with management problems. Any organization, according to Sayert and March, has sufficiently strong social mechanisms to resolve conflicts (compromise agreement of goals and tasks, formation of reserves in case of contingencies, shifting attention from consideration of one problem on others,

etc.). Developing ideas such as satisficing (achieving satisfactory rather than maximal outcomes in decision-making), bounded rationality, and sequential search, Sayert, Simon, and March in many ways contributed to the establishment of the view that managers are not at all devices for rational problem solving or calculating machines. People who make decisions do not work in conditions of perfect knowledge; hence uncertainty arises, which is the normal situation. Later, March and Simon put forward the concept of organization as a *"garbage can"*, thereby expressing their attitude to conflict of goals and interests, uncertainty of problems, irrational nature of decisions that take place in intra-organizational relations.

The "dustbin"/"garbage can" model applies to a special type of organizational structure known as organized anarchy. Examples of "dumpsters" include universities, think tanks, research organizations and, perhaps, some organizations in the health care system. In organizations of this kind, advantages do not have clear definitions and in many cases inconsistent. The technology here is unclear; participation is inflexible, with many examples of periodic employee replacement according to the principle of "left - came", as well as continuous change of personnel because of personnel turnover. Benefits or goals are defined in action rather than as if the manager starts by setting a chosen goal in advance and pursues its achievement. Thus, the "trash" model can be considered as one of the models of irrational decision-making that a manager has to deal with.

2. The essence of the term "organization"

Organizations surround a modern human being throughout everything during life, in organizations - kindergartens, schools, institutes, institutions, clubs, parties; most people spend a huge part of their time. Organizations (enterprises) create products and services, that human society consume to lives and develop; organizations (state institutions) determine the order of life in society and monitor its compliance; (public) organizations are a means of expressing our views and interests. At the end of the 20th century organization has become a universal form of social life. If the revolutions (spiritual and political) of the XIX century transformed a person from a patriarchal creature into a social one, then the revolutions of the next century changed a person into a human being of organization.

Organizations are hard to see. We see outcroppings, such as a tall building, a computer workstation, or a friendly employee, but the whole organization is vague and abstract and may be scattered among several locations, even around the world. We know organizations are there because they touch us every day. Indeed, they are so common that we take them for granted. We hardly notice that we are born in a hospital, have our birth records registered in a government agency, are educated in schools and universities, are raised on food produced on corporate farms, are treated by doctors engaged in a joint practice, buy a house built by a construction company and sold by a real estate agency, borrow money from a bank, turn to police and fire departments when trouble erupts, use moving companies to change residences, and receive an array of benefits from various government agencies.

The concept of "organization" belongs to the leading categories of organizational science.

Organization (from the Latin. *organize* - to report slender appearance, to agree) can be defined as a type of social system, an association of people who jointly realize a certain common goal and act based on certain principles and rules.

Organization is an object and subject of society. Term "organization" is used in several meanings:

- activity, result of activity, field of activity

- some socio-economic formation, focused on the achievement of a certain economic, commercial, or non-commercial purpose.

The essence of the concept of "organization" in a broad sense can be defined as (a) "internal orderliness, coherence, interaction more or less differentiated and autonomous parts of the whole, determined by its structure"; as (b) "a set of processes or actions that lead to the formation and improvement of the relationship between parts of the whole"; as (c) "an association of people, that jointly implement some program or goal and act on the basis of certain procedures and rules". If definitions (*a)* and (*b)* complement each other and characterize the organization as a universal phenomenon, reflecting a certain state and process, the latter (c) has a narrower, social application in relation to human organizations.

Thus, in the most general case, organization should be understood as the ordered state of the elements of the whole and the process of arranging them into an appropriate unity.

As can be seen from the given scheme (Fig. 2.3), the organization can be considered in statics and dynamics. In statics, it is some integral formation (social, technical, physical, biological), which has a very specific mission. In dynamics, it appears in the form of various processes of ordering elements, forming, and maintaining the integrity of natural objects that are being created or are already functioning. These processes can consist of purposeful actions of people or from natural physical processes, that is, to have a self-organizing beginning.

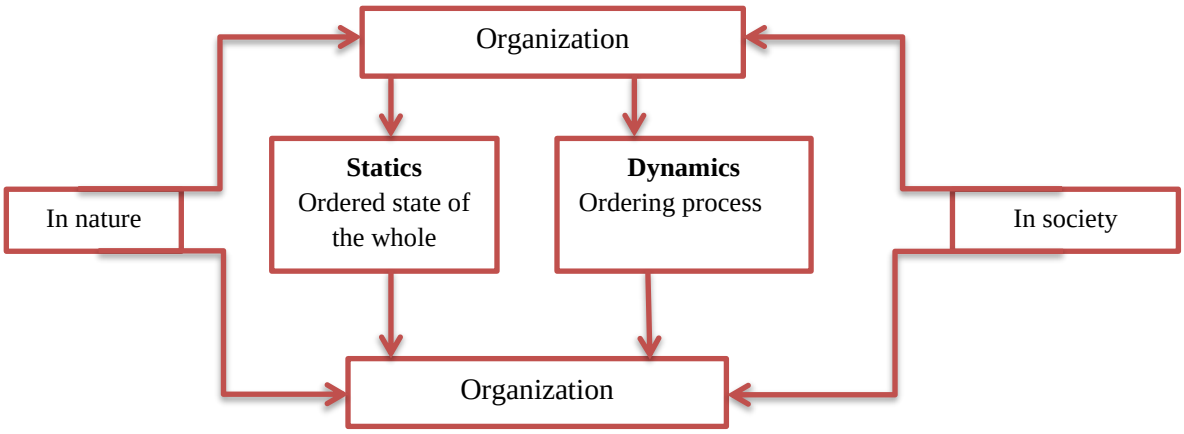


Fig.2.3. Structural representation of the concept of "organization"
Source: [23]

There are two approaches to defining an organization:

1) Organization as a system is the internal orderliness, coherence, and interaction of the parts of the whole, which is due to its construction and goals.

2) Organization as a process is a set of purposeful actions that lead to the formation of the necessary connections.

Establishing quantitative and qualitative spatio-temporal connections is the essence of organization as a process. It is the organizational creativity of nature and the conscious organizational activity of men that are comprehensively investigated through the prism of organizational experience and make up the essence of the theory of the organization, determine its own place and role in the system of human knowledge.

Most of us spend many of our waking hours working in an organization of one type or another. Organizations as diverse as a bank, a corporate firm, a government agency, and Xerox Corporation have characteristics in common.

Organizations are:

(1) social entities that
(2) are goal-directed,
(3) are designed as deliberately structured and coordinated activity systems, and
(4) are linked to the external environment [3].

An organization is not a building or a set of policies and procedures; organizations *are made up of people and their relationships with one another*. An organization exists when people interact with one another to perform essential functions that help attain goals. Organization is a means to an end. We might think of an organization as a tool or instrument used by owners and managers to accomplish a specific purpose. The purpose will vary, but the central aspect of an organization is the coordination of people and resources to collectively accomplish desired ends. Managers deliberately structure and coordinate organizational resources to achieve the organization's purpose. However, even though work may be structured into separate departments or sets of activities, most organizations today are striving for greater horizontal coordination of work activities, often using teams of employees from different functional areas to work together on projects. Boundaries between departments, as well as those between organizations, are becoming more flexible and diffuse as companies face the need to respond to changes in the external environment more rapidly. An organization cannot exist without interacting with customers, suppliers, competitors, and other elements of the external environment. Today, some companies are even cooperating with their competitors, sharing information and technology to their mutual advantage.

It may seem hard to believe today, but organizations as we know them are *relatively recent in the history of humankind*. Even in the late 19th century there were few organizations of any size or importance (no labor unions, no trade associations, and few large businesses, nonprofit organizations, or governmental agencies). A change has occurred since then. The development of large organizations transformed all of society, and the modern corporation may be the most significant innovation of the past 100 years. Organizations are all around us and shape our lives in many ways. There are seven reasons why organizations are important to society (see Fig.2.4).

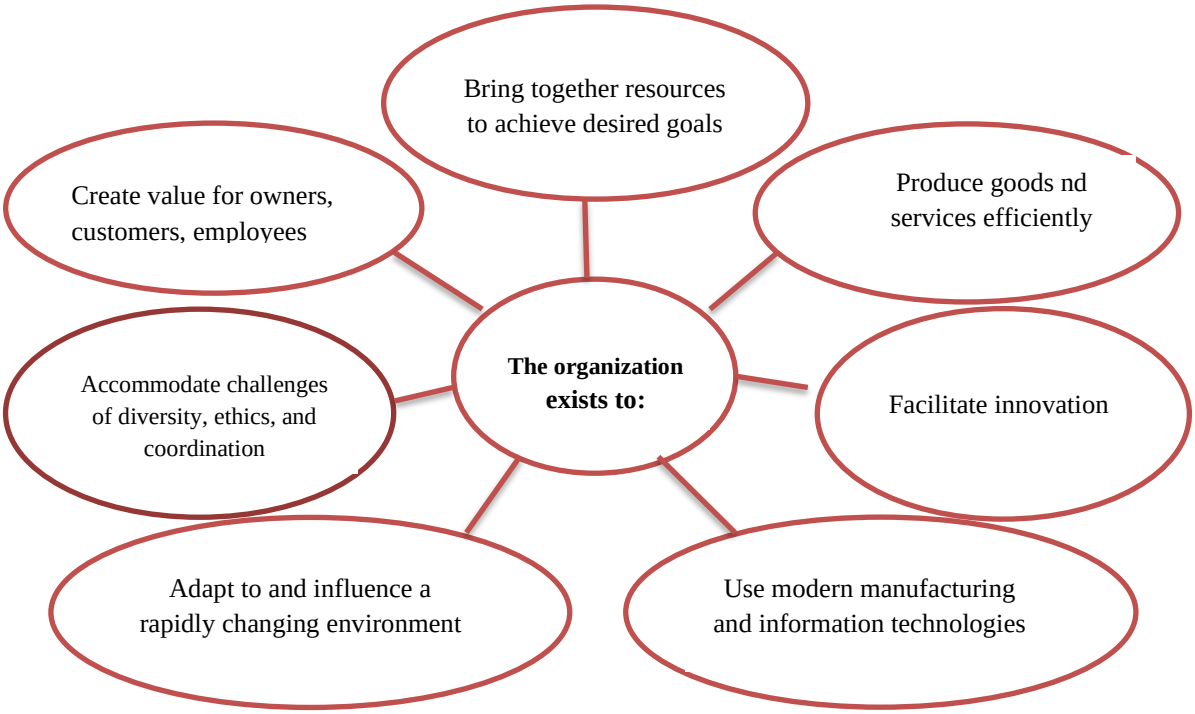


Fig.2.4. Importance of organizations
Source: [3]

3. **External and internal environment of the organizational system**

The organization is an open system that consists of numerous interdependent parts that are closely intertwined with the outside world. Significant internal variables of the organization play an important role in ensuring effective functioning of the organization. Internal variables in the majority are the result of managers' activities and are under their influence. Internal variables are parts of the organization itself, situational factors within it, composition, and relationships of a complex system of organization.

Composition is a set of elements that create a system. It includes only the elements of this system, which are the first level components. However, a thorough study of the system also involves an in-depth study of its constituent elements. This explains the usage of the concept of composition in a broad sense, that is, it also includes components of the system elements themselves — components of the second, and then the third and other levels. In this sense, the composition of organizations may include departments, subdivisions, shops, etc sections and brigades. Thus, composition contains decomposition of the system, dismemberment of a single whole into elements.

Structure, on the contrary, provides the composition of the system, connection of separate components into a single whole. It establishes the role, place, and purpose of elements in the system, their location and interrelationships, character, forms, and degree of influence on other elements. Installation roles, places, and purpose of elements in the system are ensured by:

- ties of direct interaction — with whom and how they interact, which action is in priority, stronger, more powerful
- subordination relations — determination of place in structural hierarchy
- definition of weight, influence, orientation when comparing the parameters of various elements of the system and setting the appropriate proportions.

It is obvious that a certain composition of the organization determines possible options for forming its structure. In turn specific variants of the component composition of the organization correspond to a certain structure.

If, for example, a spinning mill includes sorting and spinning, carding, strip and spinning shops, then a sequential technological connection will certainly be established between them: from the first shop to the last. And vice versa, if there is a consistent technological connection between production divisions of enterprise, then this means that at each technological transition there is only one subdivision.

However, the correspondence between the composition and the structure of the organization is not complete; there is no rigid attachment of a specific structure to a certain composition of the organization. With the same composition, structures can be different, sometimes significantly different. The organization may have different component composition even within the same target orientation, one and the same functional purpose, the same conditions of activities (enterprises with identical goals and producing identical products may have different composition of subdivisions). This further strengthens the multivariate structures of organizations. Structure is one of the most important, but not the only, characteristics of organizational systems.

Therefore, various **factors** of the internal environment of the organization are distinguished: **structure, goals, tasks, technologies, personnel, shared values, organizational style, financial system, information system, strategy, personnel skills, business processes, power, organizational culture, and some other parameters.**

One of the approaches to the grouping of factors of the internal environment can be their defining through certain factors of general characteristics and parameters. That is the presence of common goals, transformation of resources, dependence of organizations from the external environment, division of labor, the formation of subdivisions, the necessity and availability of the body, that governs in this sense, these factors can be grouped as follows (Table 2.1).

Analysis of the Table 2.1 allows concluding that researchers mainly focus on one criterion — the transformation of resources. This is since the organization was created to transform resources into a result. In addition, it is necessary to note a certain relationship and interdependence of factors, which does not allow each of them to assign to only one group. Given in Table 2.1, the grouping of factors of the internal environment is based on systemic and situational approaches and characteristics of the organization as a whole, that has specific features common to all organizations.

Table 2.1

Grouping of factors of the internal environment of the organization

Classification criterion	**Name of the factor**
Availability of common goals	Goals, common values
Transformation of resources	Personnel, technology, financial system, information system, business processes
Dependence of the organization on the external environment	Organizational style, strategy
Division of labor	Personnel skills, tasks
Formation of subdivisions	Structure
Necessity and presence of a body that manages	Government
Others	Organizational culture

Source: [24]

In addition to this classification, we can use the division of factors into objective and subjective, based on the idea that the organization is a **socio-technical system**.

The group of **objective factors** of the internal environment includes structure, goals, tasks, technology, financial system, information system, strategy, business processes, and personnel.

To the group of **subjective factors** that are determined by the characteristics and relationships of people in organizations, common values, organizational style, skills of personnel, power, and organizational culture belong.

In addition, considering the organization as a transforming system, all factors can be divided into three groups: **input (resources); output (results); transformation process (production).**

There are different approaches to extracting parameters of internal environment of organizations. Of M. Mescon, M. Albert and F. Hedouri, the main internal variables of an organization are **goals, structure, tasks, technology, and people.**

Goals are specific end states or desired outcomes that a group seeks to achieve by working together.

Organizational structure is a logical relationship and the interdependence of management levels and divisions, built in such a way that allows the most effective achievement of the organization's goals. A characteristic feature of the organization is **the division of labor**. The structure of the organization establishes the horizontal and vertical division of labor in it. How to specifically carry out the division of labor in the organization? This issue is one of the most important management issues. Choice of divisions determines the structure of the organization and, therefore, the possibilities of its successful activity. Vertical division of labor creates a hierarchy of management levels in the organization.

The central characteristic of this hierarchy is the formal subordination of individuals at each level. The number of persons subordinate to one manager is called the span of control. The larger the **span of control**, the less levels of management are created in the organization, and vice versa. The scope of control in an organization often varies to a large extent by both management levels and divisions. There is no ideal sphere of control. Its acceptable values range from 2–3 to 50 or more people.

Another direction of division of labor in the organization is formulation of tasks. **A task** is an assigned work, a series of works or a part of work that should be completed in a predetermined manner within a predetermined time frame. Based on the management's decision about the structure each position includes a series of tasks that are considered as a necessary contribution to the achievement of the organization's goal. The tasks of the organization are traditionally divided into three categories by types of work: work with people; work with objects; work with information.

Technology is the fourth important internal variable. Most people see technology as something that is related to inventions, machines, such as semiconductors and computers. However, technology is a broader concept. According to the definition of a well-known sociologist in the West Ch. Perrow, technology is a means of transformation of raw materials (of labor, information, or material) into final products or services. The technology used in the organization depends on the type of production.

Types of production are unit production (single), serial, mass. In unit production, individual samples of products or their small batches are produced, which are repeated over an unspecified period. **Unit production** is characterized by a large specific weight of operations that are not repeated. **Serial production** is the release of batches of products at certain intervals. Homogeneous operations are repeated here. **Mass production** is characterized by the release of a small range of products, which is constant enough for a long time. This type of production has a large specific weight of homogeneous repetitive operations. In mass production mechanization and automation of production, assembly line methods are widespread. The individualization of production also has a big impact on technology: thanks to flexible technologies even in mass production the quality requirements of the individual customer are considered. An example is the production of cars that considers the customer's wishes regarding the color, interior upholstery, automation of gear changes, etc.

Tasks and technologies are closely related. Completing the task includes the use of competitive technology as a means of transforming input resources into output form. Influence of this control variable was largely determined by four major **revolutions in technology: industrial revolution, standardization and mechanization, the use of conveyor assembly lines and computerization.**

No technology can be useful, and no task can be accomplished without the cooperation of people who are the fifth internal variable of the organization. Leadership achieves the organization's goals through its employees. So, **people** are the central factor in any management system. If the management - individual managers - do not recognize that each employee is a person with his own unique experiences and requests, the ability of the organization to achieve set goals is small.

There are 3 main aspects of the human variable in the situational approach to management:

- behavior of individual people
- behavior of people in groups
- nature of the manager's behavior as leader, his influence on the behavior of individuals and groups.

Understanding and successfully managing human variables is a complex task. Human behavior in society and at work is the result of a complex combination of individual characteristics of a person and external environment. Particularly important individual characteristics are the abilities of a person, his needs, expectations, nature of perception and social attitudes.

The area in which people differ from eath other the most is individual ability. Organizations should use differences in abilities to decide which position will be held and what specific work will be performed by an employee. Abilities are mainly explained by heredity and education. But mostly abilities are acquired with experience and through education.

Any person will use in work and develop abilities if it will ensure the satisfaction of her needs. **Need** is an internal state of mental or physiological feeling of insufficiency of something. Basic needs (physiological — needs in food, warmth, clothes; psychological — needs for belonging to society, a group of people, in friends) should be satisfied in the first place. From the point of view of management, this means that the organization should strive for satisfaction of human needs through the realization of the organization's goals. For example, when the organization achieves a goal — execution of the implementation and profit plan — the employees who have ensured it receive a sufficiently significant gain in payment or specific necessary material goods (prestigious car, apartment, vacation paid for by the company). An important need of any person is self-affirmation, striving tendency to power and influence. If this need is not met, then a person will strive to satisfy it with all his might, even contrary to the interests of the organization.

People form expectations about the results of their activities, based on experience and current situation. Consciously or subconsciously, they decide how much the probable or improbable accomplishment of something significant for them. These expectations greatly influence their behavior today. People's behavior is strongly influenced by their perception of what surrounds them. People react not to what is really happening in their environment, but to what they perceive as something that really happens. There are no two people who would perceive something equally. Another aspect of the differences between people is social attitudes, attitudes towards something. Attitude to work is an important factor that determines how people will respond to changing working conditions. If you personally or in your group have developed a negative attitude towards some type of activity, then in any case the transfer of this case to you will be perceived sharply negatively by you. In addition, it significantly affects human behavior environment. Psychologist U. Michel proved that all personal characteristics, even such basic personality traits as honesty and the ability to inspire trust, depend on the situation. Almost all behave honestly in some situations and dishonestly in others. These conclusions are very important because they indicate the importance of creating such an environment at work which would support the type of behavior desired by the organization. However, it does not follow from this that the personal qualities of a person are not significant. T. Harrell established that 5, 10 and 15 years after his graduation from Stanford University its graduates earn a lot, but those who are energetic, socially courageous, and fearless to make decisions are more successful.

Thus, one of the most famous in Ukraine and beyond the point of view of determining the factors of the internal environment, there is a theory developed by M. Meskon, M. Albert and F. Hedouri, according to which the main variables of internal environment are goals, tasks, structure, technology, as well as people (staff of the organization).

In our opinion, this point of view is a development of a well-known G. Leavitt’s "Diamond" theory that identified four variable organizations: task or mission; structure; technology; individuals. The researcher emphasized the importance of each element and relationships that

existed between them — a change in one of them causes transformations in others (Fig. 2.5).

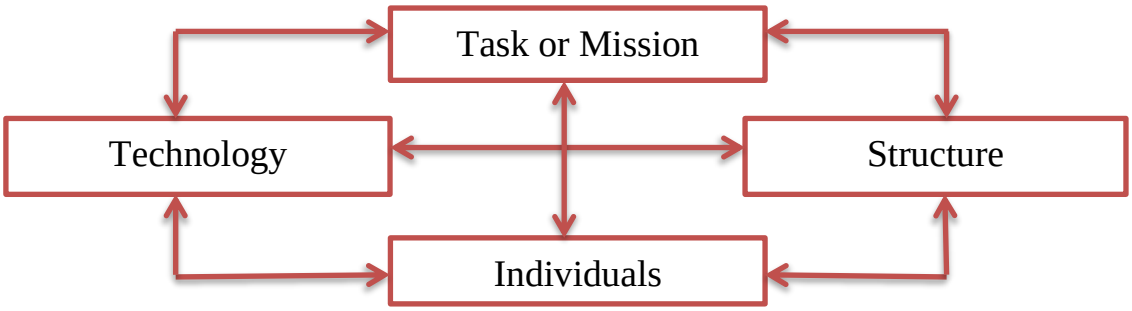


Fig.2.5. G.Livitt's "Diamond"
Source: [23]

The well-known "7-S" model of the McKinsey Company was built on a similar principle, which involves highlighting such variables of the internal environment as shared values, strategy, structure, systems, style, employees, and capabilities. The disadvantage of this model of the internal environment of the organization — lack of isolation as an important component of the goals and mission of the organization, and the advantage is considerable attention to the so-called soft variables management or to the subjective parameters of the internal environment (common values, style, abilities). T. Peters and R. Waterman, as well as G. Leavitt, emphasized the interdependence of variables, which is natural since they are all elements of the same system.

An interesting approach to the formation of the internal environment of the organization was developed by D. Boddy and R. Peyton. They created an integral model of the organization, including the following elements:

Goals. In the center of the model (purely symbolic) are the goals to be achieved by the activities of the members of the organization, which is the desired state of the organization in the future or its part.

Business processes. There are groups of activities and technologies with the help of which individuals "pave the way" to goals (processes of product development, receiving orders, product production, delivery, payment). Members of the organization in the process of joint work will transform available resources and create new values, achieving the desired results.

Technologies. Equipment used by individuals to transform resources into useful products (buildings, machines, offices, computers, telecommunications, and information systems).

People. They mean, first, individuals who are members of the organization and contribute to the achievement of its goal in the form of skills, knowledge, and participation in the work process. Not one should also forget about individuals who are not formally members of an organization but influence its activities.

Power. Power relations form the core of management, the formation of which proceeds as management is separated into a special type of activity and its institutionalization in the organization. Some scientists consider first the role of management and employee relations in achievement the balance of power in society, the subject of research by others — problems of expanding the power of individuals in hierarchy of the organization.

Structure. This is a way of dividing and coordinating the work of those in the organization in a broad sense. Visually, it stands out in the form of organizational charts. The formal structure is usually complemented by informal mechanisms that have no less significant impact on the work

of the organization.

Culture. Compared to other elements of the organization, this concept is based mainly on intangible categories. Today, many managers perceive organizational culture as one of the most important tools for performing assigned tasks. Members of the organization produce special methods of work, which in turn can affect the way colleagues, including newcomers, perform work tasks and communicate.

One of the modern approaches to identifying internal variables that have an integrative value is the approach outlined in the textbook "Organizational Management". There it is noted that the internal environment of each organization is formed under the influence of variables that have a direct impact on the process of transformations (production of products, services). This is the structure of the organization, its culture, and resources.

We propose to use the following system of internal variables as a synthesizing approach:

- resources (objective — financial, informational, technical, and technological, organizational; subjective — personnel abilities, the culture of the organization, its image)
- the transformation process (objective strategies, structure, tasks, technologies; subjective — management style, power relations)
- results (objective — mission, goals; subjective — social values of the organization).

Interrelated internal variables that make up only a part of the set of factors affecting the organization nization, called sociotechnical subsystems. They got this name because they have a social component (people) and a technical component (other internal variables). A change in one of them affects all of them and to some extent others. Improvements in one variable, such as technology, may not necessarily lead to an increase in labor productivity if these changes negatively affect another variable - people. Considering the above, we can state that the internal environment of the organization is all located inside the organization, formed by material-technological, financial-economic, and social psychological subsystems. It plays an integrating and guiding role in the process of their functioning and development management subsystem (Fig. 2.6).

Material and technological subsystem of the organization is also a system. It is advisable to divide it into material technical, information-communication and organizational-management subsystems. Organizational and managerial subsystems using certain control levers has a direct impact on material and technical and information and communication subsystems. The components of the material and technical subsystem of the organization can be include: the main funds of the organization; low-value perishable items; water, heat, and energy supply; containers for storing goods and material values in warehouses or for technological processes.

The information and communication subsystem should include the following components: communication networks; information technologies (processing, transmission technologies and information storage, software); information systems; office management and document management. The basis of the information and communication subsystem is management of information and communications arising during its receipt, processing, and storage. Organizational and managerial component of material and technological subsystems include organizational, communicative, and regulatory and legal support of the management process material and technical and informational and communicative subsystems of the organization.

A special place in the functioning of any organization, especially a state one, is the financial and economic subsystem, which is a complex of economic relations in the middle of the organization, mediating the movement of financial resources aimed at the implementation of functions and tasks organizational system in conditions of instability and variability of the external environment.

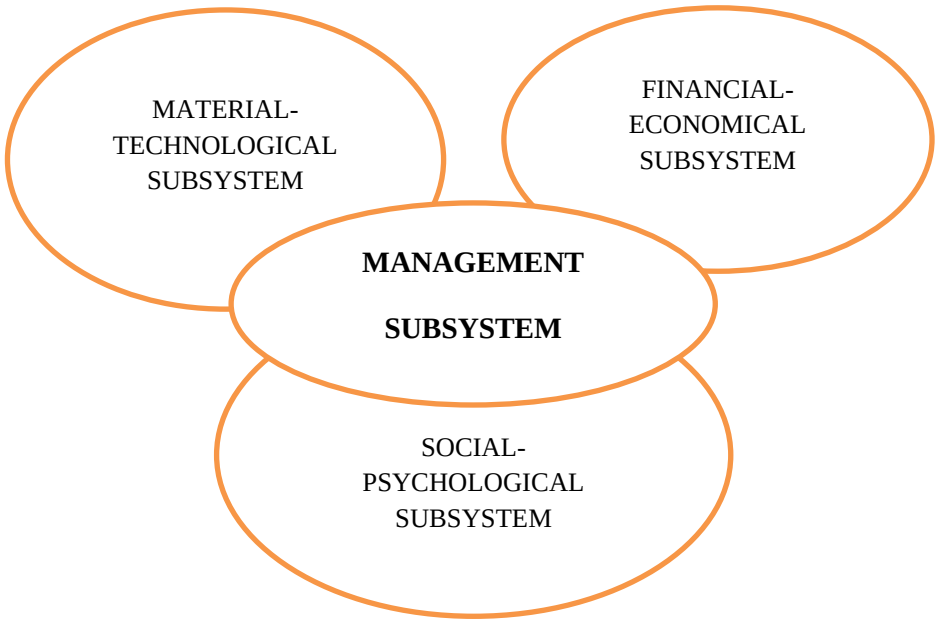


Fig. 2.6. Subsystems of the internal environment of the organization
Source: [23]

A feature of the financial economic subsystem of the state organization is that its formation and boundaries are clearly regulated by legislation and are regulated by the state. The financial and economic subsystem of the organization characterizes the system of financial economic relations regarding receipt, formation, distribution, and use of financial and economic resources to ensure the effective functioning of the organization. Considering the financial and economic system strong relations of the organization, they should, first, be shared on external and internal (which are formed in the system itself organizations). In turn, in the system of external financial economic relations of the organization should be allocated financially economic relations with the state (state bodies) and financial and economic relations with other subjects' management.

The socio-psychological subsystem of the organization includes the team, formal and informal groups, organizational culture, socio-psychological climate, and image organizations. The internal environment of the organization depends on the external environment, being its organic component, receiving from it everything necessary for the implementation of its mission and transferring to it the results of its transformational efforts.

Organization is an open system, and it depends on the outside world regarding the supply of resources, energy, personnel, as well as consumers. Because survival depends on leadership of an organization, the manager should be able to identify significant factors of the external environment. Moreover, they should offer appropriate ways of responding to external actions After all, to survive and function effectively in changing environment can only the organization that is in time can adapt to the rebuilds and adapts to the environment. Defining the external environment, no we need to try to embrace the immeasurable and consider absolutely all its factors. The manager should allocate only those aspects of the external environment that influence decisively the success of the organization. All the named factors directly and directly affect the operations of the organization, so they can be attributed to the environment of direct action.

The term **"external environment"** includes a wider range of factors: economic conditions, consumers, trade unions, competing organizations, natural factors, current legislation, and other

components. These are interrelated factors that influence the functioning of the organization, on its production, innovation, commercial, financial activities. The external environment and organization do not simply coexist, they interact in the most active way and interpenetrate. Factors of the external environment are divided into two main groups — microenvironment and macroenvironment, or direct and indirect action. Fig. 2.7 shows a generalized diagram of the functioning of the organization under consideration from the standpoint of its real or possible interaction with the main economic subjects and environments. Direct action factors are presented in the form of rectangles with straight lines and feedback. They directly affect the functioning of the organization and try it on themselves the impact of its operations. This group includes labor, financial, information, and material suppliers and other resources, consumers, state authorities and local self-government bodies, competitors, contact audiences of mass media. Factors of indirect action are represented on the diagram in the form of wide arrows unilateral action. This group includes economic, natural, socio-political, normative, legal, and other factors.

When conducting operations, the organization is forced to, first, consider the requirements of the external environment of direct influence. So, selling products on the market, the organization should consider the purchasing demand for them, as well as the position of competitors. The organization, of course, strives to sell as many products as possible at high prices, but whether they will be bought at all, if the prices are unacceptable for the consumer or significantly higher than the prices for similar products of competitors? Interests collide also when purchasing the necessary material resources from suppliers, obtaining loans from banks, determining the level of wages, and working conditions, as well as paying various taxes to the budget. n addition to the factors of direct influence, the manager should also consider the external environment of indirect influence. It does not make a direct impact on the operations of the organization, because at the same time, the interests of the two parties do not collide, there is no alternative. The environment of indirect influence does not affect the state of the organization now. At the same time, such factors as new technologies, economic recession, inflation, political changes in a neighboring country, the attitude of the press towards a given business or a specific businessman will affect activities of the organization in the future and may even be decisive. The influence of indirect factors is mediated through a change of environmental factors of direct influence. For example, an economic downturn will lead to a reduction in the number of jobs and, therefore, to a decrease in income of the population and demand for products. The application of new technology by a competitor will give him a win regarding a product and will strengthen its position on the market while will lower yours. Therefore, the manager should anticipate the influence of environmental factors of indirect action and respond to them in a timely manner. Thus, the reaction of the organization to the factors of direct and indirect ifluence is different. The organization can respond to changes in the factors of direct influence in two ways: rebuild the internal environment and start policies of active accommodation or countermeasures policy. The organization is forced to adapt its internal variables as much as possible to the factors of indirect influence: goals, tasks, structure, technology, personnel. Inherent characteristics of the development of the external environment are its viscosity, interconnectedness, complexity, mobility, and uncertainty.

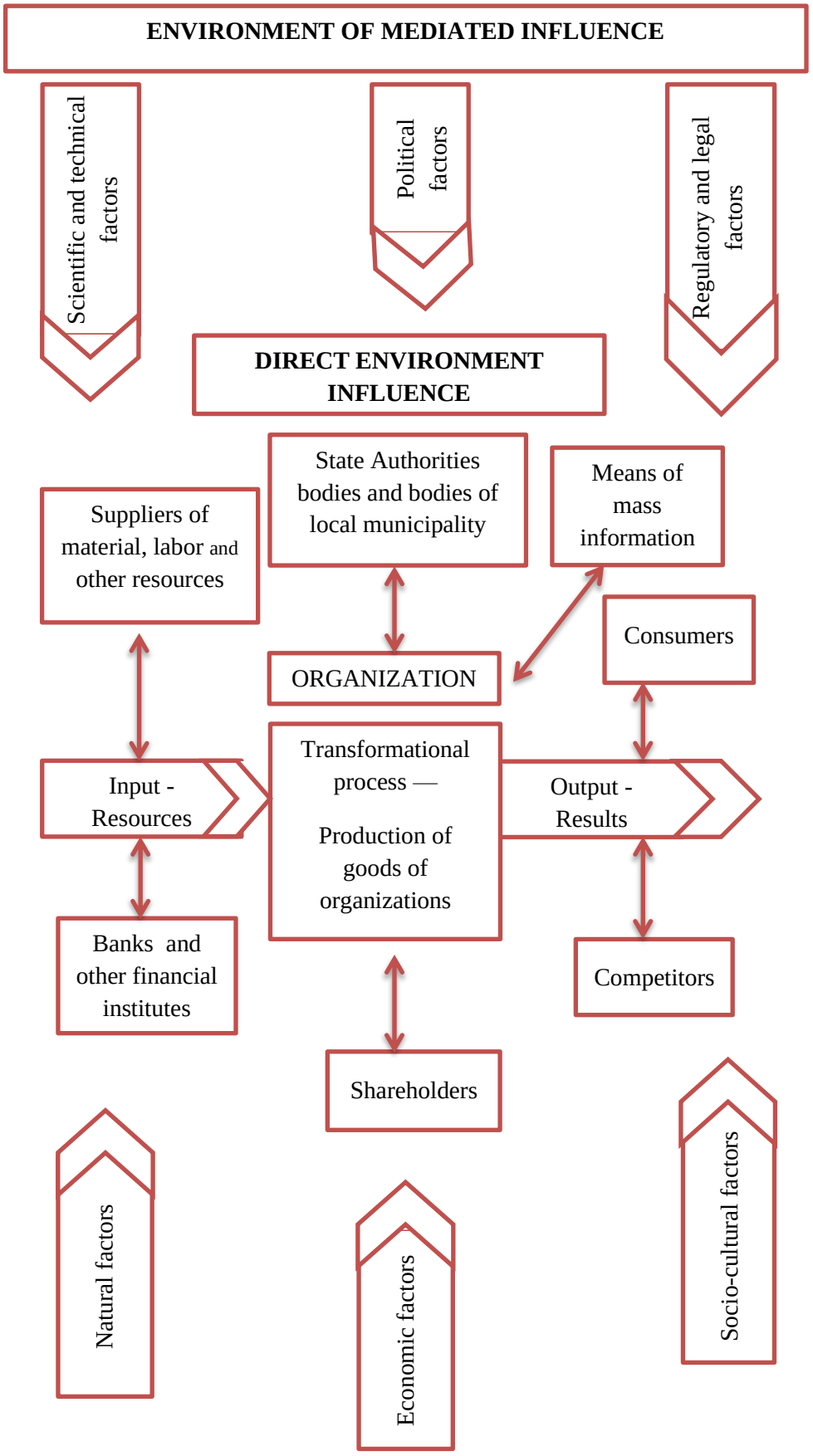


Fig. 2.7. The external environment of the organization

Source: [23]

The viscosity of the external environment is understood as a quantitative measure of the effort required for purposeful displacement, concentration, and development in production of units of material, financial and information technology resources. The higher it is, the more difficult it is to concentrate resources at the right time in a certain place so that responds adequately to the changes that are taking place and it is more difficult to carry out strategic management. All factors of the external environment are interrelated. The degree of interconnectedness of factors is the level of strength, with which a change in one factor affects others. Price factors are especially strongly interconnected. An increase in the prices of supplied resources leads to increase in product prices, decrease in demand and volumes sales A change in suppliers, the quality of supplied resources also affects the results of the organization's work, processing technology, used labor resources. The interconnectedness of environmental factors is especially important for the world market, which is gradually becoming unified.

The complexity of the external environment is understood by the number of factors to which the organization is obliged to respond, as well as the level of variability of each factor. The number of factors depends on the complexity of production: the number of initial components used, technologies, the level of qualification of personnel, the range and quality of products that are produced. The level of variability or change of factors is determined by the growth and development of production itself and the environment. Comparing the complexity of the environment of two organizations — a local dairy processing plant and radio electronic equipment plant, it can be concluded that the first enterprise is in a less complex environment. It is also necessary for it to have a less complex organizational structure. A factory of radio-electronic equipment, on the contrary, should have a complex, purposeful structure that considers the need to study the world market, develop new types of products, conduct research and design works. Otherwise, the plant will not be able to withstand the competition of the world market.

The speed of the external environment is the speed with which changes occur in the organization's environment. Many researchers indicate that the environment of modern organizations changes with increasing speed. But around some organizations the external environment changes more slowly (production of furniture, containers, food products), around others the environment is changing particularly fast (production of computers, telecommunications, chemical industry). In addition, the changes of the external environment can be higher for some units of the organization (marketing department, research, and development departments) and lower for others (production shops, auxiliary production).

Uncertainty of the external environment depends on the availability of the necessary information, which the organization has at its disposal, on a specific factor, as well as on its accuracy. If there is little information or there are doubts in its accuracy, the environment becomes more uncertain than in situations where there is enough reliable information. In conditions of increased viscosity, complexity, and speed to withstand the environment, the complexity and speed of decision-making should correspond to the complexity and speed of changes occurring in the environment (*Ashby's theorem of necessary diversity*). R. Waterman emphasizes that as social production development progresses and the onset of the post-industrial era, the development of organizations becomes decisively related to the level of response to changes in external environmental factors. Environmental factors to some degree affect all organizations.

However, the environment of organizations **operating at the international level in different countries** is characterized by increased complexity and uncertainty. Economy, culture, quantity

and quality of labor resources, laws, and the degree of political stability differ in different countries. And this should be considered. If managers believe that the environment of a country is like the environment of their country, then there is a great danger of making wrong decisions.

After getting acquainted with the general structure of the organizational environment, the organization should select from the totality of its elements those that are most important for it, that is, critical points. In other words, already at the primary stage the limits of environmental analysis should be established by an organization. That is, to characterize the factors of the external environment, it is first necessary to make their selection based on logical analysis or expert survey of managers and specialists of the organization, for which it is necessary to give as complete a list of these factors as possible, and then make their selection. For example, the complete set of factors of a direct influence included: suppliers, consumers, tax authoritiesand system, customs authorities and system, social insurance and security authorities, banks, competitors, labor exchange. After selection, the following are left suppliers, consumers, tax authorities and system, competitors. After consideration factors of direct action, it is advisable to perform analysis of indirect influence factor in the same order: give a complete set of factors, logically or expertly select the most significant of them and characterize them. Currently, the most important, as a rule, are the level of inflation and inflationary expectations, the level of political stability (instability), scientific and technological progress in the field. Characteristics of these factors are given in qualitative or quantitative form.

Quantitative characteristics are necessary to determine the level of inflation and its impact on profitability and cost of production. One of the interesting methods of assessing the external environment, which allows choosing the appropriate type of strategic management, is the scale of I. Ansoff, shown in Fig. 2.8.

Characteristic	Stages				
	Stableness	Reaction for changes	Foresight	Research	Creativity
Habituality of events	Usual	Within extrapolation of experience	Unexpected, those that have analogies	Unexpected and completely new	
The pace of change	Slower than organization's reaction	Corresponds to the reaction of organization	Faster than reaction of organization		
Predictability	By analogy with the past	By extrapolation	Anticipated significant problems and new pportunities	Partial predictability for the weak signals and unpredictable changes	
Scale of instability	1	2	3	4	5

Fig. 2.8. A scale for assessing the level of instability of external environment
Source: [23]

When establishing the level of instability, first determine which of the operating conditions will be the least stable in the coming years (5-7 years). According to most researchers, such factors for Ukrainian organizations are political and economic conditions. According to the parameters of I. Ansoff, these conditions can be estimated at the level of 3.5-4 points, i.e., as unexpected, completely new, occurring faster than organizations have time to adapt, often completely unpredictable, but probably when using elements of strategic management, they can

be estimated as partially predicted by weak signals.

I. Ansoff distinguishes the following **types of strategic management**, which are used depending on the degree of instability of the external environment:

● management based on the extrapolation of trends (long-term planning), which is used in conditions of a comparatively low degree of instability (instability rating — 2.5-3.0)

● management based on anticipation of changes (strategic planning, selection of strategic positions), which is used for average values of the instability degree (rating — 3.0-3.5)

● management based on flexible expert solutions (ranking of strategic tasks; management by weak signals; management in the conditions of strategic surprises), which is used for conditions of significant instability of the external environment (grade above 3.5).

Thus, for medium and large socio-economic systems operating under market conditions in Ukraine, it is possible to choose a type of strategic management based on weak signals and flexible expert decisions. This is the method of managing the organization that allows to prevent negative consequences in a timely manner before they become irreversible, and to direct the organization in an acceptable and a rational path of development.

There are other **common methods of analysis and evaluation of the external environment**. For Ukrainian conditions, one of the most acceptable is the "5 x 5" method for determining the most significant elements of the external environment, which was proposed by M.H. Meskon in 1984. The essence of the method is to find answers to 5 questions about 5 environmental factors:

1. If you have information about environmental factors, name at least 5 of them.
2. What are the 5 environmental factors that pose the greatest danger to you?
3. What 5 factors do you know about your competitors' plans?
4. If you have already determined the direction of the strategy, what 5 factors would be most important to achieve your goals?
5. Name 5 external spaces (i.e., factor areas) that allow the possibility of change that could be beneficial to you. The "method" cannot serve as a tool for a serious analyst. To get any recommendations, and to ensure their credibility and to formulate a vision for the future of the business, a much broader list of questions and much more information will be required. It is necessary to select certain information about possible business areas, collect and analyze data on the current and retrospective states of the organizational environment in the context of the company's life cycle stage and the competence of its management, and forecast the future state of the macro- and microenvironment.

Another method of assessing the environment, which, in our opinion, cannot be applied in isolation from the Mescon questions, can be a list of four questions about the impact of each significant environmental factor on the future of the organization:

1. How (positively or negatively) can this factor affect the position of the organization?
2. What is the probability of strengthening this factor, can it be traced?
3. How big will be the impact of the factor on the organization?
4. When can the impact of this factor on the organization weaken? (In the near future? In the medium term? After a long time?)

J. Wilson, a specialist in environmental analysis, proposes to analyze the information received on these issues in the matrix "Probability of strengthening the factor - the impact of the factor on the organization" (Table 2.2). If, according to the position in the matrix, the value of a factor is high, it should be given special attention when developing a strategy.

There are also questions: "Where is the boundary between high, medium and low probabilities and impacts?" and "How to measure them?" Unfortunately, none of the guides on strategic management answer these (quite natural for a serious specialist) questions.

Table 2.2

Wilson’s Matrix

Factor impact	Probability of strengthening the factor		
	high	average	low
	Significance of the factor for the organization		
high	high	high	average
average	high	average	low
low	average	low	low

Source: [23]

Analysis of the external environment involves the interpretation of statistical indicators and data from various external or internal studies. Usually, information is considered at two levels. First, the data that characterizes the state of the macroenvironment (factors of the external environment of indirect influence that are outside control of the organization but exert a significant influence on its activity) is analyzed. Secondly, information about the organization's microenvironment (about the operational external environment of direct influence, consumers, suppliers, and competitors) is investigated. Organizations can to some degree control microenvironmental factors. A very popular method of researching events that occur in the macro environment is a PEST analysis (political/legal, economic, socio-cultural, and technological). Its first step is the identification of the main external factors affecting the organization's activities.

Examples of some of them are presented in Fig. 2.9.

Macroenvironmental factors have different effects (depending on the size, shape, and stage of growth of the organization) on the business strategy. Reasons and consequences of these changes should be considered in connection with their impact on competition positioning.

The purpose of the PEST analysis is not simply to compile a list of factors of the external environment, but also to use a scheme for:

- identifying changes or trends in the development of factors of external environment
- concentration of attention on trends that have the most value for the organization
- considering the changes that take place during development of strategies of the organization.

PEST analysis is designed to make it easier for managers to assess the influence of factors of the external environment on the strategy. It draws attention to the dynamic nature of the business environment and emphasizes the need for periodic reviewing of plans. Static analysis of factors of the external environment is necessary to be supplemented with a dynamic one, which allows detecting trends in its development and determining the level of possible changes.

Studying economic, political, and socio-cultural factors forming the operational environment of the organization is the first step in the analysis of the environment. Special attention should be paid to factors of a competitive environment (microenvironment) affecting an organization’s ability to compete effectively in target markets.

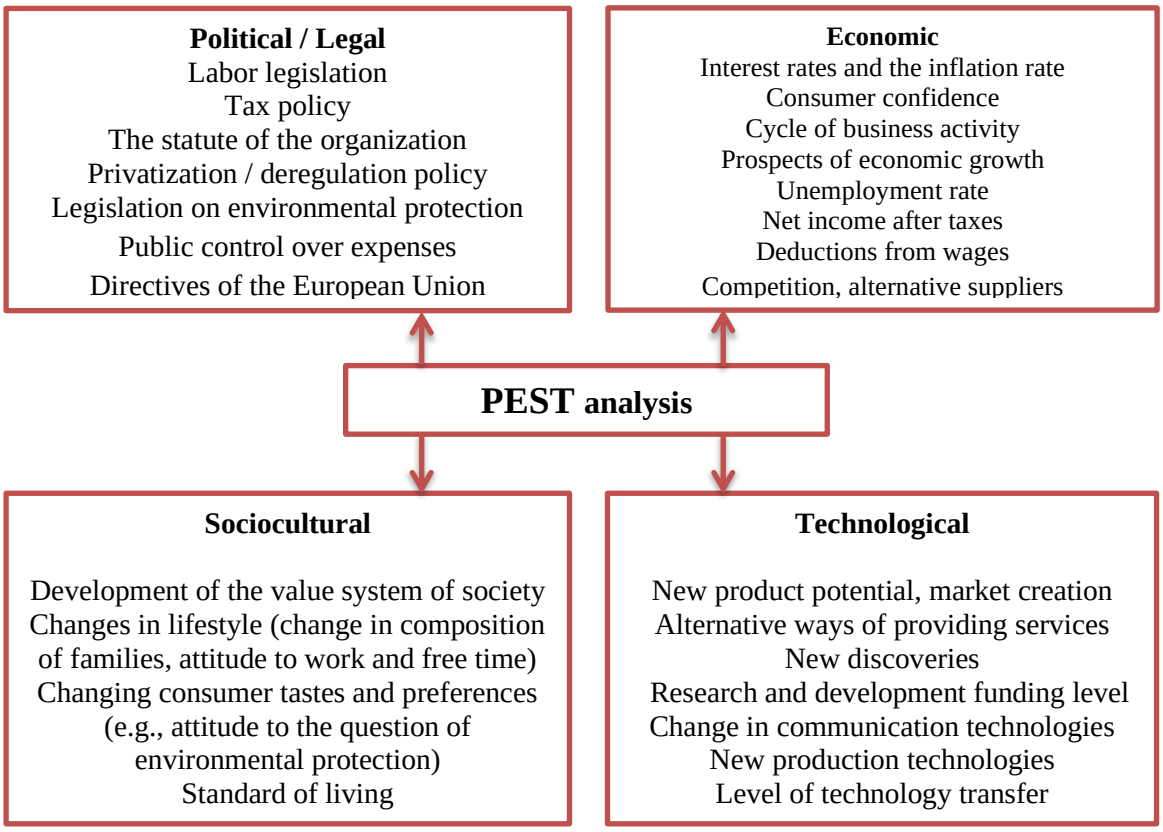


Fig.2.9. System of macroenvironmental factors for PEST analysis
Source: [22]

M. Porter offers several tools for competitive environment analysis, in particular the 5-factor model of the study of the structure of the industry, highlighting the following factors.

Entry Barriers. These barriers prevent new organizations from entering the market. These include high entry costs (significant investments in the main capital, usually in construction and equipment); difficulties in accessing distribution channels, significant influence of the experience curve; legislation or government regulation (for example, a monopoly in the field of communal services, subsidiesto support the metallurgical industry); unique characteristics of goods or services.

Relative power of buyers. It is small in cases where the market is characterized by a relatively small size in the number of both buyers and alternative supply sources; when the cost of the purchased goods is of insignificant value in the total costs of production of the product; when there is no threat of unification of buyers, as a result of high, from their point of view, prices of goods of supplier companies.

Relative power of suppliers. This criterion is insignificant in situations: when the proposal is fragmentary; when the buyers's expences to order other suppliers are small; when the threat of unification of suppliers not receiving the desired price is low; if the buyer organization buys a significant part of the products of the supplier, who in this case is interested in establishment of long-term relations with the client, and not in immediate benefit.

Threat of substitutes. It can undermine industry attractiveness, due to the limitation of such key variables as the price of the product. In some cases, it is about direct imitations of the company's goods or services. Countermeasures of the threat of substitute goods are in

differentiation (e.g., brand popularity) or reductions of expenses. At the same time, the emergence of alternative goods and services is determined by the continuity of technological development (eg. telecommunications). Hence, the risk of moral wear and tear of goods or services is inevitable. There is also a probability that the buyer organization will find substitutes for the goods or services of suppliers in new markets.

Level of industry competition. A high level of competition is usually observed in industries where the forces of rivals are approximately equal; in markets that are growing slowly (a sharp struggle for the company's market share is unfolding); in industries with high fixed costs or input costs (in many industries); insignificant opportunities for differentiation (and, therefore, a high probability of consumers switching from one supplier to another). M. Porter characterizes the degree of competitive rivalry as the main force that determines the profitability of the company, since low profit is unchangedsatellite of intense competition. Thus, the analysis of the structure of the industry is very important in many directions. By determining the nature and direction of action of the main forces of the competitive environment, organizations get the opportunity to take advantage of competitive advantages, resist threats and develop strategies adequate to the external environment.The combination of PEST analysis and industry research should guarantee the identification of the main factors of the external environment and the study of their impact on activities of organizations, draw attention to how adjustments of the strategy of the organization will affect the situation in the economy and, perhaps on the external environment in general.

The importance of the factors of the external environment increases in connection with the complication of the entire system of social connections and relations. Their influence on the organization can be manifested in the form of opportunities or threats for development of organizations.

4. Strategy and goals of an organization

Goals are specific end states or desired outcomes that a group seeks to achieve by working together. An organization can have a variety of goals. For example, to make a profit, businessmen and managers of organizations should formulate goals in such areas, as sales volumes (market share), development of new products, prices for them, and quality of services, training, and selection of personnel. Nonprofit organizations also have a variety of goals, but probably focus more on social responsibility. Goal-driven orientation permeates all further in management decisions. Units of organizations have their own specific goals that should contribute to the goal of the entire organization and not contradict each other. A well-founded goal serves as a starting point and an organizing factor for decision-making. As an aim there may be an intended task or a condition that served the reason for the decision. A goal indicates a direction. If we know in which direction we need to go, then a long way to go is relieved. Through setting goals, we can influence events. A goal should be specific, objective, real, involve actions, and have appropriate measurement. Goals are divided into short-term, intermediate, long-term, in order of achievements, big and small (for criterion of resource expenditure), such as competing, independent and complementary. The classification of goals allows setting priorities, that is, to give preference to one goal, and others to postpone. Depending on changes in conditions, opportunities, the achieved results, the goals may remain the same, adjust or change. New objectives appear as well because of the analysis of information, decisions of the previous year, that is, based on findings. New alternatives are considered: do they lead faster to achieving the goal, what for this is additionally required. If the demands of new alternatives are high and cannot be satisfied soon, then short-term but achievable goals are set. The achievement of a large and complex goal gradually progressed,

starting with those that have the highest priority. At the same time, the achievement of the intermediate goal is recorded.

Choice of strategy affects internal organization characteristics. Organization design characteristics need to support the firm's competitive approach. For example, a company wanting to grow and invent new products looks and "feels" different from a company that is focused on maintaining market share for long-established products in a stable industry.

Porter's competitive strategies include:

Differentiation Strategy. Organization Design: a) learning orientation; acts in a flexible, loosely knit way, with strong horizontal coordination; b) strong capability in research; c) values and builds in mechanisms for customer intimacy; c) rewards employee creativity, risk taking, and innovation.

Low-Cost Leadership Strategy. Organization Design: a) efficiency orientation; b) strong central authority; c) tight cost control, with frequent, detailed control reports; d) standard operating procedures; e) highly efficient procurement and distribution systems; f) close supervision; g) routine tasks; h) limited employee empowerment.

Miles and Snow's Strategy Typology includes:

Prospector strategy. Organization Design: a) learning orientation; b) flexible, fluid, decentralized structure; c) strong capability in research.

Defender strategy. Organization Design: a) efficiency orientation; b) centralized authority and tight cost control; c) emphasis on production efficiency; d) low overhead; e) close supervision; f) little employee empowerment.

Analyzer strategy. Organization Design: a) balances efficiency and learning; b) tight cost control with flexibility and adaptability; c) efficient production for stable product lines; d) emphasis on creativity, research, risk-taking for innovation.

Reactor strategy. Organization Design: a) no clear organizational approach; b) design characteristics may shift abruptly, depending on current needs.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

QUESTIONS FOR SEMINAR CLASSES PREPARATION

Topic 1. Organization theory and organizational development as a branch of management science

1. Subject, object, tasks, and problems of organization theory and organizational development.
2. Paradigm and thesaurus/terminology of an organization.
3. Specifics of connections between organization theory and organizational development with other sciences.
4. Emergence and development of organization theory and organizational development as a science.
5. Modern structure of organization theory and organizational development.
6. Content and specifics of organization research.
7. The specifics of the use of cognitive methods for research on organization theory and organizational development.
8. Tasks of survey methods for researching organization theory and organizational development.
9. The role of an organization in the development of society.

10. The place of organization theory in the system of scientific knowledge.
11. Functions performed by organization theory.
12. The main stages of evolution of organization theory.
13. The main directions of development of organization theory.
14. Specific features of each scientific school in the development of organization theory.
15. Principles of organization by A. Fayol.
16. Results of Hawthorne experiments.
17. The content of M.Weber's bureaucratic approach.
18. "Purpose-oriented" organizations by C. Bernard.
19. D. McGregor's "X-Y" theory.
20. Content of J. March, R. Saiert's "garbage can theory" model.
21. A. Chandler's theory of increasing productivity.
22. Directions of modern organization theory.
23. The rule of using the comparative method in organization theory.
24. Methods of cognition used by the theory of organization.
25.Fundamental schools of scientific management.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 2. The essence, basic concepts, and principles of an organization

1. Definition of the concept of "organization".
2. Characteristics of "universal organization".
3. Approaches to understanding an organization.
4. Genesis of an organization, its main provisions.
5. Organization as a system or organization as a process: primacy of the concept.
1. Organization as a system or organization as a process: primacy of the concept.
2. Properties of an organization: characteristics and features.
3. Specific properties of an organization.
4. Classification of organization principles.
5. General principles of an organization and their role in the management of an organization.
6. Characteristics of partial and situational principles of an organization.
7. The principle of matching the goals and resources of an organization.
8. Classification of organization laws.
9. Essence of the law of synergy.
10. Main indicators of the synergy effect.
11. Organizational development law.
12. The law of self-preservation in various systems: social and biological.
17. Parameters affecting the level of self-preservation of an organization.
18. Internal environment of an organization. Elements of an organization's internal environment
19. External environment of an organization. Elements of an organization's external environment.
20. Approaches used in the analysis of the external environment.
21. The essence of partial laws of an organization.
22. Unity of analysis and synthesis in an organization.
23. Law of social harmony.
24. Interrelationship of organization laws.

25. Evolution of socio-economic systems.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

QUESTIONS FOR SELF-STUDY

Topic 1. Organization theory and organizational development as a branch of management science

1. Analyze changes in the subject and structure of organization theory within the framework of recent scientific achievements.
2. Differentiate between the concepts of "object" and "subject" of organization theory.
3. Justify the importance of knowledge of organizational theory for a manager/entrepreneur.
4. Describe the specifics of the use of methods in the study of organization theory and organizational development.
5. Analyze the role of an organization in the development of society.
6. Describe the place of organization theory in the system of scientific knowledge.
7. Find out what methods of cognition are used by the theory of organization and briefly describe them.
8. Determine what functions organization theory performs.
9. Analyze the main stages of organization theory evolution and their fundamental differences.
10. Analyze the main trends in the development of organization theory and describe the features of each scientific school in organization theory development.
11. Describe the organization principles of A. Fayol.
12. Find out what A. Fayol's "bridge" is and briefly describe it.
13. Find out what results of the Hawthorne experiments allowed E. Mayo to draw conclusions.
14. Prove the relevance of M. Weber's views.
15. Compare the content of the views of C. Bernard and R. Saiert.
16. Describe the directions of modern organization theory.
17. Find out the relationship between the main provisions of classical and neoclassical models of organization.
18. Analyze whether, according to D. McGregor's concept, it is possible to manage an organization based on formal impersonality and a strict system of subordination.
19. Illustrate the dependence of an organization as an open system on the external environment.
20. Determine whether it is mandatory for a manager to take into account all aspects of the external environment.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 2. The essence, basic concepts and principles of the organization

1. Define the concept of "organization".
2. Based on the characteristics of an organization, prove the universality of an organization.
3. Define approaches to understanding the concept of "organization".
4. Find out what genesis of an organization is and describe its main provisions.
5. Consider what is primary: an organization as a system or an organization as a process.

6. In his work, Plato gave the characteristics of 5 forms of organization management. Identify these forms and describe them.
7. Justify the importance of laws of an organization.
8. Describe the main and specific properties of an organization.
9. Based on the classification of organization principles, characterise them.
10. Find out the general principles of an organization and their role in the management of an organization.
11. Describe partial and situational principles of an organization.
12. Describe the principle of matching an organization's goals and resources.
13. Describe the classification of organization laws.
14. Describe the law of synergy and characterise its content.
15. Describe the main indicators of the synergy effect.
16. Justify the importance of the law of organizational development.
17. Analyze the main stages of the law of self-preservation in various systems - social and biological.
18. Determine the influence of the parameters on the level of self-preservation of an organization.
19. Develop a plan for using survey methods to diagnose the state of an organization's internal environment.
20. Find out what determines the unity of analysis and synthesis in an organization.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

SECTION 2. ORGANIZATION AS A MANAGEMENT SYSTEM, PROCESS AND OBJECT

Topic 3. General characteristics of an organization

Topic 3.1. Organization as a universal category

1. Organization as an open system, its properties

A system is a certain integrity or a set of interrelated and interdependent parts, each of which contributes to the characteristics of the whole. All organizations are systems. There are two main types of systems: closed and open.

A closed system has rigid fixed boundaries, its actions are relatively independent of the environment surrounding the system.

An open system is characterized by interaction with the external environment. Energy, information, materials are objects of exchange with the external environment through the permeable boundaries of the system. Such a system is not self-sustaining, it depends on energy, information and materials coming from outside. An open system has the ability to adapt to changes in its environment and should do so in order to continue to function. All organizations are open systems. The survival of any organization depends on the outside world.

The division of systems into open or closed is not rigid, once and for all established. An open system can become closed if contact with the environment is reduced over time. In principle, the reverse situation is also possible.

All organizations as open systems have a simplified description. All of them have an input, a transformational process and an output. At the input, the organization receives raw materials, energy, information, capital, human resources, materials and other resources from the environment and converts them into goods and services, profit, waste, etc.

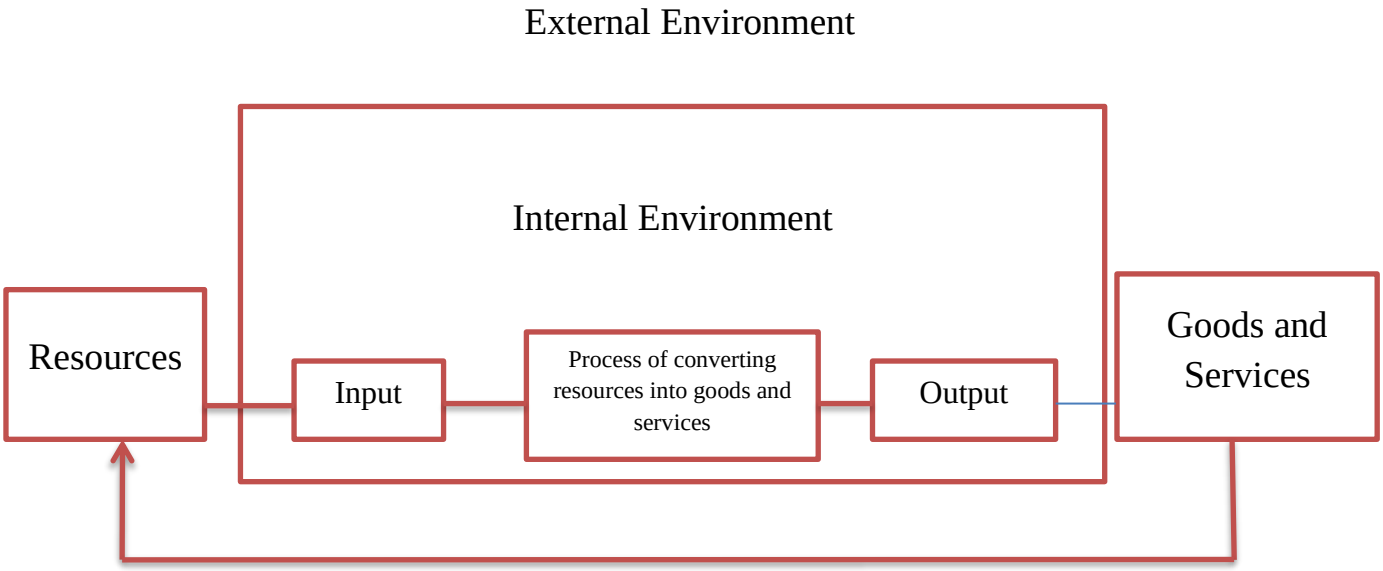


Fig.3.1. Conversion of resources in open system organization
Source: [3]

Thus, an organization, as an open system, always has an entrance through which all kinds of resources enter the environment and an exit through which its products, obtained because of the transformation of resources, enter the environment. This implies one of the most important properties of open systems - the recognition of the interdependence between the system and the external environment. From the point of view of a systems approach, an organization as an open system is a mechanism for transforming input information or resources into final products in accordance with its goals. The main types of input resources are people, raw materials, equipment, energy, finance, information, etc. The organization depends on clients and customers.

Value creation takes place at three stages: input, conversion, and output. Each stage is affected by the environment in which the organization operates. The organizational environment is the set of forces and conditions that operate beyond an organization's boundaries but affect its ability to acquire and use resources to create value. Inputs include resources such as raw materials, machinery, information and knowledge, human resources, money, and capital. The way an organization chooses and obtains from its environment the inputs it needs to produce goods and services determines how much value the organization creates at the input stage. For example, Jeff Bezos chose to design software to make Amazon.com's website as simple and user friendly as he possibly could, and he only recruited people who could provide high-quality, customer-friendly service that would most appeal to his Internet customers. If he had made poor choices and customers had not liked Amazon.com's website or customer service, his company would not have been successful.

The way the organization uses human resources and technology to transform inputs into outputs determines how much value is created at the conversion stage. The amount of value the organization creates is a function of the quality of its skills, including its ability to learn from and respond to the environment. For example, Jeff Bezos had to decide how best to sell and market his products to attract customers. His answer was to offer wide choice and low prices and

to ship books quickly to customers. His skill at these activities created the value that customers saw in his concept. The result of the conversion process is an output of finished goods and services that the organization releases to its environment, where they are purchased and used by customers to satisfy their needs—such as delivered books. The organization uses the money earned from the sale of its output to obtain new supplies of inputs, and the cycle begins again. An organization that continues to satisfy people's needs will be able to obtain increasing amounts of resources over time and will be able to create more and more value as it adds to its stock of skills and capabilities. Amazon.com has grown from strength to strength because satisfied customers return to its online storefront and continue to provide the revenues it needs to continually improve its skills and expand its operations.

A value-creation model can be used to describe the activities of most kinds of organizations. Manufacturing companies, such as GE, GM, and IBM, take from the environment component parts, skilled or semiskilled labor, and technical knowledge and at the conversion stage create value by using their manufacturing skills to organize and assemble those inputs into outputs, such as cars and computers. Service organizations, such as McDonald's, Amazon.com, the Salvation Army, and your family doctor, interact directly with customers or clients, who are the "inputs" to their operations. Hungry people who go to McDonald's for a meal, needy families who go to the Salvation Army for assistance, and sick people who go to a doctor for a cure are all "inputs". In the conversion stage, service organizations create value by applying their skills to yield an output: satisfied hunger, a cared-for family, a cured patient. Figure 3.2 is a simplified model of how McDonald's creates value.

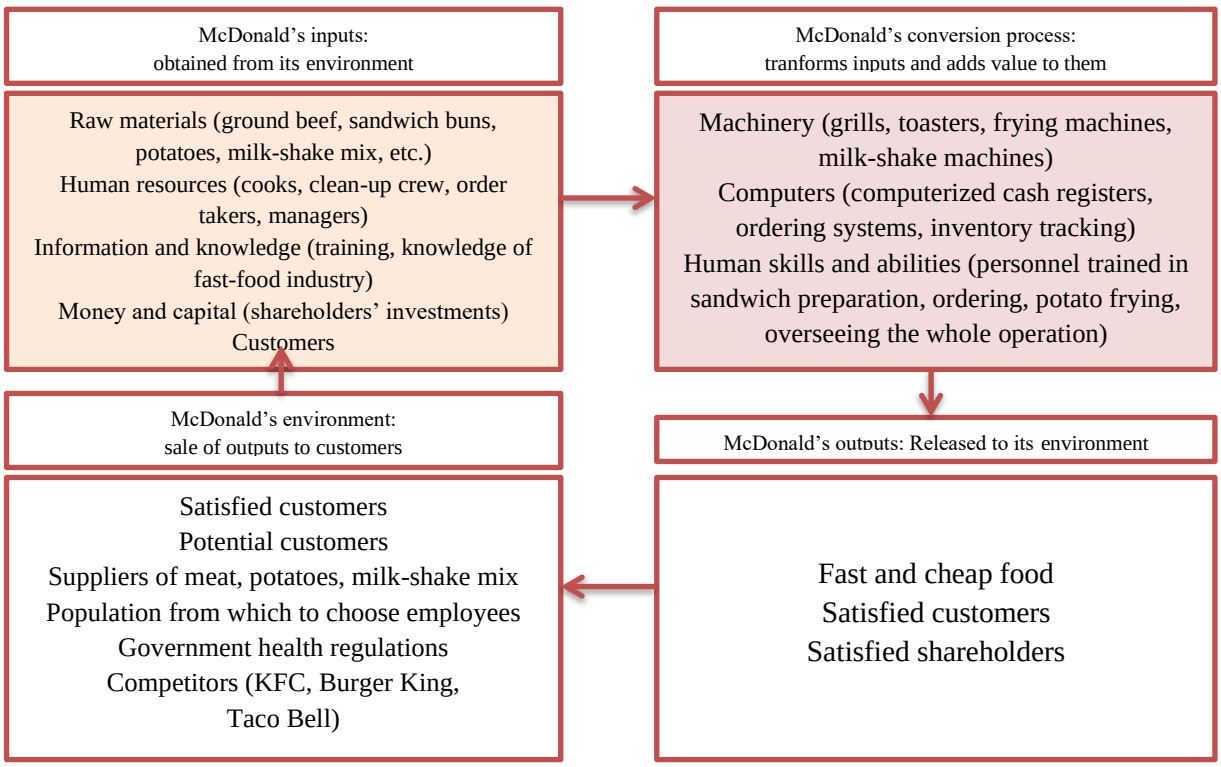


Fig. 3.2 How McDonald's creates value
Source: [4]

Open systems have specific features. One of these features is the *recognition of the interdependence between the system and the external environment*. Changes in the external

environment affect one or more attributes of the system, and vice verca changes in the system affect environment. The organization should reflect the state of the external environment. Its construction is based on prerequisites of an economic, scientific and technical, political, social or ethical nature. The organization should be created in such a way that it functions normally. The contribution of each of its members to the common work and effective assistance to employees in achieving their goals should be ensured. In this sense, an effective organization cannot be static. It should promptly monitor all changes in the external environment, evaluate them and choose the best response that contributes to the achievement of its goals. It should respond effectively to environmental influences.

Another equally important feature of an organization as an open system is *feedback*. Open systems constantly receive information from the external environment. This helps to adapt and allows corrective actions to be taken to correct unwanted deviations in system parameters. Here, feedback is understood as a process that allows to receive an influx of information or money into the system to modify the production of manufactured products or to establish the production of new products.

The organization, as an open system, has its own characteristics:

- separated from the external environment of the organization, and its boundaries can change over time
- always has a set of goals, hierarchically interconnected, from its mission to operational goals for each day
- provides for the need for formal coordination of the interaction of employees
- determines the method of distribution of tasks and responsibilities, formal coordinating mechanisms and models of interaction between employees and departments in the process of achieving organizational goals.

An organization as an open system is characterized by the following principles of design, development, and existence:

- complexity
- formalization
- a certain ratio of centralization and decentralization.

Complexity allows us to consider the organization as a set of its elements and the relationships between them. Formalization is understood as pre-designed and established rules and procedures that regulate the behavior of employees and intra-organizational relationships. The ratio of centralization and decentralization is determined by the levels at which management decisions are developed and made in the organization. The adopted ratio determines the nature and type of the projected organizational management structure.

The situational approach made it possible to expand the theory of systems by developing a concept according to which the decision in any situation is determined by external and internal factors and circumstances. Thus, before making a decision, the manager should necessarily analyze all the available factors influencing the emerging problem in order to successfully solve it. The behavior of the members of an organization can be seen as its internal environment. Organizations constantly encounter problems that can change its position. In order for all elements of the organization to operate and be intelligently coordinated, a continuous flow of resources is necessary. The production apparatus wears out, technology becomes obsolete, materials need to be replenished, workers quit. To ensure the viability of the organization, these resources should be replaced with elements of equal performance without interrupting the production process.

Other internal problems arise from deficiencies in the interaction and coordination of different

parts of the organization. One of the reasons why workers leave and shareholders are unwilling to invest their savings is the dissatisfaction of these groups with the working conditions and rewards for participation in the organization, and this dissatisfaction can become so strong that the very existence of the organization is threatened.

The organization is characterized by a cyclical nature of functioning. The output of the system provides funds for new investment, allowing the production cycle to be repeated. The revenues generated by industrial organizations should be adequate enough to pay loans, worker labor, and repay loans if the cycle of activity is sustainable and ensures the viability of the organization.

However, systems theory alone does not yet tell managers which elements of the organization as a system are especially important. It only says that the organization consists of numerous interdependent systems and is an open system that interacts with the external environment. This theory does not specifically define the main variables that affect the control function. It does not define what in the environment affects management and how the environment affects the result of the organization's activities. Obviously, leaders need to know what are the variables of an organization as a system in order to apply systems theory to the management process. This definition of variables and their impact on organizational performance is the main contribution of the situational approach, which is a logical extension of systems theory.

The system methodology in management received its own recognition and widespread distribution already in the second half of the 20th century. Scientific and technical progress, which gave a powerful impetus to the automation of production processes, influenced management processes as well. Cybernetics, a theory that explained many patterns of self-regulation in biology, physics, and technology, became necessary. Possibilities of applying these regularities in theory and practice of socio-economic organizations management have opened up. In Ukraine, it was first used in the design of automated control systems (ACS), then in the formation of a system approach to all processes of organization and management in socio-economic structures. From the works of foreign authors who recognized the systematic approach as one of the universal management tools, the work of R. Johnson, F. Kast, D. Rosenzweil, S. Optner, S. Young, J. Riggs, M.H. Residence gained popularity in Ukraine. The system approach entered the organization theory as a special methodology of scientific analysis and thinking. Ability to system thinking has become one of the demands placed on the modern manager. The essence of the system approach in management lies in the idea of the *organization as a system*.

A system, according to the definition of many authors, is a set of interconnected elements. A characteristic feature of such a set is that its properties as a system are not reduced to a simple sum of the properties of the input elements.

The quality of system organization is usually expressed in the synergy ffect. It turns out that the result the functioning of the system as a whole is higher than the sum of the results of individual constituent elements of the same name in total. In practice, this means that from the same elements we can get systems with different or same properties but different efficiency depending on how these elements will be interconnected, that is, how the system itself will be organized.

The organization that in the most general abstract form is an organized whole, is a limit extension of any system. The concept of "organization", as an ordered state of the whole, is identical to the concept of "system". Concept, opposite to "system", is the concept of "non-system".

A system is a certain set of interconnected and interacting elements that have the properties of integrity, emergence and stability. From this point of view, the concept "organization" corresponds to the concept of "system". However, the concept "organization" is somewhat

broader than the concept "system", as it reflects not only the state of order, but also the processes of ordering. This dual nature of the concept of "organization" makes its interpretation much more meaningful. Any system can be considered as the result of organizational transformations that change one of its equilibrium states to another.

A system is nothing but an organization in statics, that is, some fixed state of order at the moment. Viewing the organization as a system is productive. It allows to systematize and classify organizations by a number of common features.So, according to the level of complexity, nine levels of the hierarchy are distinguished:

- the level of static organization, which reflects the static relationships between the elements of the whole
- the level of a simple dynamic system with pre-programmed mandatory movements
- the level of information organization, or the level of the "thermostat"
- a self-sustaining organization, that is open system, or cell level
- genetic public organizations
- organization of the "animal" type, which is characterized by the presence of mobility, purposeful behavior and awareness
- the level of the individual human organism — "human" level
- social organization, which is a variety of social institutions
- transcendental systems, that is, organizations that exist in the form of various structures and relationships.

In the basis of a systematic approach to the study of the organization, which allowed considering it in the unity of all components of subsystems and processes, the general theory of systems is presented (I. Blauberg, P. Lawrence). Initially, the organization was investigated as closed system, but such organizations do not exist in nature. Today, the decisive approach to the organization as an open system, characterized by the following features, is used:

- the presence of components (the system consists of a certain number of parts, called components or elements. They are necessary to achieve the goals of the system)
- presence of connections (both between system components and with the external environment)
- the presence of a structure (the form of organizational connections is fixed in the structure, which ensures stability for the system)
- presence of interaction (components affect each other and only in the interaction of all elements and connections processes by which the result is achieved are possible)
- the flow of processes (a number of processes are carried out simultaneously in the system, each of which is associated with certain changes. The processes change the resources included in the system, turning them into an organizational product)
- integrity and emergent (properties that arise only as a result of the interaction of the organization's components) properties
- the possibility of identification (properties, on the basis which organization can be distinguished from other organizations)
- the presence of the external environment (phenomena and factors that are not part of the system, but significantly affect it)
- existence of a concept (reflects the mission, goals and values of the organization).

The use of a systemic approach to the study of an organization allows one to significantly expand the understanding of its essence and development trends, to reveal more deeply and comprehensively the content of the processes taking place, to reveal the objective regularities of the formation of this multifaceted system.

Currently, there are many definitions of the system approach in the literature. The most capacious and concise in content is that the system approach, or system method, is explicit (explicit, openly expressed) description of procedures for defining objects as systems and methods of their specific system research (descriptions, explanations, forecasts).

A systematic approach to the study of the organization's properties allows to establish its integrity, systematicity and organization. With the system approach, the attention of researchers is directed to its composition, to the properties of the elements that appear in interaction. Installation in a stable system of interrelationships of elements at all levels, i.e. establishing the law of relations of elements, is the identification of a structural system as the next degree of concretization of the whole.

The structure as the internal organization of the system, the reflection of its internal content is revealed in the orderliness of the interrelationships of its parts. It allows to express a number of essential aspects of the organization as a system. Structure of the system, expressing its essence, is revealed in the set of laws of this field of phenomena. Studying the structure of the organization is an important stage of understanding of the variety of connections that take place within the object under study. This is one of the aspects of systematicity. The other side is about identifying intra-organizational relations and relationships of this object with other components of the higher-level system. In this regard, it is necessary, firstly, to consider individual properties of the subject in their relationship with the object as a whole, and secondly, to reveal the laws of behavior.

The systematic approach to the study of the organization in its modern interpretation is closely related to self-managed system processes.Socio-economic systems in most cases are unbalanced, which spontaneously provides development of the effect of self-organization of the human factor and respectively self-government.

Organizational science, which uses a systematic methodology, involves studying and taking into account the experience of organizational activity in various types of organizations - economic, state, military. Consideration of the organization as system allows to significantly enrich and diversify methodological tools for the study of organizational relations.

Understanding the organization as a system allows to single out a number of general properties inherent in it, which are observed in organizations of any nature. The famous Aristotelian statement "The whole is greater than the sum of its parts" still remains the most important characteristics of organized integrity. Creation of whole is made using integration. Integration is the union of parts into a single whole. Any organization can be considered as an integrated whole in which each every structural element occupies a strictly defined place.

The concept of integrity is inextricably linked with the concept of emergence. Emergence is availability of qualitatively new properties of the whole that are absent in its component parts. This means that the properties of the whole are not a simple sum of the properties of its constituent elements, although depend on them. However, elements combined into a system (whole) may lose their properties inherent beyond the system, or purchase new ones. The organization, being a holistic, systemic entity, has the property of *stability,* that is, it always seeks to restore the disturbed balance, compensating for changes arising under the influence of external factors.

2. Organization as a social system, its properties

There are biological, physical, technical organizations. In the discipline "Organization theory and Organizational Development" social organizations are complex dynamic open purposeful controlled systems created by man and in functioning of which a human being plays an active

role - are studied. In order to clarify the essence of social organization, first of all, it is necessary to consider the concept of "social system".

A system in which a person is included or which is intended for a person is called social. General system-forming factors of social systems: the general goal of the entire set of components; subordinating the goals of each component to the overall goal of the system and the awareness of each element of its tasks and understanding of the overall goal; performance of its own functions determined by the task by each element; relations of subordination and coordination between system components; the presence of the principle of feedback between the controlling and controlled subsystems.

The first, most important component of social systems is a person - first of all, a social, conscious human being connected with other people in various relationships and forms of interaction. In the process of work, people unite into groups, artels, social strata, communities and organizations. The presence of a human component is the main difference between a social system and other integral systems.

The second group of components of the social system is processes (economic, social, political, spiritual), totality of which is a change in the state of the system as a whole or in some part of its subsystems. Processes can be progressive and regressive They are caused by the activities of people, social and professional groups.

The third group of components of the social system are things that is, subjects involved in the economic and social life, so-called objects of second nature (production buildings, tools and means of work, computer equipment, means of communication and control, technological devices created by people, used by people in the process of production, management and spiritual activity).

The fourth group of components of the social system has spiritual nature: social ideas, theories, cultural, ethical values, customs, rituals, traditions, beliefs, which again due to the actions and deeds of various social groups and separate individuals.

Depending on the essence, purpose, place in society, type of organization, functions, relations with the environment some basic levels of social systems can be distinguished. The broadest and most complex level is the entire society (Ukrainian, American, Chinese, etc.), the totality of members of this society and the entire complex of social relations — economic, political, actually social, spiritual and economic. In this broadest sense social concrete society acts as a dynamic social system.

The second level of social systems is communities, association of people of a smaller order (nations, states, social and ethnic groups, elites, settlements).

The third level of social systems is organizations operating in the real sector of the economy (credit and financial institutions, scientific, scientific and educational firms, corporations, public associations).

The fourth (primary) level of social systems is workshops, brigades, sections, professional groups, departments, departments and other divisions within the organization. Their excellent peculiarity lies in the direct contacts of each with each.

Society is characterized by other system formations, for example, administrative-territorial ones, which have several levels: national, regional (oblast, district), municipal (city, town, village). Each of the levels in turn, is a complex system with many different components, a specific structure, functions, and management bodies. Another type of system formation is by spheres of social life: economic, political, social and spiritual. For example, the economy includes industry, agriculture, transport, communication, construction. Industry, agriculture, in turn, are divided into branch, sub-branch, which in their turn - in corporations, financial and

industrial groups, firms, enterprises (small, medium, large), shops, areas, departments, brigades. The political sphere is the state (legislative, executive and judicial bodies), public associations (political parties, socio-political movements). The spiritual sphere includes mass media, cultural foundations, creative unions, scientific professional associations. Social organizations unite the activities of people in society. Human interaction through socialization creates conditions and prerequisites for improving social and industrial relations. There are different approaches to the concept of "social organization" (Fig. 3.3).

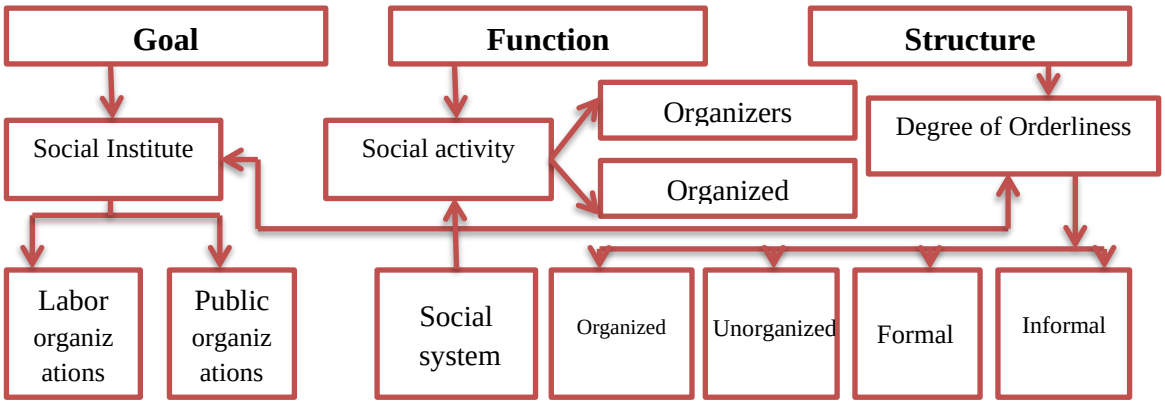


Fig. 3.3. Approaches to the concept of "social organization"
Source: [22]

The concept of "social organization" can be understood as an artificial association of an institutional nature, designed to perform a certain function. In this sense, a social organization has its own social status. In this case, the organization acts as a target object, a target community in which the achievement of a common goal is recognized as possible only through the achievement of an individual goal, and vice versa, achieving an individual goal becomes possible only through setting and achieving a common goal. *The term "social organization" is used for characteristics of the degree of orderliness of the object, i.e to reveal its structure and the type of connections of the whole and its parts.* In this sense, the term is usually used to refer to organized and unorganized systems, formal and informal organizations. A social organization is characterized by social properties, which include organizational goals and functions, effectiveness of results, motivation, and stimulation of personnel. The organization is formed as a social environment that includes social groups, statuses, norms, leadership relationships. Social organization is one of the most developed types of social system. In practice, social systems are realized in the form of organizations, companies, firms, institutions, bodies. In the theory of organization, different types of social organizations are distinguished: socio-economic, socio-political, socio educational. Each of these types has a priority of its own goals (Table 3.1).

Table 3.1

Goals of social organizations

Types of social organizations	Goals
Socio-Economic	The main goal: obtaining maximum profit for the benefit of the founders
Social and Cultural	Main goal: implementation of aesthetic attitudes Secondary goal: obtaining maximum profit
Social and Educational	Main goal: satisfaction of customers' needs for information and knowledge Secondary goal: making profit

Source: [22-25]

The socio-economic organization is characterized by the presence of social and economic ties between employees. Social ties include interpersonal, domestic relations; relationships by management levels; relations to people by public organizations. Economic ties include material stimulation and responsibility, living wage, benefits, and privileges. Correlation of these connections plays a decisive role in creating or diagnostics of the state of the organization.

When organizing or reorganizing an organization, it is possible to use the table of influence of the levels of the specified connections on the state of the organization (Table 3.2).

Table 3.2

The influence of the level of connections on the state of organizations

Social connections	Economic connections		
	Weak	Medium	Strong
Weak	Unstable organization	Weak organization	Conflict organization
Medium	Weak organization	Average organization	Average organization
Strong	Conflicting formal and strong informal organization	Average organization	Strong organization

Source: [22-25]

Objective (natural — according to economic, managerial, and organizational laws) and subjective (artificial – at the will of a person or society) processes occur in the organization. Objective processes include decline and rise in the activity of the organization, the balance of demand and supply, processes related to the laws of organizations. Subjective ones include processes related to the implementation of technological, economic, managerial, and other decisions of management subjects.

The essence of social organization can be represented by the following dependence:

Social organization = Team/Employees + Material and Technical Base + Finance + Information support + Transformation Process [22]**.**

The transformation process characterizes the transformation of resources in the rganization that come from the outside into a specific result, which can appear in the form of a product in tangible form or a service. **A special type of service is management services produced by state authorities and local self-government bodies.**

As can be seen from the above dependence, the employees are the central element of social organization, but it (team) cannot be identified with the entire social organization. The team is a union of all employees of the organization, carrying out joint work activities. Organization cannot exist without the employees and includes the team as its basis. Indicators of many components included in the organizational system depend on the composition and mood of the team. The team may be completely replaced, but the organization will continue to exist.

On the other hand, a fully automated structure that functions without human participation cannot be recognized as a social organization. An example of such an organization can be fully automated stores that have become widespread in Japan that operate without salespeople and cashiers. A private enterprise, in which only one person works, cannot be considered an organization either, since it is deprived of the main component of the organization — the team.

3. Mechanistic and organic structures of organizations

Each design challenge has implications for how an organization as a whole and the people in the organization behave and perform. Two useful concepts for understanding how managers manipulate all these challenges collectively to influence the way an organizational structure works are the concepts of mechanistic structure and organic structure. The design choices that

produce **mechanistic and organic structures** are contrasted in Table 3.3.

Table 3.3

How the Design Challenges Result in Mechanistic or Organic Structures

Mechanistic structures result when an organization makes these choices:	Organic structures result when an organization makes these choices:
• Individual Specialization (employees work separately and specialize in oneclearly defined task) • Simple Integrating Mechanisms (hierarchy of authority is clearly defined and is themajor integrating mechanism) • Centralization (authority to control tasks is kept at the top of the organization; most communication is vertical) • Standardization (extensive use is made of rules and SOPs to coordinate tasks, and work process is predictable)	• Joint Specialization (employees work together and coordinate their actions to find the best way of performing a task) • Complex Integrating Mechanisms (task forces and teams are the major integrating mechanisms) • Decentralization (authority to control tasks is delegated to people at all levels in the organization; most communication is lateral) • Mutual Adjustment (extensive use is made of face-to-face contact to coordinate tasks, and work process is relatively unpredictable)

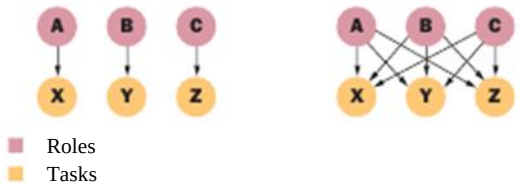
Source: [22-25]

Mechanistic Structures. Mechanistic structures are designed to induce people to behave in predictable, accountable ways. Decision-making authority is centralized, subordinates are closely supervised, and information flows mainly in a vertical direction down a clearly defined hierarchy. In a mechanistic structure, the tasks associated with a role are also clearly defined. There is usually a one-to-one correspondence between a person and a task. Figure 3.4 (left part) depicts this situation. Each person is individually specialized and knows exactly what they are responsible for, and behavior inappropriate to the role is discouraged or prohibited. At the functional level, each function is separate, and communication and cooperation among functions are the responsibility of someone at the top of the hierarchy. Thus, in a mechanistic structure, the hierarchy is the principal integrating mechanism both within and between functions. Because tasks are organized to prevent miscommunication, the organization does not need to use complex integrating mechanisms. Tasks and roles are coordinated primarily through standardization, and formal written rules and procedures specify role responsibilities. Standardization, together with hierarchy, is the main means of organizational control. Given this emphasis on the vertical command structure, the organization is very status conscious, and norms of "protecting one's turf" are common. Promotion is normally slow, steady, and tied to performance, and each employee's progress in the organization can be charted for years to come. Because of its rigidity, a mechanistic structure is best suited to organizations that face stable environments.

Organic Structures. Organic structures are at the opposite end of the rganizational design spectrum from mechanistic structures. Organic structures promote flexibility, so people initiate change and can adapt quickly to changing conditions.

Organic structures are decentralized so that decision-making authority is distributed throughout the hierarchy; people assume the authority to make decisions as organizational needs dictate. Roles are loosely defined and people continually develop new kinds of job skills to perform continually changing tasks. Figure 3.4 (right part) depicts this situation. Each person performs all three tasks, and the result is joint specialization and increased productivity. Employees from different functions work together to solve problems; they become involved in

one another's activities. As a result, a high level of integration is needed so that employees can share information and overcome problems caused by differences in subunit orientation. The integration of functions is achieved by means of complex mechanisms like task forces and teams. Coordination is achieved through mutual adjustment as people and functions negotiate role definitions and responsibilities, and informal rules and norms emerge from the ongoing interaction of organizational members.



A. Individual specialization in a mechanistic structure. A person in a role specializes in a specific task or set of tasks.

B. Joint specialization in an organic structure. A person in a role is assigned to a specific task or set of tasks. However, the person can learn new tasks and develop new skills and capabilities.

Fig. 3.4 Task and role relationships
Source: [3]

This organic approach to decision making is very different from a mechanistic one. For example, in the IBM of the 1990s, its centralized and standardized product development system meant that getting a decision made was, according to one engineer, "like wading through a tub of peanut butter". But as Google has grown quickly in the 2000s there have been complaints that its organic approach that relied heavily on mutual adjustment is being threatened by the increasing number of rules and committees now used to evaluate new product ideas and innovations. As a result, Google has been trying to find new techniques to retain its organic approach and avoid the "peanut butter" problem. In an organic structure specific norms and values develop that emphasize personal competence, expertise, and the freedom to act in innovative ways. Status is conferred by the ability to provide creative leadership, not by any formal position in the hierarchy and approach encouraged at Google, Netflix, and Apple. Many organizations such as IBM and Ford whose mechanistic structure made job grade, seniority, and loyalty the foundation of their norms and values have suffered in the past because the result is slow and ponderous decision making, and managers who are afraid to rock the boat—but all this has changed in the last several years as their new CEOs have championed an organic approach. Clearly, organic, and mechanistic structures have very different implications for the way people behave. *Is an organic structure better than a mechanistic structure?* It seems to encourage the kinds of innovative behaviors that are considered desirable: teamwork and self-management to improve quality, customer service, and reduce the time needed to get new products to market. However, would you want to use an organic structure to coordinate the armed forces? Probably not, because of the many authority and status problems that would arise in getting the army, air force, marines, and navy to cooperate. Would you want an organic structure in a nuclear power plant? Probably not, if employees adopt a creative, novel response in an emergency or simply make mistakes through human error that may result in a catastrophe. Would you even want an organic structure in a restaurant, in which chefs take the roles of servers and servers take the roles of chefs, and authority and power relationships are worked out on an ongoing basis? Probably not, because the one-to-one correspondence of person and role allows each restaurant employee to perform their role in the most effective manner. Conversely, would you want to use a mechanistic structure in a high-tech company like Apple or Google where innovation is a

function of the skills and abilities of teams of creative software engineers working jointly on a project? Case Study describes how Google has been forced to manage this difficult balancing act as it has grown over the last several years.

Lawrence and Lorsch found that when the environment is perceived as unstable and uncertain, organizations are more effective if they are less formalized, more decentralized, and more reliant on mutual adjustment. When the environment is perceived as relatively stable and certain, organizations are more effective if they have a more centralized, formalized, and standardized structure. Moreover, they found that effective companies in different industries had levels of integration that matched their levels of differentiation. In the uncertain plastics industry, highly effective organizations were highly differentiated but were also highly integrated. In the relatively stable container industry, highly effective companies had a low level of differentiation, which was matched by a low level of integration. Companies in the moderately uncertain food-processing industry had levels of differentiation and integration in between the other two. A complex, uncertain environment (such as the plastics industry) requires that different departments develop different orientations toward their tasks (a high level of differentiation) so that they can deal with the complexity of their specific environment. As a result of this high degree of differentiation, such organizations require more coordination (a high level of integration). They make greater use of integrating roles between departments to transfer information so the organization can develop a coordinated response to the environment. In contrast, no complex integrating mechanisms such as integrating roles are found in companies in stable environments because the hierarchy, rules, and SOPs provide sufficient coordination. The message of Lawrence and Lorsch's study was that organizations should adapt their structures to match the environment in which they operate if they are to be effective. This conclusion reinforced that of a study by Burns and Stalker (**Burns and Stalker on Organic versus Mechanistic Structures and the Environment).** Tom Burns and G. M. Stalker also found that organizations need different kinds of structure to control activities when they need to adapt and respond to change in the environment. Specifically, they found that companies with an organic structure were more effective in unstable, changing environments than were companies with a mechanistic structure. The reverse was true in a stable environment: There, the centralized, formalized, and standardized way of coordinating and motivating people that is characteristic of a mechanistic structure worked better than the decentralized team approach that is characteristic of an organic structure. What is the reason for those results? When the environment is rapidly changing and on-the-spot decisions should be made, lower-level employees need to have the authority to make important decisions—in other words, they need to be empowered. Moreover, in complex environments, rapid communication and information sharing are often necessary to respond to customer needs and develop new products. When the environment is stable, in contrast, there is no need for complex decision-making systems. Managing resource transactions is easy, and better performance can be obtained by keeping authority centralized in the top-management team and using top-down decision making. Burns and Stalker's conclusion was that organizations should design their structure to match the dynamism and uncertainty of their environment. Figure 3.5 summarizes the conclusions from Burns and Stalker's and Lawrence and Lorsch's contingency studies. Later chapters examine in detail how to choose the appropriate organizational structure to meet different strategic and technological contingencies. For now, it is important to realize that mechanistic and organic structures are ideals: They are useful for examining how organizational structure affects behavior, but they probably do not exist in a pure form in any real-life organization. Most organizations are a mixture of the two types. Indeed, according to one increasingly influential view organizational design, the most

successful organizations are those that have achieved a balance between the two, so that they are simultaneously mechanistic and organic. An organization may tend more in one direction than in the other, but it needs to be able to act in both ways to be effective. The army, for example, is well known for having a mechanistic structure in which hierarchical reporting relationships are clearly specified. However, in wartime, this mechanistic command structure allows the army to become organic and flexible as it responds to the uncertainties of the quickly changing battlefield.

Similarly, an organization may design its structure so that some functions (such as manufacturing and accounting) act in a mechanistic way and others (marketing or R&D) develop a more organic approach to their tasks. To achieve the difficult balancing act of being simultaneously mechanistic and organic, organizations need to make appropriate choices. In the next three chapters we look in more detail at the issues involved in designing organizational structure and culture to improve organizational effectiveness. Studies by Lawrence and Lorsch and by Burns and Stalker indicate that organizations should adapt their structure to reflect the degree of uncertainty in their environment. Companies with a mechanistic structure tend to fare best in a stable environment. Those with an organic structure tend to fare best in an unstable, changing environment.

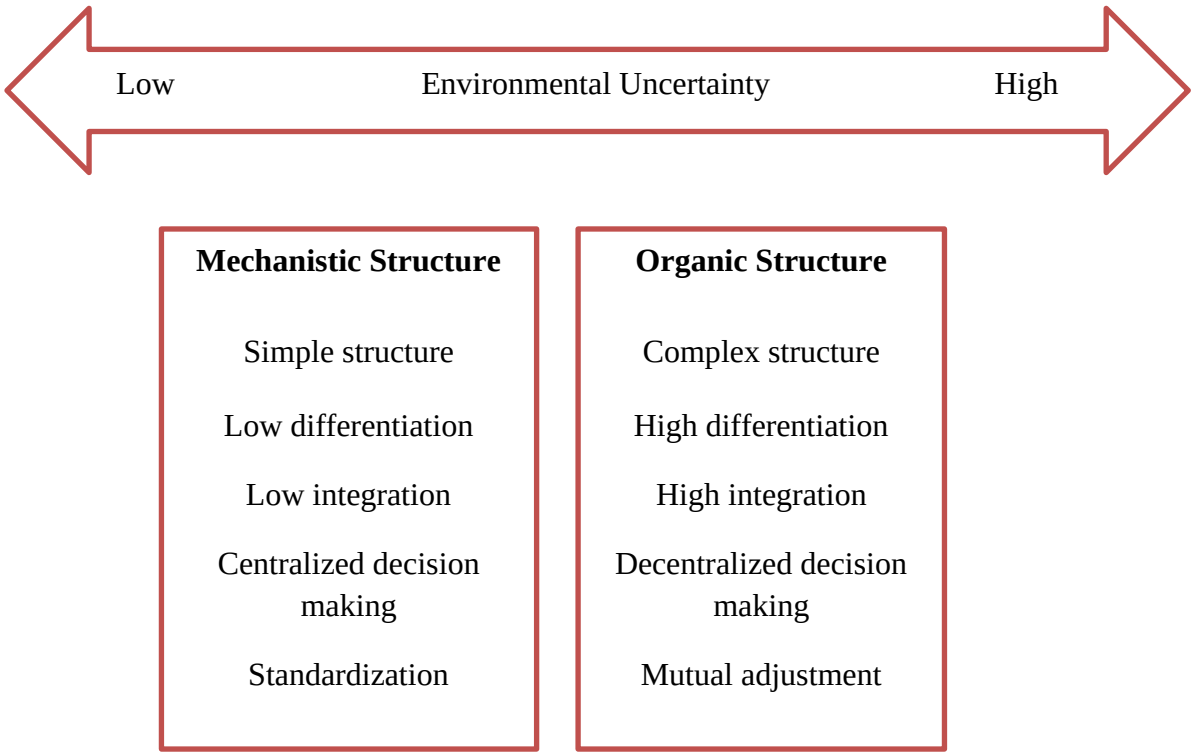


Figure 3.5. The relationship between environmental uncertainty and organizational structure
Source: [4]

CASE STUDY. Google Has a Social Networking Problem. Google founders Larry Page and Sergey Brin went to great lengths to create and design an organizational culture for their company that emphasizes innovation—and the company still does. However, the company's rapid rate of growth added over 80,000 employees in the next three years, and by 2011 it employed over 136,000 people. Google's rapid growth that resulted from its entry into an increasing number of different product markets, such as smartphone software and social networking, led many analysts to claim that Google, despite being entrepreneurial at the level of the product group, had become too bureaucratic at the level of the whole organization. The issue

facing Google was that its product groups had split apart and were now pursuing their own interests. While this had resulted in many major gains, such as its Android software, chrome browser, and ever advancing search and online advertising competences, it was also making many mistakes because overall company goals were not being achieved. This was because the different product groups' activities were often incompatible and at cross-purposes. However, crucially, it was also because each group's relentless attempt to pursue its own interests resulted in the company's attempts to increase its strength in online social networking, such as through its "Google Wave" initiative to compete with Facebook, had all failed. After Larry Page took over as CEO from Eric Schmidt in 2011, Schmidt admitted that his biggest mistake as CEO was that he had not recognized the major challenge posed by social networking sites such as Twitter and in particular Facebook, whose user base had grown from 40 million users in 2007 to 500,000 million by 2011. Google's search technology cannot search within Facebook's pages, so while Facebook could build up a huge library of specific details about the interests of its members to sell to online advertisers, Google was unable to tap into this goldmine. Why is this so important? Because targeted online advertising is the key to earning higher sales revenues and by 2010 Facebook's own targeted advertising program to its 500 million users was earning it billions of dollars. It seemed that Facebook's rapid growth into online advertising would choke off Google's attempts to remain the leader so they would become fierce competitors in the online advertising market. So, in 2011 the issue facing Larry Page and his top management team was to find ways to reduce bureaucracy at the top in Google to rapidly advance its competence in social networking—it had to find ways to integrate the actions of all its different product groups to promote its competence in social networking. Page created a new top management committee - all the heads of Google's product groups are now required to meet once a week with Page to further integration and mutual adjustment to keep the company on track to succeed in social networking. As Vic Gundotra, who oversees Google's secret project to combat the social network Facebook commented, "We needed to get these different product leaders together to find time to talk through all the integration. Every time we increase the size of the company, we need to keep things going to make sure we keep our speed, pace, and passion". Page's task is not easy because each of Google's product groups are led by strong, charismatic leaders who aggressively pursue their own agendas and the problem is how to get these managers to work together. For example, the Android group should find ways to cooperate with the Chrome group to further social networking, and the search group has to coordinate with the advertising group to find ways to target customers at the city level, like Groupon. In 2011 this was Google's central challenge. Page made clear how important he views this challenge by linking a substantial part of each top managers, and the members of each product group's, annual bonus and stock options, worth tens, or hundreds of millions of dollars, to how well the company performs in its online social networking initiatives in the future. Page achieved his goal when at lightning speed Google+ was introduced in the summer of 2011 and had signed up 40 million members by October. Google is doing all it can to respond to the Facebook challenge.

4.**Evolution of social organizations**

There are many social organizations in the state that solve a wide variety of tasks: economic, cultural, social, religious. Different methods of studying organization activities are used for different types of organizations, since many organizations set themselves social goals that are significantly different. Social organizations have various forms: **an enterprise, a hospital, a**

university, a school, political party, sports association, body authorities. The complexity and diversity of organizations determines the need for their classification.

Adaptation of the socio-economic system is not just an adaptation, but always a development that follows the path of systemic differentiation, aimed at achievement of maximum stability of the system. The evolution of socio-economic systems is qualitatively different from the evolution of natural systems.

The basic evolutionary principle — the principle of expediency — does not appear as clearly within the framework of society as it does in the natural system. It is known that under natural selection, the most adapted individuals survive. In comparison with other living creatures, humans have more modest physical adaptation possibilities.

The peculiarity of socio-economic evolution is the existence of general progressive trends in its development, which is confirmed by the entire history of mankind. The evolution of natural systems, having reached the greatest expediency, reveals a **tendency to a kind of repetition, cyclicity.** Violation of these long-term natural cycles in natural history often had the character of catastrophes.

Another important feature of the evolution of socio-economic systems is the transmission of historical experience to future generations, which is the most important condition of their further development. Thanks to this feature social evolution has a sociocultural character, because occurs through assimilation, heredity, use of useful skills, knowledge, traditions produced by previous generations of people, and therefore occurs significantly at faster rates than the evolution of natural systems.

Society is an open unbalanced system. In society, conscious management is supplemented by self-organization, i.e., spontaneous action on ongoing processes in the system. The process of self-organization in such systems begins with random external actions (fluctuations), which in an unbalanced system are not suppressed, but, on the contrary, are strengthened and eventually lead to the formation of a new dynamic structure. As a result of self-organization, which is carried out according to the principle of negative inverse connection, a new order is established in the system, called spontaneous, since it does not arise under the influence of external forces, as in an ordinary organization, but is formed involuntarily because of internal reasons. The maintenance of the new equilibrium in the system is carried out already based on the principle of positive feedback.

The principle of negative feedback shows only how the spontaneously emerging order is maintained in the system but does not allow revealing the mechanism of occurrence such an order, as well as a transition from one type of order or stages of development to others. For this, we need to use the principle of positive feedback, according to which progressive changes occurring in the system are not suppressed but accumulate and intensify.

The formation and development of new structures is directly related to the action of random factors. In the beginning any development has random changes that gradually lead to system instability. As a result of interaction of many random factors in open non-equilibrium systems, their mutual coordination takes place and cooperative processes arise, accompanied by the collective behavior of the elements of the structure, which is formed. What path will further evolution take and what alternative will be chosen by the system largely depends on random factors.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 3.2. Classification of organizations

1. Legal types of organizations

In organization theory the following types of organizations are distinguished:

● by the criterion of formalization: formal (have clearly defined goals, rules of conduct, structure and connections) and informal (function without clearly defined goals, rules and structure) organizations

● by form of ownership: private, collective (corporate), communal and state organizations

● by the form of the result: commercial (oriented for profit) and non-profit organizations (focused on obtaining a social effect)

● by the type of tasks to be solved: economic, financial, political, educational, medical, military and other organizations

● by the principles of association of people: voluntary (church, political parties, clubs), coercive (army, primary school, prison, psychiatric hospital), unitary (their members unite to achieve a common and individual goal - enterprises, banks, higher educational institutions)

● by the nature of the activity: technological (implement the technology of certain products manufacturing or provision of services), program-targeted (realize a certain program of activities with the solution of a certain social problem), non-programmatic (implement a flexible and complex program of actions that is impossible to be determined in advance).

Like systems, organizations are divided into artificial and natural. The first are created artificially: they are designed, then built and implemented in practice. Examples of artificial organizations are enterprises, schools, hospitals.

Others arise without prior design and other predetermined actions, such as settlement of people, which arises spontaneously.

One of the main classifications of organizations is their division into:

1) Business organizations. Such organizations have full-time employees who receive wages and other benefits. They are created by individual entrepreneurs, teams or social institutions such as the state, local self-government, joint-stock companies. Business organizations can be state, municipal, private. Internal targeted regulation of activities within the framework of an organization is carried out with the help of administrative and management apparatus

2) Public organizations. These organizations are a union of individual participants united by a socially significant goal. Unlike business organizations, oriented to meet the needs of the population, public organizations are engaged in solving social problems of society or problems of members of their organizations. Regulation of activities within the framework of public organizations is provided by jointly accepted statute and compliance with the principle of electability of leadership

3) Associative organizations. They are built on the basis of personal sympathies, mutual affection, common interests - this is a family, a circle of friends and acquaintances, a student company, informal groups and association.

The given classification is generalized. In some cases, solving the question of whether a specific organization belongs to a certain class group is associated with certain difficulties. For example, joint stock companies, which by the nature of their activity belong to business organizations, use a charter and a certain system of electability of governing bodies, that is, the principles characteristic of a public organization.

In Figure 3.6 we can see the classification of business organizations by functional and target purpose. According to it, all business organizations are divided into two main classes: individual and corporate.

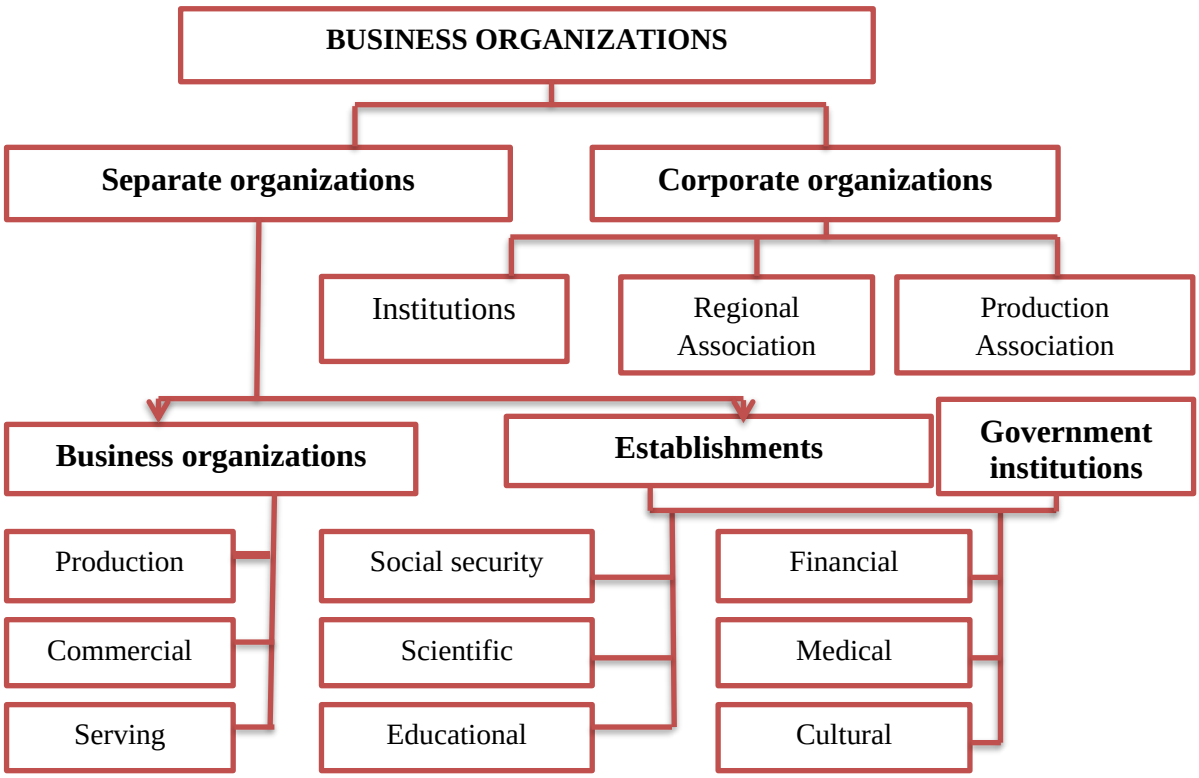


Fig.3.6 Business organization types
Sources: [22-25]

There are three features of business organizations:

1. Basis of target settings of business organizations is a commercial idea (obtaining profit or social effect). Therefore, in their activity they should focus on achieving the result, which is usually expressed in monetary or physical equivalent.

2 The characteristic feature follows from the fact that business organizations either operate with significant material and monetary resources or have a significant impact on the management of such resources. Therefore, their management systems often use a rigid hierarchical structure.

3. The transformation of material or informational resources, which are received at the entrance of the organization, in the final product providing solving socially significant tasks.

As the target setting of a business organization a set of goals or sub-goals (not one goal) is often used. Availability of a set of alternative activity goals allows the organization to increase the possibility of survival in conditions of intense competition. For example, enterprises develop parallel types of activities, so that in case of forced or the planned liquidation of one of the areas of work it would be possible painlessly to switch to another type of activity. Such strategies are called **diversification**.

A business entity is an entity that is formed and administered as per corporate law in order to engage in business activities, charitable work, or other activities allowable. Most often, business entities are formed to sell a product or a service. In fact, marketing involves ten types of entities: goods, services, experiences, events, persons, places, properties, organizations, information and ideas. There are many types of business entities defined in the legal systems of various countries. These include corporations, cooperatives, partnerships, sole traders, limited liability companies and other specifically permitted and labelled types of entities. The specific rules vary by country and by state or province. For guidance, en.wikipedia.org [39] gives approximate equivalents in the company law of English-speaking countries, for example: private company limited by shares or Ltd. (UK, Ireland, and the Commonwealth); public limited company (UK, Ireland, and the Commonwealth); limited partnership; general partnership; chartered company; statutory corporation; state-owned enterprise; holding company; subsidiary company; sole proprietorship; charitable incorporated organization (UK); reciprocal inter-insurance exchange. However, the regulations governing types of entities, even those described as roughly equivalent, differ from jurisdiction to jurisdiction. When creating or restructuring a business, the legal responsibilities will depend on the type of business entity chosen.

We can read in the book "The Company: A Short History of a Revolutionary Idea" by John Micklethwait and Adrian Wooldridge: "*The limited liability corporation is the greatest single discovery of modern times" is one conclusion of the concise and readable book "The Company: A Short History of a Revolutionary Idea" by John Micklethwait and Adrian Wooldridge. Companies are so ubiquitous today that we take them for granted, so it may come as a surprise that the company as we know it is a relatively recent innovation. Although people have joined together in groups for commercial purposes since ancient Greek and Roman times, the modern company has its roots in the late nineteenth century. The idea of a limited liability company that was legally an "artificial person" began with the Joint Stock Companies Act, enacted by the London Board of Trade in 1856. Today the company is seen as "the most important organization in the world". Here are a few reasons why:*

• The corporation was the first autonomous legal and social institution that was within society yet independent of the central government.

• The concept of a limited liability company unleashed entrepreneurs to raise money because investors could lose only what they invested. Increasing the pool of entrepreneurial capital spurred innovation and generally enriched the societies in which companies operated.

• The company is the most efficient creator of goods and services that the world has ever known. Without a company to harness resources and organize activities, the cost to consumers for almost any product we know today would be impossible to afford.

• Historically, the corporation has been a force for civilized behavior and provided people with worthwhile activities, identity, and community, as well as a paycheck.

• The Virginia Company, a forerunner of the limited liability corporation, helped introduce the revolutionary concept of democracy to the American colonies.

• The modern multinational corporation began in Britain in the third quarter of the 1800s with the railroads, which built rail networks throughout Europe by shipping into each country the managers, materials, equipment, and labor needed.

During the past few years, it seems that large corporations have been increasingly in conflict with societies' interests. Yet large companies have been reviled throughout modern history—consider the robber barons at the beginning of the twentieth century - and the authors suggest that recent abuses are relatively mild compared to some incidents from history. Everyone knows that corporations can be scoundrels, but overall, Micklethwait and Wooldridge argue, their

force has been overwhelmingly for the cumulative social and economic good.

In Ukraine: DAT/ДАТ (Державне акціонерне товариство / Derzhavne aktsionerne tovarystvo): ≈ plc (UK), national

FOP/ФОП (Фізична особа підприємець / Fizychna osoba pidpryyemets): sole proprietorship

KT/КТ (Командитне товариство / Komandytne tovarystvo): ≈ limited partnership

PT/ПТ (Повне товариство / Povne tovarystvo): ≈ general partnership

TDV/ТДВ (Товариство з додатковою відповідальністю / Tovarystvo z dodatkvoiu vidpovidalnistiu): "additional liability company"

TOV/ТОВ (Товариство з обмеженою відповідальністю / Tovarystvo z obmezhenoiu vidpovidalnistiu): ≈ Ltd. (UK). No minimum capital.

PP/ПП (Приватне підприємство / Pryvatne pidpryyemstvo): ≈ Ltd. (UK). No minimum capital.

PAT/ПАТ (Публічне акціонерне товариство / Publichne aktsionerne tovarystvo) (before 29.04.2009 – VAT/ВАТ (Відкрите акціонерне товариство / Vidkryte aktsionerne tovarystvo)): ≈ plc (UK), public. Minimum capital – 1250 minimum wages (UAH 7,500,000 as of 27.09.2021).[92][93]

PrAT/ПрАТ (Приватне акціонерне товариство / Prytvatne aktsionerne tovarystvo) (before 29.04.2009 – ZAT/ЗАТ (Закрите акціонерне товариство / Zakryte Aktsionerne Tovarystvo)): ≈ plc (UK), private. Minimum capital – same as PAT.

AT/АТ (Акціонерне товариство / Aktsionerne tovarystvo): ≈ JSC. Minimum capital – same as PAT.

Company formation is regulated by the Ukrainian Civil Code and Commercial Code, Law on Business Associations, Law on Joint Stock Companies, Law on Limited Liability Companies and Additional Liability Companies.

In the United States: U.S. state governments recognize many different legal entity types, but most small businesses incorporate under one of five entity types: **sole proprietorship, partnership, C corporation, S corporation, or limited liability company (LLC).** In the United States, most legal entities are incorporated under the law of a particular state. The federal government does not generally incorporate entities (the verb "charter" is used instead), with a few narrow exceptions, either government-sponsored corporations or government-owned corporations. Those entities existing on the state level have two separate identities: their legal entity type, e.g., partnership, corporation, or LLC, and their tax classification, what they are regarded as for federal income tax purposes. A further way to classify an entity is whether it is a for-profit or nonprofit enterprise, each classification with its own taxonomy and implications on federal income tax law. For-profit entities (as a corporation, a partnership, a cooperative or a disregarded entity such as single-member LLCs; qualified sub-chapter S subsidiaries and qualified real estate investment trust subsidiaries) exist for the purpose of producing a profit for their owners whereas nonprofits ("domestic fraternal societies, orders, or associations, operating under the lodge system, business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues", "charitable organizations," those whose purpose is charitable (i.e., relief from poverty), educational, scientific, religious, or advocatory, among others, as long as such organization does not engage in substantial political activity or inure the benefit of net earnings to shareholders or other individuals; election campaigning or lobbying) exist for any purpose other than profit. For federal tax purposes, the Internal Revenue Service has separate entity classification rules, generally depending on whether an entity is a for-profit or non-profit organization. For-profit entities can be collectively regarded as "taxable

organizations" while nonprofit entities are collectively regarded as "tax-exempt organizations" or simply "exempt organizations."

Each business entity has certain advantages and disadvantages that may make one entity preferable over other entities based on your specific circumstances. Some of the pros and cons of each business structure of the four most common types of business entities are:

The Sole Proprietorship

Single, small business owners often choose this type of business organization. It is not a legal entity separate from the business owner. In most cases, it is a fictitious name that someone does business under, such as Tim's Plumbing Service. The name is just a trade name instead of a legal entity.

Advantages of a sole proprietorship

- Easiest, simplest, least costly business entity to form and operate
- Complete control and flexibility
- Can register name, obtain a business license, and begin conducting business
- The business does not pay separate taxes. All income passes directly to the owner; is taxed at the owner's personal tax rate

Disadvantages of a sole proprietorship

- The owner has unlimited personal liability for all business debt. If the business is sued, the owner is personally liable. Therefore, the owner's personal assets could be in jeopardy (main disadvantage).
- When the owner dies, the business terminates or becomes defunct.

A Partnership

A partnership is a separate legal entity created by two or more individuals who engage in business for profit. Partnerships are not difficult to set up and operate, but to protect each partner; a comprehensive partnership agreement should define each person's interest, liability, and role within the partnership.

Advantages of a partnership

- Limited partnerships and limited liability partnerships offer some degree of liability protection for partners
- Partnerships are easy to maintain because they do not require annual meetings or minutes of meetings
- Partnerships do not pay corporate taxes. The profits and losses pass through the business to each partner, according to the partner's interest in the business
- Can be used by professionals who may not be able to create an LLC

Disadvantages of a partnership

- Individual partners may bear the liability for the actions of other partners
- Partners may have unlimited personal liability for debts and losses, except in the case of limited liability partnerships and limited partnerships
- If a partnership is created without a written agreement or a partnership agreement is poorly drafted, there could be significant disputes that may lead to costly litigation

The Limited Liability Company

A limited liability company (LLC) is a legal business entity that is separate and apart from its owners (members). LLCs combine some of the best advantages of a partnership with the advantages of a corporation. Each state passes laws that govern the creation and operation of an LLC.

Advantages of an LLC

- LLCs may choose to be taxed as a sole proprietorship (pass-through entity) or apartnership

Disadvantages of an LLC

- LLCs are typically not suitable for companies that want

- Owners have limited liability. They are not liable for the company's obligations or debts
- LLCs are relatively easy to set up through the state's Secretary of State's Office. Members are not required to conduct annual meetings and have very few ongoing formalities or corporate filings with the state
- LLCs offer a great deal of flexibility in how the LLC is managed.
- LLCs can be converted to a corporation if the company outgrows the limitations of an LLC.
- You may create a single-member LLC or create an LLC with multiple members.

to seek venture capital or pursue an initial public offering in the future.

- Some professional groups may not be permitted to operate an LLC.
- Transferring an interest or accepting new members can be difficult, depending on the terms of the operating agreement.
- Members may be held liable for company obligations in some cases.

The Corporation

A corporation is the most formal business entity. It is a legal entity that is separate from its owners (shareholders). In the eyes of the law, a corporation is a legal person. The shareholders elect a Board of Directors to operate the corporation. The directors, in turn, appoint officers to manage the day-to-day operations and make high-level decisions for the company.

Advantages of a corporation

- Corporations have an unlimited life span. Shares may be transferred, purchased, and sold.
- Owners are protected from personal liability for the company's obligations and debts.
- Corporations have several options for raising capital.
- Corporations are the preferred business entity for public companies.

Disadvantages of a corporation

- Corporations are subject to double taxation. A corporation should file a corporate tax return and pay taxes based on its profits based on the corporate tax rate. Distributions to shareholders are taxed at the shareholder's personal tax rate.
- Setting up and managing a corporation is more difficult and expensive. Corporations require annual meetings, minutes of meetings, and other formalities.
- The periodic filings and annual fees for corporations can be burdensome and costly for some businesses.
- Much less flexibility because of regulations governing corporations.

Choosing a business entity is a crucial decision. These pros and cons are not an exhaustive list of the reasons why a person may or may not want to choose a specific business entity.

2. Models of organizations

The organization model defines the structure and mechanisms of coordination of the organization's activities. The main elements of the organizational model are the work system, work groups and processes related to them. The latter determines the relationship of management and communications. In fact, the organization model is a superstructure within which the organization's activities take place. The main models of the organization are **classical or mechanistic model and its variant — bureaucratic model, neoclassical, or organic model, as well as institutional and systemic models**.

Classical model. At the beginning of the 20th century in connection with the growth of production concentration and the formation of large industrial enterprises, conditions for the birth of scientific systems of the organization have arisen. Basically, these systems were developed and aimed at a rational labor and production organization. F. Taylor, A. Fayol, D. Mooney, and others contributed to the creation and development of the rationalist trend.

The basis of the classical model is the idea that the organization is only the result of the actions of managers who construct and own it completely. The organization's core is the labor process. The organization is considered as an impersonal mechanism, an administrative pyramid with different levels of management, imbued with formal connections. The main thing in this model is *unity of command and clear division of duties*. The main means are planning, coordination, control. First, organization is a tool for solving tasks, and no one is interested in its main element, that is a person. The main features of the organization of the classical model are:

- Organizational goals are obtaining economic and other specified results, contributing to their achievement.
- The structure and processes are rationally built hierarchical structures, clearly regulated processes for performing specialized in advance functions.
- Nature of organizational behavior is implementation of specified functions, works, fully regulated rational behavior.
- The type of control system is mechanistic, i.e a set of elements of the formal structure (subdivisions, functions, positions, etc.) that interact like a mechanism to achieve a goal.
- Development is a conscious, thought out, pre-grounded and planned, adapted to variable conditions process.
- The main areas of improvement are rationalization of formal structures, regulation of processes, systematic retraining, or replacement of personnel.

The main characteristics of the model are goals and the corresponding hierarchy of management bodies and positions. The hierarchy is supplemented by a system of formally introduced rules and procedures A person is seen as an executor of programmed orders, and an organization as a set of mechanical, autonomous parts, each of which can be individually improved to increase efficiency of the organization. Stimulation and control are being built to ensure that people behave according to certain provisions.

The organization acts as a closed system, and the improvement of its functioning is ensured due to internal rationalization without considering the external environment. There are some concepts and provisions that are used in the construction of a *rationalist model of the organization*.

Hierarchy is the order of subordination of lower (positions, structures) to higher ones. Each organization consists of subdivisions, which are divided into smaller organizational units, i.e., have a hierarchical structure. In classical organization theory, the concept of a hierarchical structure corresponds to "ladder principle", which assumes the division of power and responsibility along the vertical hierarchy and the distribution of responsibilities between subdivisions.

Administrative power. An important provision of organization theory is the principle of consolidation of power by some central management bodies. At the same time, the one who has power has the right to give orders to someone, and the one who received the order is obliged to carry it out.

Power is the ability to cause the diligence of a subordinate. Its basis is the (a) formal position of the manager and (b) leadership by means of incentives and sanctions. Power serves as a means of integrating the activities of individual elements of the organization and their

orientation towards the achievement of a common goal.

Specialization. The principle of specialization is expressed in the division of the organization into specialized units, each of which is designed to perform certain functions.

Relations between the line structure and the headquarters services. In the classical model, the *linear structure* (managers at all levels of the management hierarchy) is the carrier and direct source of administrative power, and the functions of headquarters services (departments, bureaus, and other units of the management system) are in helping and giving advice to line managers. With the development of specialization and of organizations' complication, headquarters' services acquire more important role in the management system.

Bureaucratic model. The author of the model, M. Weber, assumes that the behavior of an individual is unpredictable, not always reasonable, and sometimes prevents effective activities of the organization. Therefore, he chose as an ideal model a form of organization in which the influence of individual behavior could be minimized. The main features of the model of ideal bureaucratic organization proposed by M. Weber are:

- division of labor based on functional specialization
- a clear hierarchy of power
- a system of rules defining rights and obligations of each member of organization
- a system of procedures that determine the order of action in all situations that arise in the process of functioning of the organization
- selection and nomination of employees according to their qualifications

Thus, models of traditional, rationalist direction (classical, bureaucratic) consider the organization as purely formal, in which internal life proceeds according to a strictly defined system of rules and orders and recommendations that are mandatory for all members of the organization. The system is coercive, and structural elements should work as a well-tuned mechanism deprived of individuality. The individual exists in isolation from others and should be adapted to the needs of the organization with the help of formal economic levers. A disadvantage of rationalist organization models is the minimization of the human factor.

Neoclassical model. Another direction of organization theory should be considered the behavioral direction. Models of this direction are built considering human capabilities, who (a person) is considered not only as an operator performing some work, but also as a person with certain social interests. The origin of the behavioral direction relates to the fact that in the 1930s large-scale machine production led to the maximum intensive use of physical capabilities of employees, and this became a contradiction with the needs of the person. Below are the characteristic features of neoclassical model:

- Organizational goals are survival of the system, maintenance of balance with the environment, satisfaction of interests and needs of groups and individuals.
- Structures and processes: decentralized structures and cooperative relations are formed involuntarily under the influence of the evolution and adaptation of organizations based on the needs of its members.
- Nature of organizational behavior is actions caused by values, norms, group and individuals characteristics, organizational culture and climate that are difficult to regulate.
- The type of management system is organic: a self-adjusting set of individuals and groups functioning in conditions of weak, regulated relations.
- Development: spontaneously emerging changes because of violation of the balance between the organization and the environment, aggravation of internal problems.
- The main directions of improvement: action on group and individual norms, beliefs, organizational climate, stimulation of organization members.

A wide range of employees participate in organizations following a neoclassical approach to decision-making, not just a narrow group at the highest level of management. Not only administrative power, but also mutual trust serves as a unifying force of the organization. The leader is more of an intermediary for internal communication of the group, and not just a representative of the highest authority. It is necessary to increase the responsibility of the members of the organization, and not to establish external control over their work results.

Institutional model. This model considers the organization as a political institution, as an association of groups, each of which pursues its own goals. According to the institutional model, the normal functioning of the organization is determined not only by the rationality of the structure, considering socio-psychological inquiries of its members as individuals, but also by considering the demands of social groups operating both inside and outside the organization. One of the principles of implementation of the institutional model is the participation of employees in the management of the organization, in particular "participatory management" based on involvement of members of the organization to make management decisions. Another principle is the creation of an appropriate climate for growth or psychological support of employees during their work by the leader, which stimulates them to take responsibility upon themselves. Important features of institutional model of an organization are:

- the principle of social responsibility of business
- considering the peculiarities of group ideology (owners, managers, workers, women, youth, etc.)
- ensuring greater compliance of the management structure of the organization to cultural traditions, science, etc.
- view on decision-making as a process of mutual demands and concessions leading to certain compromises between groups.

Characteristic features of the institutional model:

- Organizational goals are achievement of the organization's development goal.
- Structures and processes are coordination of the social, informal structure with the formal structures of the organization, in which informal systems receive leading value.
- Nature of organizational behavior is establishment of the order in which the guiding attitudes of social action are recognized by members of the collective as moral and socially important for the organization's existence.
- Type of management system is a combination of organic and mechanistic control systems that interact and, in several cases, hinder the achievement of the organization's goal.
- Development is implementation of changes that ensure overcoming intra-organizational contradictions and conflicts.
- The main directions of improvement are solving the problems that arise, based on considering mutual requirements and making concessions that lead to certain compromises between groups.

In general, the institutional model is oriented towards development of industrial democracy and expansion of workers' participation in decision-making, for special training of managers that increases their sensitivity to subordinates, which helps to establish free communications between members of the organization.

System model. The third direction, on which the modern theory of organization is based, is the systemic approach. The objective conditions for the emergence of a systemic approach in 50s of XX century and its penetration into science and practice management in the 60s and 70s became a strengthening of relationships of all sides of organizational activity, expansion, and complication of intra-organizational relations of enterprises and institutions, interactions with

the external environment.

Traditional models of the organization allocate the main attention to separate elements of the organization and methods that allow dividing its activity into separate tasks and work operations. They do not take seriously enough relationships and methods of integration of organizational elements. A system model seeks to represent an organization as a system consisting of interconnected parts and variables and considers any organization as a social system that is a part of wider system of society. The system model of the organization is based on the concept of open systems, considering the study of the relationship between the organization and the external environment. It is based also on the concept of social systems, that is, includes both instrumental (technical, economic, organizational), and behavioral variables. The system model is interdisciplinary in nature and involves cybernetics, economics, mathematical modeling, sociology, psychology, and other fields of knowledge in research and creation of organizations.

The system model of the organization has the following features:

● Organizational goals — ensuring a variety of both external (economic, technical, etc.) and internal (social-psychological, etc.) results, which are interconnected and defined by the state of the outputs of the system as a whole and its subsystems.

● Structures and processes — interconnected formal and informal characteristics of organizations, established both under the influence of centralized orders and based on informal adaptation of the organization to solving problems that arise.

● Nature of organizational behavior — actions caused by a complex of influences from external factors of management system, group and personal relations and regulated only partially.

● The type of control system is block, that is, a combination of mechanistic and organic subsystems depending on the requirements of the situation (environment, goals, personnel, technologies).

● Development — organizational innovations and restructuring that occur both consciously and spontaneously as organizational problems are identified, search of ways of solving them, implementation of results.

● The main areas of improvement are the implementation of phased, interrelated measures for reconstruction of formal and informal characteristics of organizations based on feedback.

As can be seen from the above provisions, in the system model of organization (Table 3.4), an attempt is being made to provide a synthesis of rational and behavioral models so that, using the achievements of both areas of organizationl theory and supplementing them with new ideas about organization as a social system, transfer the organizational and management system theory to new levels of development.

Table 3.4

Characteristic features of models

Feature	Classical model (Bureaucratic)	Neoclassical model	Institutional model	System model
Organizational goals	obtaining economic and other specified results, contributing to the achievement	survival of the system, maintenance of balance with the environment, satisfaction of interests and needs of groups and individuals	achievement of the organization's development goal	ensuring variety of external and internal results, interconnected, and defined by the state of the outputs of the system as a whole and its subsystems
Structures and processes	rationally built hierarchical structures, clearly regulated processes for performing specialized in advance functions	decentralized structures and cooperative relations are formed involuntarily under the influence of the evolution and adaptation of organizations based on the needs of its members	coordination of the social, informal structure with the formal structures of the organization, in which informal systems receive leading value	interconnected formal and informal characteristics of organizations, established both under the influence of centralized orders and based on informal adaptation of the organization to solving problems that arise
Nature of organizational behavior	implementation of specified functions, works, fully regulated rational behavior	actions caused by values, norms, group and individuals characteristics, organizational culture and climate that are difficult to regulate	establishment of the order in which guiding attitudes of social action are recognized by members of team as moral and socially important for the existence	actions caused by a complex of influences from external factors of management system, group and personal relations and regulated only partiall
Type of control system	mechanistic, i.e a set of elements of the formal structure (subdivisions, functions, positions, etc.) that interact like a mechanism to achieve a goal	organic: a self-adjusting set of individuals and groups functioning in conditions of weak, regulated relations	combination of organic and mechanistic control systems that interact and in a number of cases hinder organization's goal achievement	is block, that is, a combination of mechanistic and organic subsystems depending on the requirements of the situation (environment, goals, personnel, technologies)
Development	a conscious, thought out, pre-grounded and planned, adapted to variable conditions process	spontaneously emerging changes because of violation of the balance between the organization and the environment, aggravation of internal problems	implementation of changes that ensure overcoming intra-organizational contradictions and conflicts	organizationinnovations and restructuring that occur both consciously and spontaneously as problems are identified, search of ways to solve them, implementation of results
Main areas of improvement	rationalization of formal structures, regulation of processes, systematic retraining, or replacement of personnel	action on group and individual norms, beliefs, organizational climate, stimulation of organization members	solving the problems that arise, based on considering mutual requirements and making concessions that lead to certain compromises between groups	the implementation of phased, interrelated measures for reconstruction of formal and informal characteristics of organizations based on feedback

Source: developed by the author [22-25]

3. Advantages and disadvantages of different types of organizations

The first alternatives to the classical form of bureaucracy were the project and matrix structure of the organization. Currently, experts in the field of organizational theory have proposed management *networks and virtual types of structures*.

The project structure is used in those cases when a decision is made to concentrate the maximum amount of the organization's resources on a specific project during a specific period. *A project* is any process of purposeful changes in the organization (for example, modernization of production, development of new types of products or technologies), which has the following characteristic features: holistic nature of activity; participation in the work of various specialists between whom cooperative relations are established; a clearly formulated result of the activity; limitations in time and allocated resources to achieve the design goal. Project structure has great flexibility, but when carried out multiple projects leads to the need for distribution resources between them. Research shows that two-thirds of problems related to project structure arise due to poor cooperation between project groups, lack of connection with the external environment and the base management structure of the organization.

Project teams tend to be the strongest horizontal linkage mechanism. **Teams** are permanent task forces and are often used in conjunction with a full-time integrator. When activities among departments require strong coordination over a long period of time, a cross-functional team is often the solution. **Special project teams** may be used when organizations have a large-scale project, a major innovation, or a new product line. One good example of a special project team comes from Healthwise, a nonprofit organization that works with numerous health care organizations and online health sites like WebMD. The company put together a special project team made up of doctors, other health specialists, writers, and technical people to create a new product line called Health Mastery Campaigns, a series of programs that e-mails information, surveys, and reminders to consumers on topics such as asthma, back problems, or smoking cessation, fitting with the company's goal of providing information to help consumers make informed healthcare decisions. Project manager location in the structure is shown in Fig.3.7.

CASESTUDY. Hewlett-Packard's Medical Products Group uses virtual cross-functional teams, made up of members from various countries, to develop and market medical products and services such as electrocardiograph systems, ultrasound imaging technologies, and patient monitoring systems. **A virtual team** is one that is made up of organizationally or geographically dispersed members who are linked primarily through advanced information and communications technologies. Members frequently use the Internet and collaboration software to work together, rather than meeting face to face. IBM's virtual teams, for instance, collaborate primarily via internal websites using wiki technology. Wizard Software Company develops and markets software for various applications, from video games to financial services. Wizard uses teams to coordinate each product line across the research, programming, and marketing departments, as illustrated by the dashed lines and shaded areas in the exhibit. Members from each team meet at the beginning of each day as needed to resolve problems concerning customer needs, backlogs, programming changes, scheduling conflicts, and other problems with the product line.

Figures 3.8 and 3.9 summarize the mechanisms for achieving horizontal linkages. These devices represent alternatives that managers can select to increase horizontal coordination in any organization. The higher-level devices provide more horizontal information capacity, although the cost to the organization in terms of time and human resources is greater. If horizontal communication is insufficient, departments will find themselves out of synchronization and will not contribute to the overall goals of the organization. When the amount of horizontal

coordination needed is high, managers should select higher-level mechanisms.

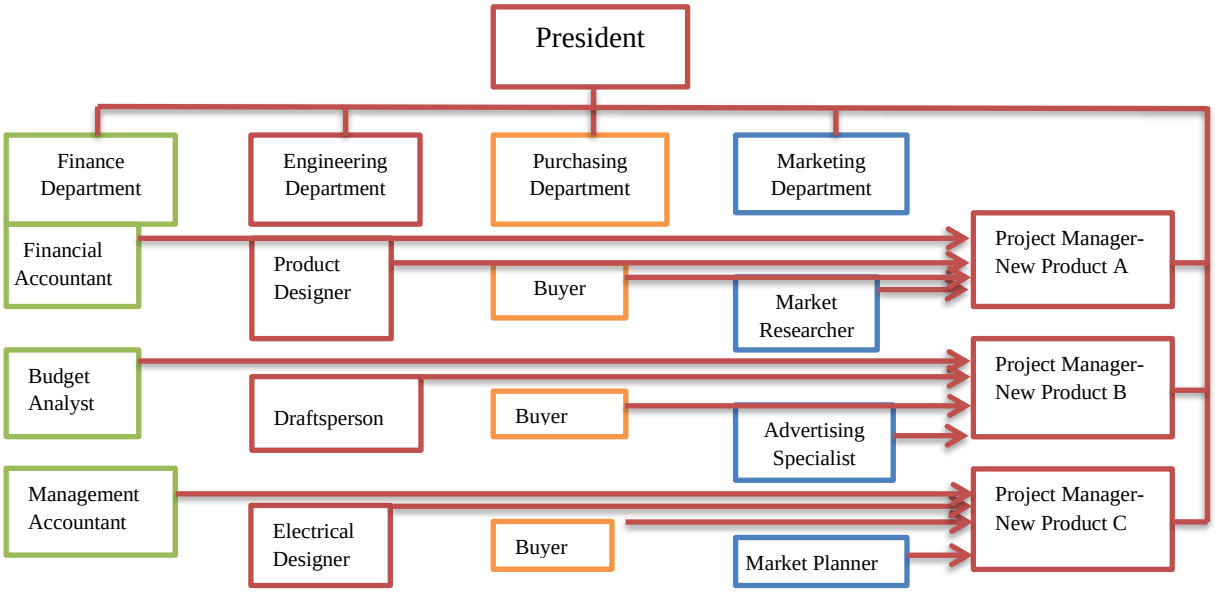


Figure 3.7. Project manager location in the structure
Source: [3]

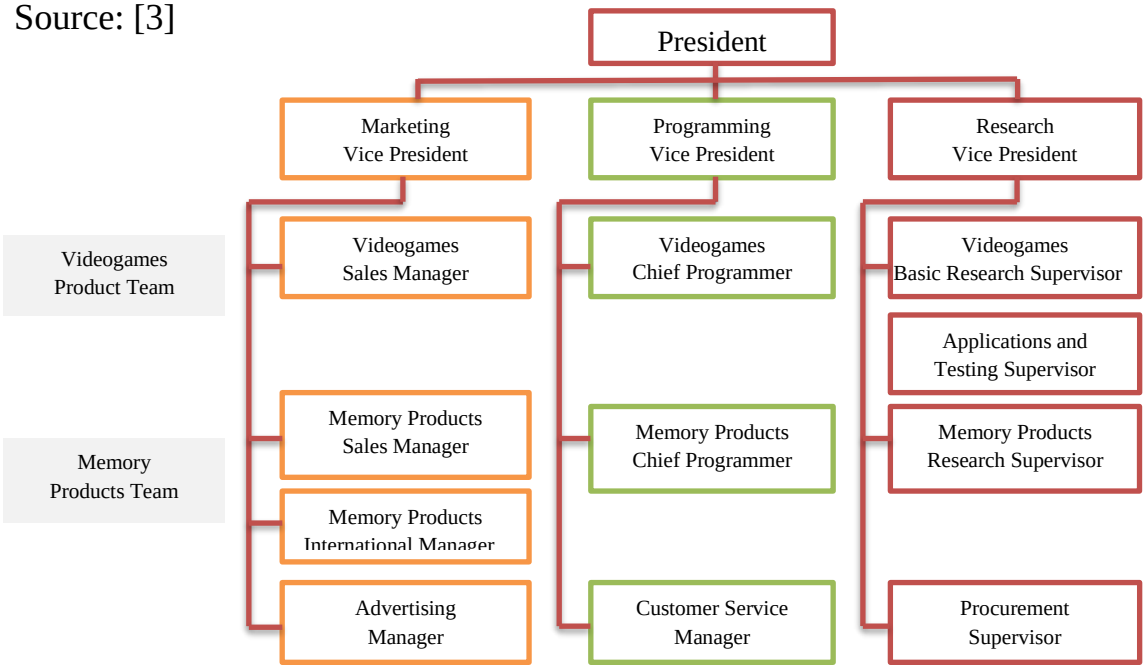


Figure 3.8. Teams used for horizontal coordination at Wizard Software Company
Source: [3]

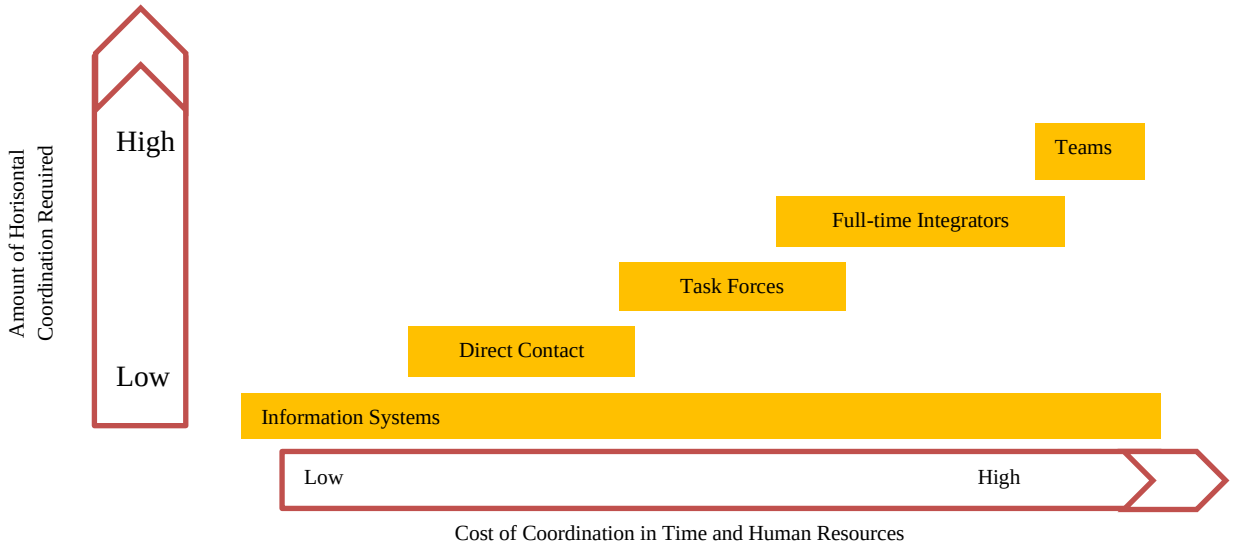


Figure 3.9 Ladder of mechanisms for horizontal linkage and coordination
Source: [3]

Departmental Grouping Options. Options for departmental grouping, including functional grouping, divisional grouping, multifocused grouping, horizontal grouping, and virtual network grouping, are illustrated in Fig. 3.10. Departmental grouping affects employees because they share a common supervisor and common resources, are jointly responsible for performance, and tend to identify and collaborate with one another. Functional grouping places together employees who perform similar functions or work processes or who bring similar knowledge and skills to bear. For example, all marketing people work together under the same supervisor, as do all manufacturing employees, all human resources people, and all engineers. For an Internet company, all the people associated with maintaining the website might be grouped together into one department. In a scientific research firm, all chemists may be grouped in a department different from biologists because they represent different disciplines. Divisional grouping means people are organized according to what the organization produces. All people required producing toothpaste-including personnel in marketing, manufacturing, and sales-are grouped together under one executive. In huge corporations, such as Time Warner Corporation, some product or service lines may represent independent businesses, such as Warner Brothers Entertainment (movies and videos), Time Inc. (publisher of magazines such as Sports Illustrated, Time, and People), and AOL (Internet services). Multifocused grouping means an organization embraces two or more structural grouping alternatives simultaneously. These structural forms are often called matrix or hybrid. An organization may need to group by function and product division simultaneously or might need to combine characteristics of several structural options. Horizontal grouping means employees are organized around core work processes, the end-to-end work, information, and material flows that provide value directly to customers. All the people who work on a core process are brought together in a group rather than being separated into functional departments. For example, at field offices of the U.S. Occupational Safety and Health Administration, teams of workers representing various functions respond to complaints from American workers regarding health and safety issues, rather than having the work divided up among specialized employees. Virtual network grouping is the most recent approach to departmental grouping. With this grouping, the organization is a loosely connected cluster of separate components. In essence, departments are separate organizations that are electronically connected for the sharing of information and completion of tasks. Departments can be spread all

over the world rather than located together in one geographic location. The organizational forms described in Fig. 3.10 provide the overall options within which the organization chart is drawn, and the detailed structure is designed. Each structural design alternative has significant strengths and weaknesses.

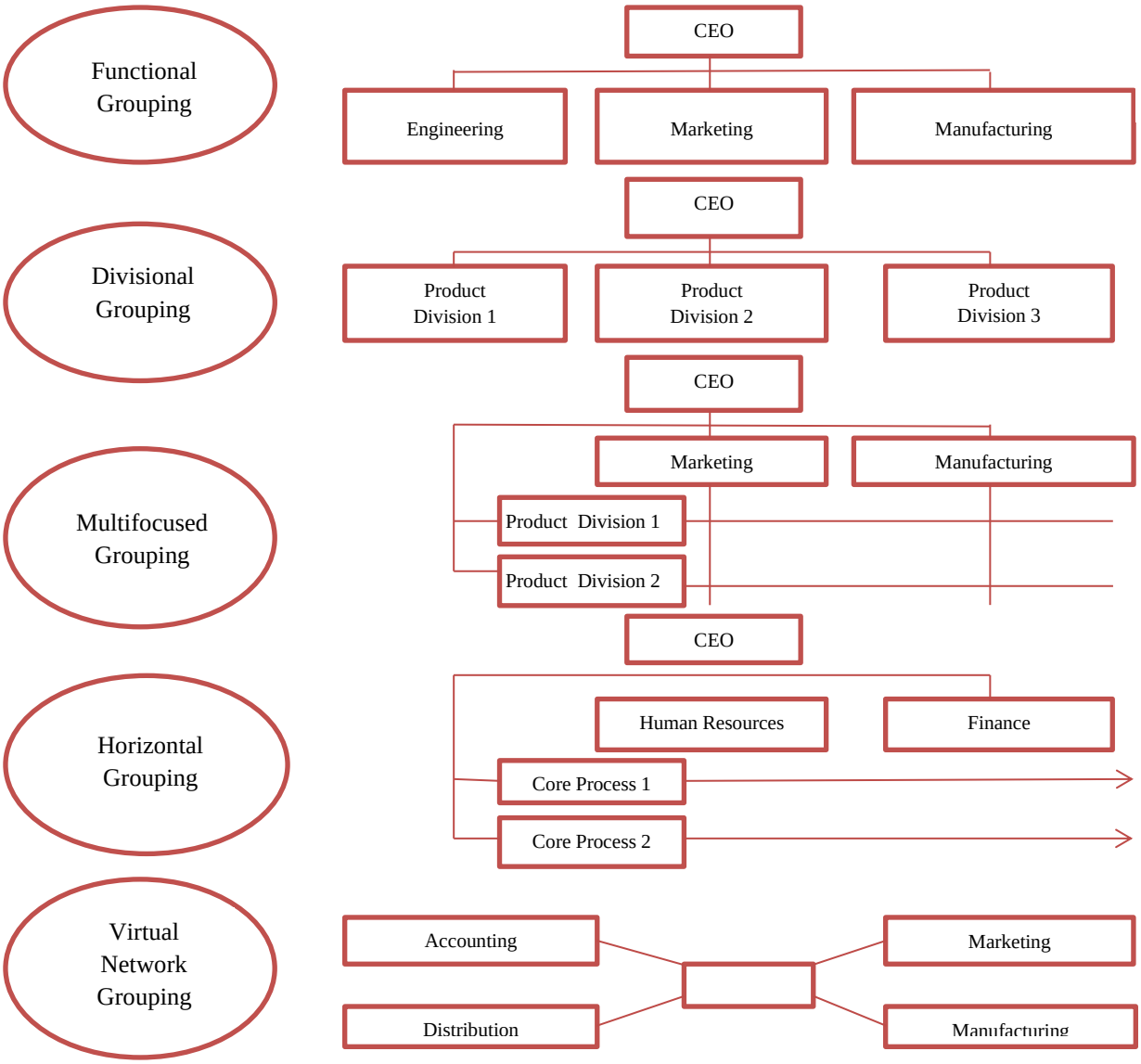


Figure 3.10 Structural Design Options for Grouping Employees into Departments
Source: [3]

Functional Structure. In a functional structure (Fig. 3.11), activities are grouped together by common function from the bottom to the top of the organization. All engineers are in the engineering department, and the vice president of engineering is responsible for all engineering activities. The same is true in marketing, R&D, and manufacturing. With a functional structure, all human knowledge and skills with respect to specific activities are consolidated, providing a valuable depth of knowledge for the organization. This structure is most effective when in-depth expertise is critical to meeting organizational goals, when the organization needs to be controlled and coordinated through the vertical hierarchy, and when efficiency is important. The structure can be quite effective if there is little need for horizontal coordination. Table 3.5 summarizes the strengths and weaknesses of the functional structure.

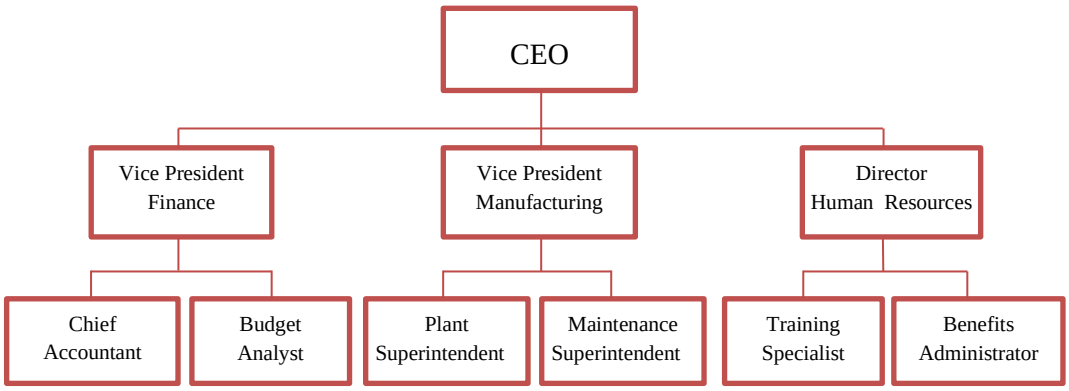


Figure 3.11. Functional structure of an organization
Source: [3]

Table 3.5

Strengths and Weaknesses of Functional Organizational Structure

Strengths	Weaknesses
1. Allows economies of scale within functional departments 2. Enables in-depth knowledge and skill development 3. Enables organization to accomplish functional goals 4. I s best with only one or a few products	1. Slow response time to environmental changes 2. May cause decisions to pile on top; hierarchy overload 3. L eads to poor horizontal coordination among departments 4. Results in less innovation 5.I nvolves restricted view of organizationalgoals

Source: [3]

Functional Structure with Horizontal Linkages. A survey found that organizing by functions is still the prevalent approach to organization design. However, in today's fast-moving world, very few companies can be successful with a strictly functional structure. Organizations compensate for the vertical functional hierarchy by installing horizontal linkages. Managers improve horizontal coordination by using information systems, direct contact between departments, full-time integrators, or project managers (illustrated in Figure 3.7), task forces, or teams (illustrated in Figure 3.8). One interesting use of horizontal linkages occurred at hospital in Sweden, which had 47 functional departments. Even after top executives cut that down to 11, coordination was still inadequate. The top executive team set about reorganizing workflow at the hospital around patient care. Instead of bouncing a patient from department to department, hospitals now envision the illness to recovery period as a process with "pit stops" in admissions, X-ray, surgery, and so forth. The most interesting aspect of the approach is the new position of nurse coordinator. Nurse coordinators serve as full-time integrators, troubleshooting transitions within or between departments. The improved horizontal coordination dramatically improved productivity and patient care there. Hospitals are effectively using horizontal linkages to overcome some of the disadvantages of the functional structure.

Divisional Structure. The term divisional structure is used here as the generic term for what is sometimes called a product structure or strategic business units. With this structure, divisions can be organized according to individual products, services, product groups, major projects or programs, divisions, businesses, or profit centers. The distinctive feature of a divisional structure is that grouping is based on organizational outputs. For example, United Technologies Corporation (UTC), which is among the 50 largest U.S. industrial firms, has numerous divisions,

including Carrier (air conditioners and heating), Otis (elevators and escalators), Pratt & Whitney (aircraft engines), and Sikorsky (helicopters). The difference between a divisional structure and a functional structure is illustrated in Figure 3.12. The functional structure can be redesigned into separate product groups, and each group contains the functional departments of R&D, manufacturing, accounting, and marketing. Coordination across functional departments within each product group is maximized. The divisional structure promotes flexibility and changes because each unit is smaller and can adapt to the needs of its environment. Moreover, the divisional structure decentralizes decision making, because the lines of authority converge at a lower level in the hierarchy. The functional structure, by contrast, is centralized, because it forces decisions all the way to the top before a problem affecting several functions can be resolved. Strengths and weaknesses of the divisional structure are summarized in Table 3.6.

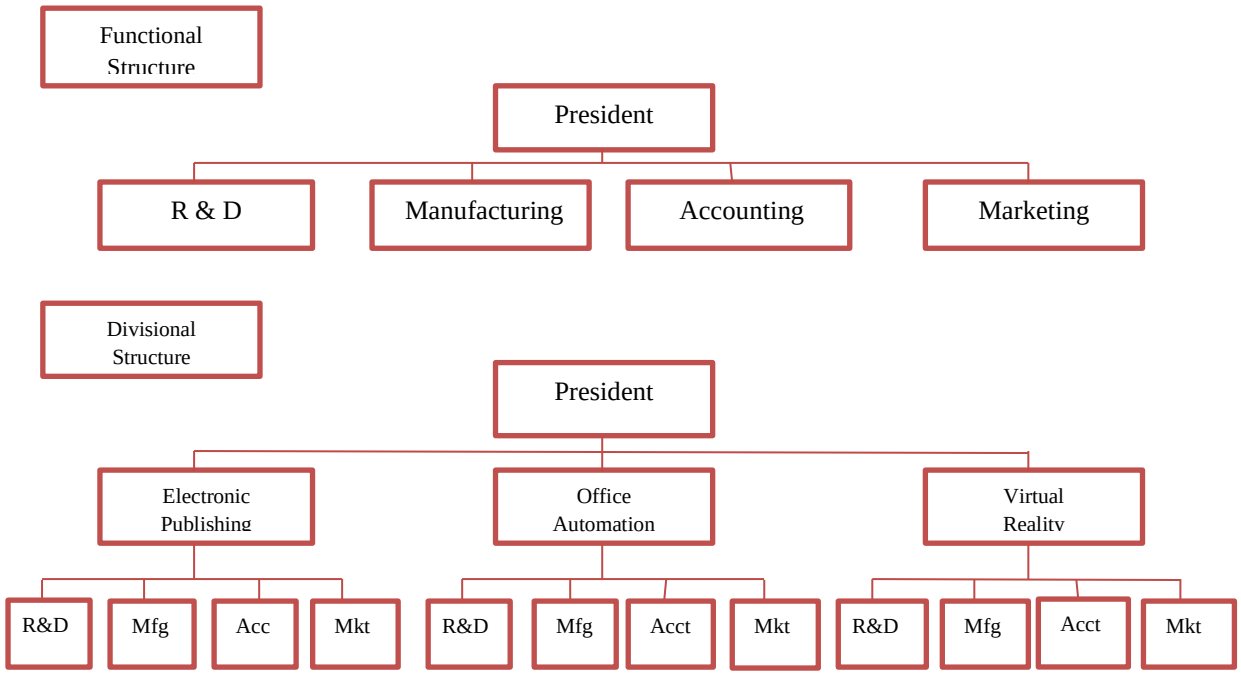


Figure 3.12. Reorganization from functional structure to divisional structure
Source: [3]

Table 3.6

Strengths and Weaknesses of Divisional Organization Structure

Strengths	Weaknesses
1. Suited to fast change in unstable environment 2. L eads to customer satisfaction because product responsibility and contact points are clear 3. I nvolves high coordination across functions 4. Allows units to adapt to differences in products, regions, customers 5. Best in large organizations with several products 6. Decentralizes decision making	1. Eliminates economies of scale in functional departments 2. L eads to poor coordination across product lines 3. Eliminates in-depth competence and technical specialization 4. Makes integration and standardization across product lines difficult

Source: [3]

Geographic Structure. Another basis for structural grouping is the organization's users or customers. The most common structure in this category is geography. Each region of the country may have distinct tastes and needs. Each geographic unit includes all functions required to produce and market products or services in that region. Large nonprofit organizations such as

the Girl Scouts of the USA, Habitat for Humanity, Make-A-Wish Foundation frequently use a type of geographic structure, with a central headquarters and semi-autonomous local units. The national organization provides brand recognition, coordinates fund-raising services, and handles some shared administrative functions, while day-to-day control and decision making is decentralized to local or regional units. For multinational corporations, self-contained units are created for different countries and parts of the world. Figure 3.13 shows a potential geographic structure for a computer company. This structure focuses managers and employees on specific geographic regions and sales targets. Top executives at Citigroup are considering reorganizing to a geographic structure to improve efficiency and give the giant global corporation a more unified face to local customers. The reorganization would put one top manager in charge of all the various banking operations throughout a specific region such as Asia, Europe, or North America. The strengths and weaknesses of a geographic divisional structure are like the divisional organization characteristics listed in Table 3.6. The organization can adapt to the specific needs of its own region, and employees identify with regional adapt to the specific needs of its own region, and employees identify with regional goals rather than with national goals. Horizontal coordination within a region is emphasized rather than linkages across regions or to the national office.

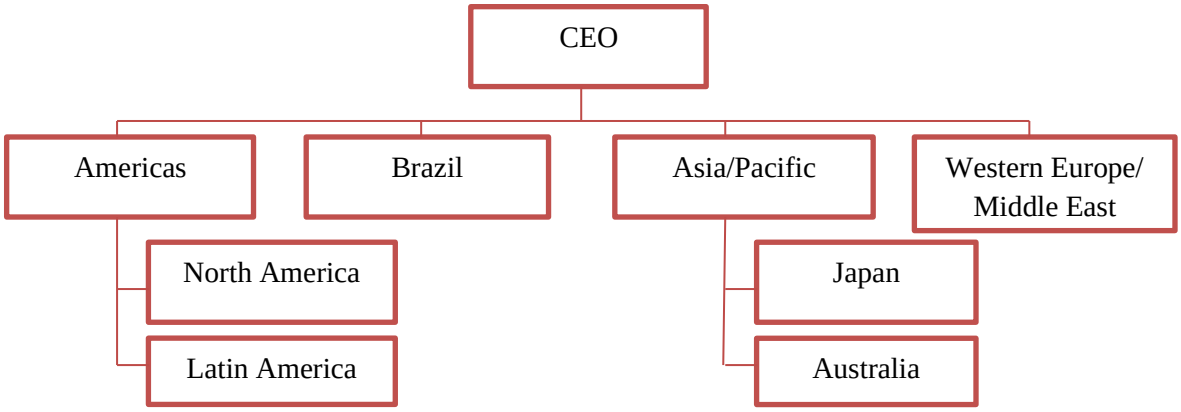


Fig. 3.13. Geographic structure of a company
Source: [3]

The matrix structure is a lattice organization, built, unlike the project one, on the principle of double subordination of executors: on the one hand, to the direct head of the basic unit (service), that allocates resources (in particular, personnel); on the other hand — to the head of the temporary task force, who vested with the necessary authority for the organization of works according to a specific program (Fig.3.14; 3.15).

The organization built according to the matrix principle combines the advantages of simple and project structure: for the successful implementation of the project, one specific person is appointed, more flexibly and efficiently employees are used, there is an opportunity to quickly respond to the needs of the project and customers, group organization of work is encouraged.

At the same time, the matrix structure violates the classical principles of organizational structure — the principles of hierarchy and unity of leadership (єдиноначальності), prevents the emergence of informal groups. Analysis of organizational construction practice shows that the matrix structure is effective where it is necessary to combine the efforts of professionals for quality solutions of complex problems. Strengths and weaknesses are shown in Table 3.7.

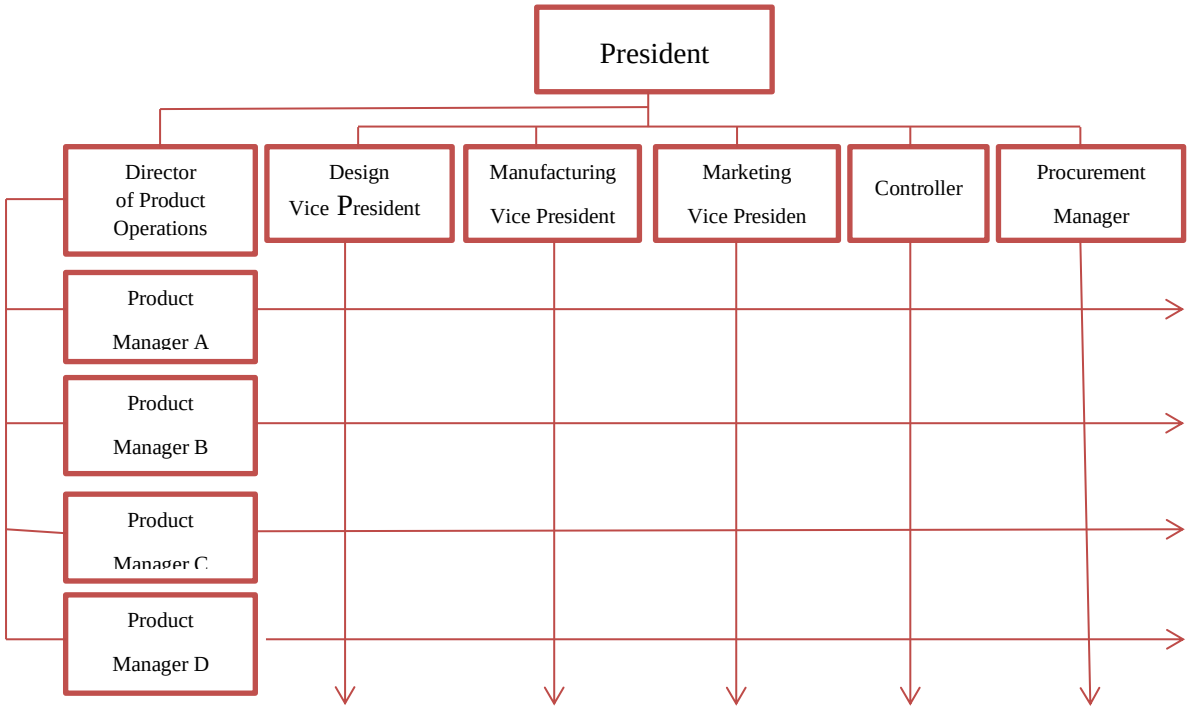


Figure 3.14 Dual-authority structure in a matrix organization
Source: [3]

The matrix formalizes horizontal teams along with the traditional vertical hierarchy and tries to give equal balance to both. However, the matrix may shift one way or the other. Many companies have found a balanced matrix hard to implement and maintain because one side of the authority structure often dominates. Consequently, two variations of matrix structure have evolved—the functional matrix and the product matrix. In a functional matrix, the functional bosses have primary authority, and the project or product managers simply coordinate product activities. In a product matrix, by contrast, the project or product managers have primary authority and functional managers simply assign technical personnel to projects and provide advisory expertise as needed. For many organizations, one of these approaches works better than the balanced matrix with dual lines of authority. All kinds of organizations have experimented with the matrix, including hospitals, consulting firms, banks, insurance companies, government agencies, and many types of industrial firms. This structure has been used successfully by large, global organizations such as Procter & Gamble, Unilever, and Dow Chemical, which fine-tuned the matrix to suit their own goals and culture.

Table 3.7

Strengths and Weaknesses of Matrix Organization Structure

Strengths	Weaknesses
1. Achieves coordination necessary to meet dual demands from customers 2. Flexible sharing of human resources across products 3. Suited to complex decisions and frequent changes in unstable environment 4. Provides opportunity for both functional and product skill development 5. Best in medium-sized organizations with multiple products	1. Causes participants to experience dual authority, which can be frustrating and confusing 2. Means participants need good interpersonal skills and extensive training 3. Is time consuming; involves frequent meetings and conflict resolution sessions 4. Will not work unless participants understand it and adopt collegial rather than vertical type relationships 5. Requires great effort to maintain power balance

Source: [3]

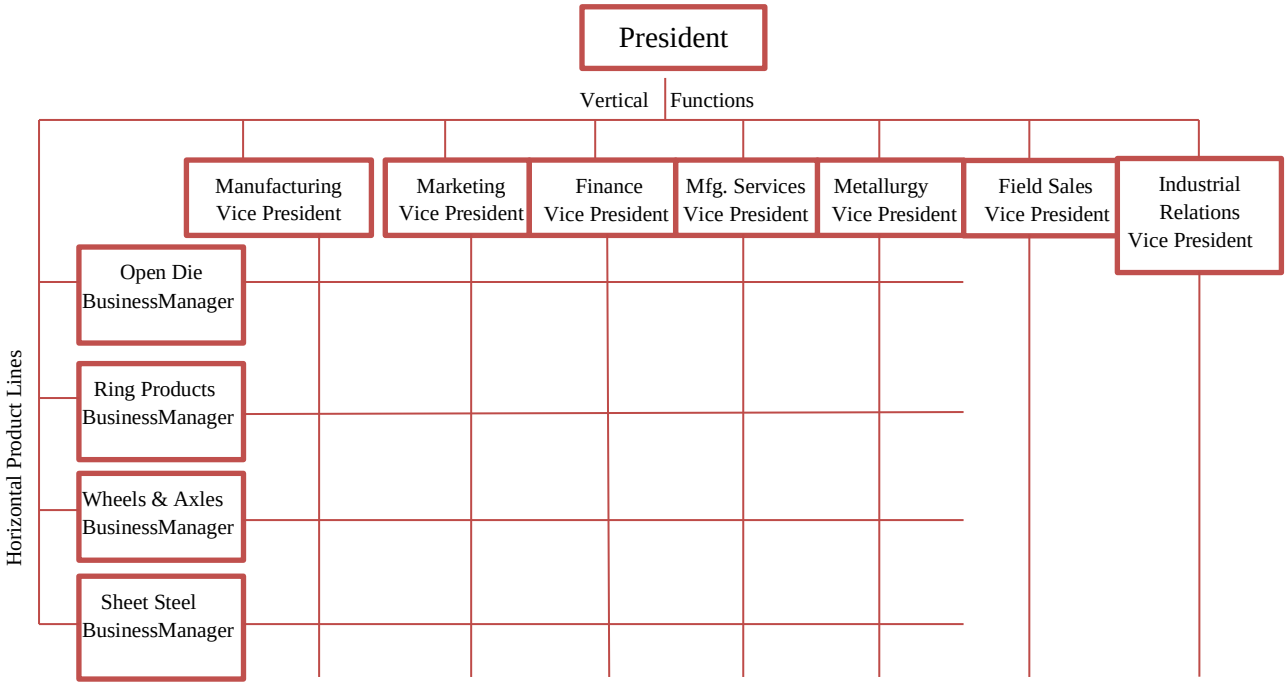


Figure 3.15 Matrix structure for Englander Steel
Source: [3]

Horizontal structure. A recent approach to organizing is the horizontal structure, which organizes employees around core processes. Organizations typically shift toward a horizontal structure during a procedure called reengineering. Reengineering, or business process reengineering, basically means the redesign of a vertical organization along its horizontal workflows and processes. A process refers to an organized group of related tasks and activities that work together to transform inputs into outputs that create value for customers. Examples of processes include order fulfillment, new product development, and customer service. Reengineering changes the way managers think about how work is done. Rather than focusing on narrow jobs structured into distinct functional departments, they emphasize core processes that cut horizontally across the organization and involve teams of employees working together to serve customers. When a company is reengineered to a horizontal structure, all employees throughout the organization who work on a particular process (such as claims handling or order fulfillment) have easy access to one another so they can communicate and coordinate their efforts. The horizontal structure virtually eliminates both the vertical hierarchy and old departmental boundaries. This structural approach is largely a response to the profound changes that have occurred in the workplace and the business environment over the past fifteen to twenty years. Technological progress emphasizes computer- and Internet-based integration and coordination. Customers expect faster and better service, and employees want opportunities to use their minds, learn new skills, and assume greater responsibility. Organizations mired in a vertical mindset have a hard time meeting these challenges. Thus, numerous organizations have experimented with horizontal mechanisms such as cross-functional teams to achieve coordination across departments or task forces to accomplish temporary projects. Increasingly, organizations are shifting away from hierarchical, function-based structures to structures based on horizontal processes. An illustration of a company reengineered into a horizontal structure appears in Figure 3.16. Such an organization has the following characteristics:

- Structure is created around cross-functional core processes rather than tasks, functions, or

geography. Thus, boundaries between departments are obliterated. Ford Motor Company's Customer Service Division, for example, has core process groups for business development, parts supply and logistics, vehicle service and programs, and technical support.

• Self-directed teams, not individuals, are the basis of organizational design and performance. Schwa, a restaurant in Chicago that serves elaborate multicourse meals, is run by a team. Members rotate jobs so that everyone is sometimes a chef, sometimes a dishwasher, sometimes a waiter, or sometimes the person who answers the phone, makes reservations, or greets customers at the door.

• Process owners have responsibility for each core process in its entirety. For Ford's parts supply and logistics process, for example, several teams may work on jobs such as parts analysis, purchasing, material flow, and distribution, but a process owner is responsible for coordinating the entire process.

• People on the team are given the skills, tools, motivation, and authority to make decisions central to the team's performance. Team members are cross trained to perform one another's jobs, and the combined skills are sufficient to complete a major organizational task.

• Teams have the freedom to think creatively and respond flexibly to new challenges that arise.

• Customers drive the horizontal corporation. Effectiveness is measured by end-of-process performance objectives (based on the goal of bringing value to the customer), as well as customer satisfaction, employee satisfaction, and financial contribution.

• Culture is one of openness, trust, and collaboration, focused on continuous improvement. The culture values employee empowerment, responsibility, and well-being. General Electric's Salisbury, North Carolina, plant shifted to a horizontal structure to improve flexibility and customer service.

Strengths and weaknesses of horizontal structure are shown in Table 3.8.

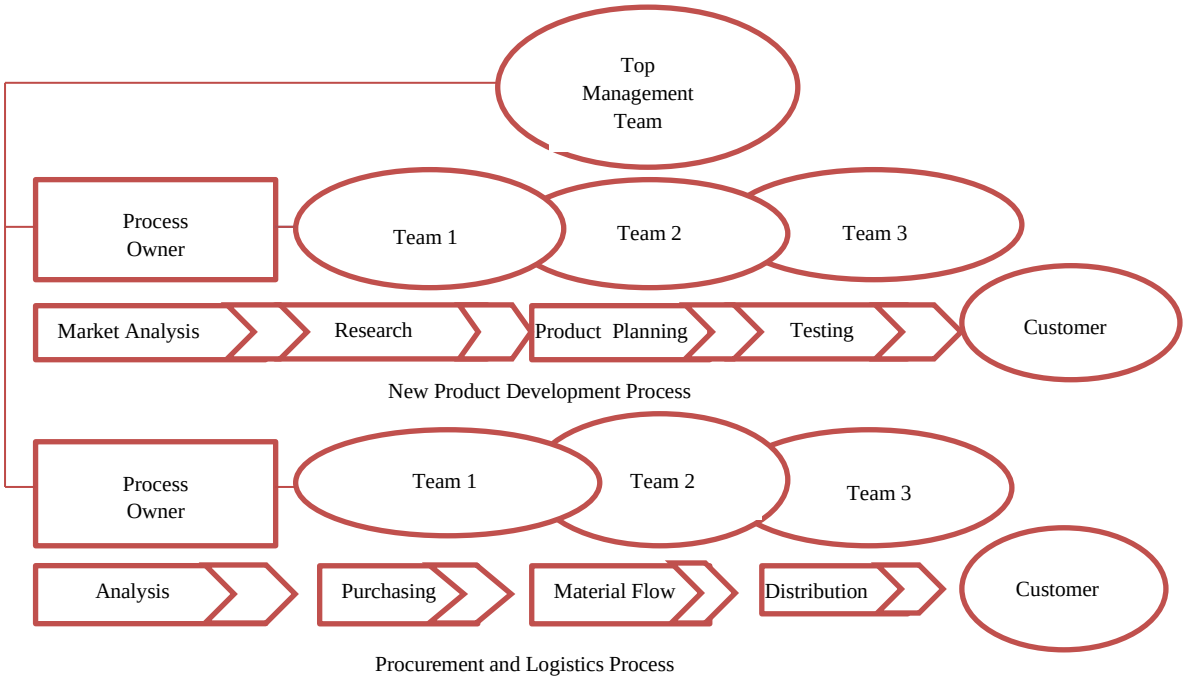


Figure 3.16. A horizontal structure
Source: [3]

Table 3.8

Strengths and Weaknesses of Horizontal Structure

Strengths	Weaknesses
1. Promotes flexibility and rapid response to changes in customer needs 2. Directs the attention of everyone toward the production and delivery of value to the customer 3. Each employee has a broader view of organizational goals 4. Promotes a focus on teamwork and collaboration 5. I mproves quality of life for employees by offering them the opportunity to share responsibility, make decisions, and be accountable for outcomes	1. Determining core processes is difficult and time consuming 2. Requires changes in culture, job design, management philosophy, and information and reward systems 3. T raditional managers may balk when they have to give up power and authority 4. Requires significant training of employees to work effectively in a horizontal team environment 5. Can limit in-depth skill development

Source: [3]

A network structure (мережева) means that the organization disarranges its main functions (production, sales, finance, research, and development) between individual companies working under a contract, which are mediated by a small main organization. Network organizations are different from organizations of other types by several signs: network organizations rely more on market mechanisms than on administrative forms of resource flow management; many developed networks envisage a more active and engaged role of participants; in more industries, networks are associations of organizations based on cooperation and mutual ownership of participants' shares of the group, - manufacturers, suppliers, trading, and financial companies.

Virtual organization or structure is closely related to the network structure. A virtual organization is a temporary network of companies that operatevely come together to take advantage of rapidly changing market opportunities. Unlike traditional mergers and acquisitions, partners in virtual organizations share costs, use each other's production experience and access to international markets. Distinguishing features of virtual organizations of the future can be presented as follows: the use of information technology for establishment of strong contacts; joining forces for implementation of new opportunities; lack of traditional borders — with the close cooperation of manufacturers, suppliers, clients it is difficult to determine where one company begins and another ends; trust - partners share a sense of "common destiny", understanding that the destiny of each of them depends on each other (Fig.3.17).

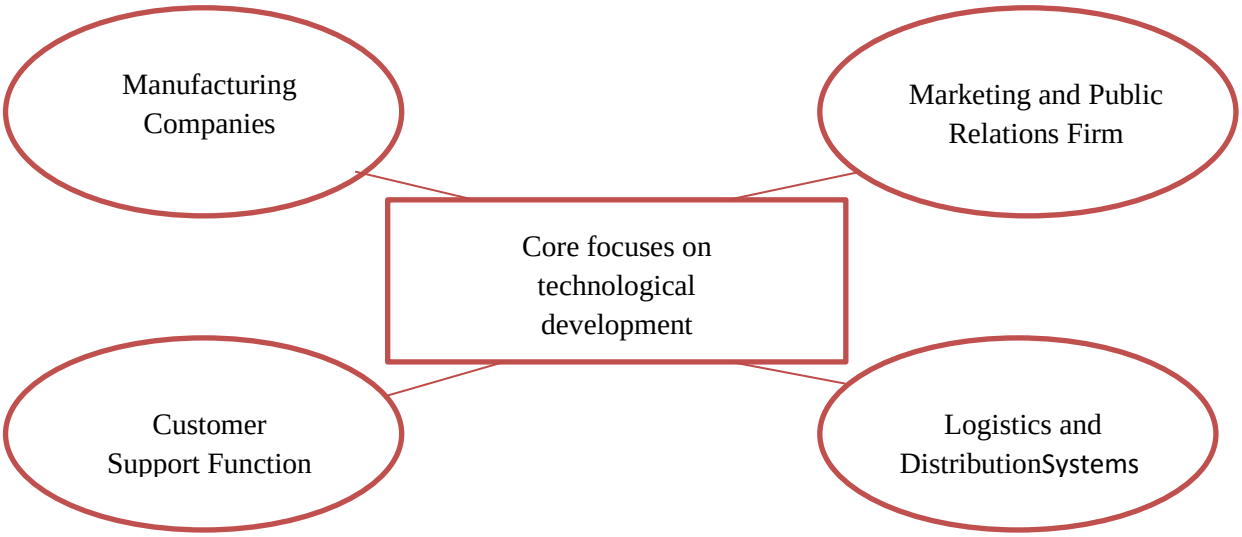


Figure 3.17 Partial virtual network structure
Source: [3]

Strengths and weaknesses of virtual network structure are shown in Table 3.9.

Table 3.9

Strengths and Weaknesses of Virtual Network Structure

Strengths	Weaknesses
1. Enables even small organizations to obtain talent and resources worldwide 2. Gives a company immediate scale and reach without huge investments in factories, equipment, or distribution facilities 3. Enables the organization to be highly flexible and responsive to changing needs 4. Reduces administrative overhead costs	1. Managers do not have hands-on control over many activities and employees 2. Requires a great deal of time to manage relationships and potential conflicts with contract partners 3. There is a risk of organizational failure if a partner fails to deliver or goes out of business 4. Employee loyalty and corporate culture might be weak because employees feel they can be replaced by contract services

Source: [3; 22]

Hybrid structure. As a practical matter, many structures in the real world do not exist in the pure forms we have outlined here. Most large organizations often use a hybrid structure that combines characteristics of various approaches tailored to specific strategic needs. Most companies combine characteristics of functional, divisional, geographic, horizontal, or network structures to take advantage of the strengths of various structures and avoid some of the weaknesses. Hybrid structures tend to be used in rapidly changing environments because they offer the organization greater flexibility. One type of hybrid that is often used is to combine characteristics of the functional and divisional structures. When a corporation grows large and has several products or markets, it typically is organized into self-contained divisions of some type. Functions that are important to each product or market are decentralized to the self-contained units. However, some functions that are relatively stable and require economies of scale and in-depth specialization are also centralized at headquarters. Sun Petroleum Products Corporation (SPPC) reorganized to a hybrid structure to be more responsive to changing markets. The hybrid organization structure adopted by SPPC is illustrated in part 1 of Fig. 3.18. Three major product divisions—fuels, lubricants, and chemicals—were created, each serving a different market and requiring a different strategy and management style. Each productline vice president is now in charge of all functions for that product, such as marketing, planning, supply and distribution, and manufacturing. However, activities such as human resources, legal, technology, and finance were centralized as functional departments at headquarters to achieve economies of scale. Each of these departments provides services for the entire organization. A second hybrid approach that is increasingly used today is to combine characteristics of functional, divisional, and horizontal structures. Ford Motor Company's Customer Service Division, a global operation made up of 12,000 employees serving nearly 15,000 dealers, provides an example of this type of hybrid. Beginning in 1995, when Ford launched its "Ford 2000" initiative aimed at becoming the world's leading automotive firm in the 21 century, top executives grew increasingly concerned about complaints regarding customer service. They decided that the horizontal model offered the best chance to gain a faster, more efficient, integrated approach to customer service. Part 2 of Figure 3.18 illustrates a portion of the Customer Service Division's hybrid structure. Several horizontally aligned groups, made up of multiskilled teams, focus on core processes such as parts supply and logistics (acquiring parts and getting them to dealers quickly and efficiently), vehicle service and programs (collecting and disseminating information about repair problems), and technical support (ensuring that every service department receives updated technical information). Each group has a process

owner who is responsible for seeing that the teams meet overall objectives. Ford's Customer Service Division retained a functional structure for its finance, strategy and communications, and human resources departments. Each of these departments provides services for the entire division. In a huge organization such as Ford, managers may use a variety of structural characteristics to meet the needs of the total organization. Like many large organizations, for example, Ford also outsources some of its activities to other firms. A hybrid structure is often preferred over the pure functional, divisional, horizontal, or virtual network structure because it can provide some of the advantages of each and overcome some of the disadvantages.

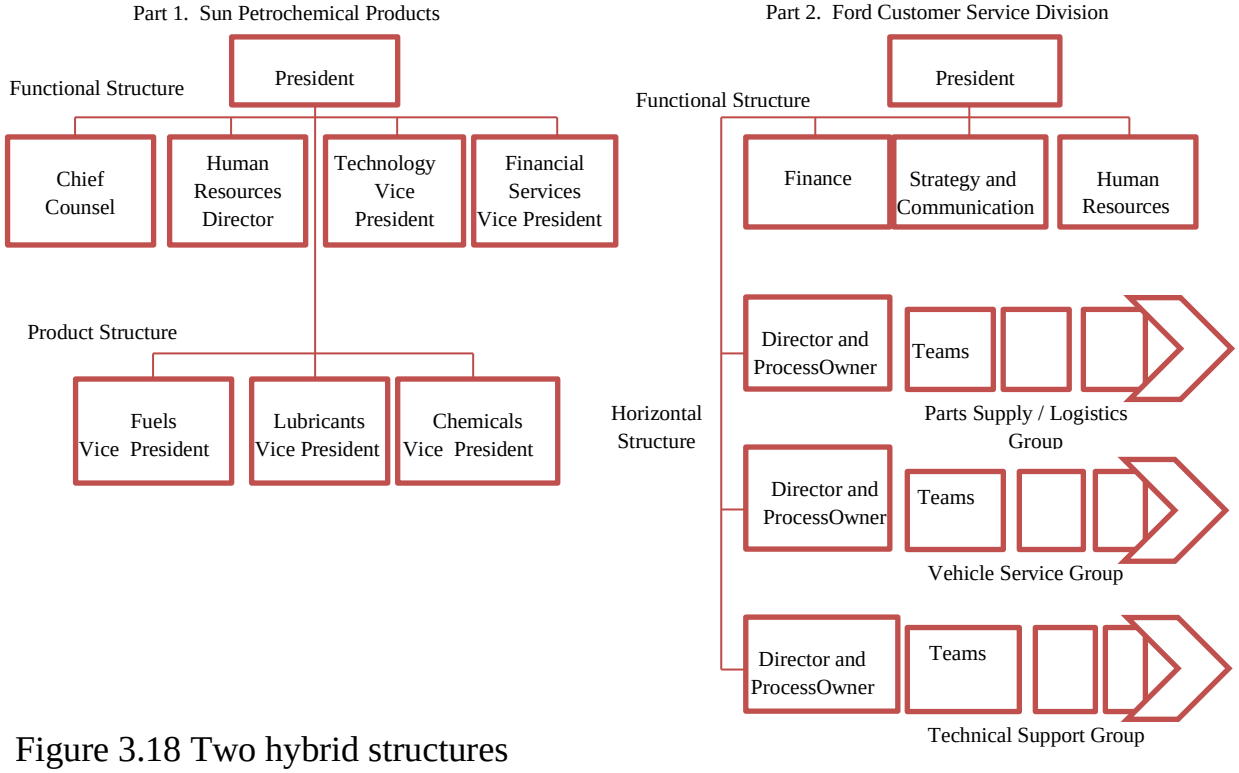


Figure 3.18 Two hybrid structures
Source: [3]

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 3.3. Properties of an organization

1.General and specific properties of an organization

The essence of the organization as a process or system is determined not so much by the form of its presentation, but by its internal content, which reflects the possibilities of using and developing its potential. The fundamental manifestation of organization essence is its properties as a set of manifestations, reflecting general, characteristic and specific organization's features. It is the properties that reveal and express the potential of any organization, determining possibility of its functional application and meaningful interaction with other processes and systems.

Studies of the properties of the organization are carried out universally, regardless of its nature, manifestation, use and interaction. This is necessary in order to highlight fundamental, truly organizational, common properties distinctive for both processes and systems that describe their real manifestations and perspective potential of functioning and development.

The first properties are revealed already in the definition of organizations as objective, subjective or mixed processes and systems. The property of purposefulness is singled out in the definition of subjective organization.

Purposefulness is the orientation of the organization to setting and achieving the desired, possible, and necessary state. This depends on the role of the subject and the application of the principle of the primacy of the goal, which distinguishes goal setting as the first step in the organization of any subjective process. The purposefulness of the subjective organization reflects the purposeful nature of its occurrence, the structure of the goal tree, laid in the basis of the separation and construction of processes, sub-processes, and cycles in accordance with strategic, tactical, operational, local, and partial goals, their subordination to the general goal of this cycle, evaluation of effectiveness of its implementation according to the degree of its achievement.

The application of the principle of permanence in determining the goal becomes one of the factors of formation and the development of the corresponding property of subjective organization. In fact, permanence (a property of the organization, which characterizes the continuous, constant implementation of something, which continues), as one of the defining characteristics of the organization is determined by the procedural nature of its construction and functioning, determined by the place and role of the component of development in the model of its representation and is fixed as a decisive factor in ensuring of the final performance of the organization. However, the property of permanence indicates constant development of both objective and subjective organization, which is implemented regardless of the subject's wishes.

The property that structurally forms the organization is discreteness (discontinuity, separation of components of organization), which reflects elemental, staged approach to its design, formation, functioning, perception, and representation.

Periodic repetition of an objectively constant or directionally formed complete sequence of transformations in any organization represents such structural feature as cyclicity (periodic repetition of certain sequence).

It is cyclicality that predicts conditions and reveals the property of reversibility (return to repetition of initial state) of the organization as a process. The essence of it lies in returning to previous actions. At the same time, it is necessary to understand that it is not about the possibility "... to enter the same river twice", and about the need for optimization and repetition of what has been passed based on a purposeful or random return to the previous one. Adequate understanding of the property of reversibility opens the construct possibilities in increasing the efficiency of perception, evaluation, and management of the process of organization, based on repetition, adaptation and application of standard, typical, similar solutions, for example, according to the "cycle in cycle" algorithm. Reversibility was first used by a human being in the process of analyzing what happened, correcting assumptions, correcting what is happening. It made the use of this property is especially important in the organization of research and operational activities of human beings.

Taking place over time, any organization as a process first, is characterized by such property as **efficiency** / ***operativeness*** (speed, timeliness). Under efficiency (*operativeness*) as a property of the organization we understand not only speed but on the first-place adaptation, compliance, synchronization of rhythms, tempos, speed of implementation of process of the organization by dynamic characteristics of situation development, operationally necessary conditions for achieving the planned result. Operational efficiency of the process conditions necessitates timely and adequate consideration of organizational changes. This characteristic is often called mobility, softness, activity, but most accurately it is revealed by the concept of flexibility (the ability of the organization to adapt, modernize, reform). Flexibility of the organization largely determines or conditions its ability to adapt, reorient, and change. It plays an important adjusting role in a specific organization both for processes and for systems. This is due to adequate

perception of this term in both static and dynamic situations, the definition with its help of the most important resource for the formation, development and regulation of changes, the wide range of its application in connection with the necessity of carrying out operational correction of the organization process that is already underway.

One of the important constructive manifestations of the potential of reversibility and resource flexibility of the organization is ***rotatability*** property (movement along a cyclic trajectory), which is understood as the possibility of mutual permutation, replacement of process components during its implementation.It is a powerful resource of regeneration, reorganization, and reformation of organizational relations between components based on the analysis of their alternative functioning after carrying out mutual, sequential or counter substitution. The goals and conditions for the formation and mobilization of this resource are quite diverse, from the need to compare and check the progress and results of the process to conducting an experiment or innovation, but the value of rotation property in the process of organization is great. This quality of the organization, its comprehensive study and intended use determine exclusively the high potential for self-regulation of the process, its reorganization, regeneration. Moreover, rotatability provides wide opportunities for searching, approbation, and modernization and application of forms and methods of innovative organization by analogy or based on already worked out procedures, cycles, actions. This is manifested in the improvement of distribution, assessment of modernization and consolidation of already developed effective methods and means of its construction.

The most diverse forms of relations and interactions between individuals are characteristic of most processes and systems of the modern world. This characteristic is revealed by ***corporatism*** (tendency to group association and cooperation), which reflects the social nature and character of the relevant organizations of civilization. Even objective organization today is used and developed in one way or another in the conditions of corporate interaction of society, which leaves a significant imprint on these processes.The property of corporatism is widely reflected in the connections and dependencies of the laws and principles of the organization, it is actively disclosed and implemented in the processes and the systems of subjective and mixed organization as broadest spectrum of ambiguous trends and consequences, expresses the essence of processes and systems of social development.

In real life, the pragmatic understanding and application of the term "organization" first corresponds to the establishment of connections between elements or systems in the process of their interaction. In this sense, ***communicative*** ability (ability, propensity for interconnection) as a property of the organization reflects its structural and procedural basis, the resource of building and developing the necessary opportunities for the implementation of certain schemes, procedures, configuration models, its orientation to establish a relationship. Reflecting exceptional diversity of the surrounding reality, communicativeness determines the variational probabilistic character, the essence, and the content of the palette of the development of the organization's ties as a broad field for formation of possible forms and procedures for its implementation. To a certain extent, it is communication being the main resource, the leader of the organization determines the necessary diversity of its formation, functioning and development.

The potential for organizational diversity considerablely determines the formation and development of such property as ***compositionality*** (the possibility of building an adequate organization by purposefully assembling it from elements). Reflecting the action of the corresponding law, compositionality conditions the disclosure and implementation of the potential of the diversity of architectonics of construction and the implementation of the widest

range of models for purposeful implementation of connections of organization components. Composition allows us to directly introduce and consistently improve content diversity in design, construction, and modernization of organizational structure of management. It provides effective achievement or reflection of the purposefulness of the structure, forms its concept, dominant, hierarchy by building a specific composition of elements and connections of organizations.

Study, replication, distribution of methods and models of construction and implementation of the organization anticipates its adaptation to specific goals, resources, and conditions. This process relies on such a characteristic and essential property of the organization, as ***combinatoriality*** (potential, resource of possible ways of connection), which reflects the potential development possibilities of the application of various options for the construction and implementation of processes and systems of the organization from already known and used modules. At the same time, it defines the stable ability of the components of an effective organization to form various combinations of relationships depending on real conditions and factors. In practice, the properties of communicativeness, compositionality and combinatoriality of the organization are most often considered and implemented in a close relationship in the form of the main components of a single and complex innovative approach and resource of formation, functioning and development of new organizations. They are the properties which determine the perspective of organizational changes, their content, direction, and effectiveness.

However, the decisive innovative resource of the organization is its ***selectivity*** (the ability of the organization to improve by selecting, consolidating, and developing the necessary qualities). The selectivity of the organization determines research, selection, mastering, consolidation, improvement, and development of positive potential, which ensures the achievement of the desired synergistic effect. And if in a subjective and mixed organization it becomes one of its target qualities, then in the objective organization, the property of selectivity is fundamental, realized in the process of natural selection, which ensures its progressive development. At the same time, the subjective realization of the selection potential is largely based on the principles of the development of objective selection, which reflects the generality of this property of the organization. The properties of the organization given and disclosed above allow us to present the formation and development of the main components of its character in the form of the following complex model (Fig. 3.19). The proposed classification of the organization's properties is an open, expanded system, oriented to comprehensive improvement and development. Moreover, it, in some sense, provokes the justification and selection of new qualities and levels, the construction of original models that reveal and clarify the essence, character and properties of the organization as a process.

At the same time, it allows to determine the relationship and dependence of the **specific properties** of the organization in the sequence of their separation, implementation, and heredity, determine and formulate their definitions that scientists and practitioners have recently been particularly active and diverse at. The property of the organization to gradually form and consolidate new qualities becomes a resource of self-improvement, which is defined as ***ingressiveness*** (gradual formation by the organization of new qualities of its components). This potential of the organization does not just expand, but significantly develops its selectivity, as it is based not only on selection, but also, first, on the targeted synthesis of fundamentally new capabilities of the organization's components, due to changes in the external and internal conditions of its formation, functioning and development.

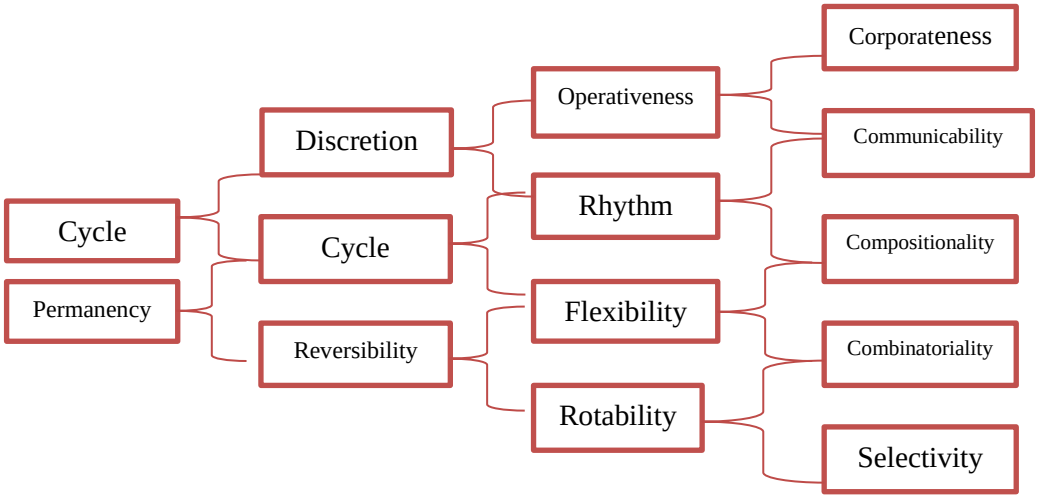


Fig. 3. 19. Classification of general properties of the organization
Source: [22-25]

The ability to internally combine the qualities of elements in the process of self-organization is a potential that is consistently used and develops and determines ***conjugation*** (ability to internal exchanging and combining the qualities of elements and organizations). This property reveals only promising resources for internal improvement and development of organizations. All modern systems and processes of self-organization, cooperation, self-governance, self-improvement, and free development of organizations in market conditions are formed, function and develop on their basis. This property becomes the main constructive resource for building and implementing original models of evolutionary transformations of socio-economic systems.

The increasing ability of organizations for active, direct, and indirect mutual switching, adaptation and adaptability of elements and systems within the framework of self-organization is defined as ***correlation*** (the ability to activate the relationship). This property is a necessary foundation for formation of a wide production cooperation, interactive market interaction, free creation, and development of interaction within the general competitive environment.

In socio-economic organizations, the ability of elements to activate and adapt and mobilize the maximum functional potential in the conditions of self-organization, which ensures the achievement of operational and local goals is widely used. This property is called ***aggressiveness*** (achieving the maximum level of implementation of the organization's qualities). Provided by this property maximum return of each element and the entire organization is a strategic reference point that determines the possibilities of its further improvement and development.

The effect of lightning focused formation (borrowing) and application of new organizational qualities, which is the main innovative resource of an individual, is defined as ***emergency*** (operational mobilization of new qualities). This property, like aggressiveness, first, is used by socio-economic organizations facing various crisis situations. Most programs for bringing organizations out of crisis by diversification, conversion, development of new market segments is based on their use. In the real conditions of the development of a crisis, operational mobilization of hidden, formation and use of new qualities of the organization often become a single resource of reorganization. Most often this resourse is mobilized and used in the process of restructuring, separation, dividing the crisis organization into several partial enough successful formations. This makes it possible to single out problematic components, focus

attention on their further fate, develop specific ways of reorganization, and apply a sufficiently wide range of the most diverse organizational decisions.

In general, the composition and relationship of the set of properties of the organization, which determine and reveal its system potential, can be presented as follows (Table 3.10):

Table 3.10

Properties of the organization

General	**Social**	**Synergistic**
integrity	purposefulness	mission
complexity	conceptual	architecture
constructiveness	hierarchy	formalization
stability	conservatism	tolerance
individuality	corporatism	conjugacy
limitation	problematic	ingressiveness
reproductive	motivation	self-regulation
discreteness	rotation	cyclicity
flexibility	promptness	reversibility
adaptability	innovativeness	emergency
invariance	competitiveness	aggressiveness
integrativeness	communicativeness	correlation

Source: [23]

The presented classification reflects the qualities that require some explanation. First, a group of **general qualities** that directly determine the organizational nature of any association stands out among them. They include integrity, comprehensiveness, constructiveness, stability, and isolation, which determine the properties of the organization and determine the formation and development of the above-mentioned series of its specific qualities.

In this list of general properties of the organization we can stand out:

- limitation which determines the limits of the organization's implementation and manifestation of its properties
- reproducibility, which determines the most important effect of reproduction of the organization
- adaptability, which provides the ability of the organization to adapt
- invariance which reveals the palette of diversity of the organization's implementation
- integrability which reflects the entry of each organization into the corresponding macro-organization.

A group of these properties common to all organizations largely determines the resources of their functioning and development, determines opportunities for improvement and change.

The system of social properties of the organization is formed by the following qualities:

- conceptuality which reflects certain ideas of society about a specific organization
- hierarchy that distributes subordination and powers of different levels of the organization
- conservatism which expresses the desire of most individuals for stability and predictability
- problem which realizes the comparative principles of the social approach to the organization
- motivation which reveals the inner, motivating nature of any social organization
- innovativeness which forms a variety of necessary forms of organization
- competitiveness which determines the nomination, consolidation, and development by society of the most promising forms of organization
- integrability which reflects a stable trend of social organization to unify participants,

components, resources, trends

● correlation, which characterizes the readiness of the components of a social organization for the most diverse interaction.

The system of synergistic properties of the organization is opened by the concept of "mission", which is used, as a rule, only to social systems. Fulfilling the mission of the organization is determined by the level of development of such its important synergistic property as architectonics. It is architectonics that by strategic possibilities of development, resources of diversity of construction and transformation of configurations of the organization determines the potential of its self-expression and prospects for improvement. At the same time, architectonics integrates the components into an overall design based on the mission. Such an important synergistic property of the organization as *self-regulation* acquires special importance. The role of *self-regulation* in ensuring sustainable functioning and development of organization is difficult to overestimate, since the action of the law of self-preservation is largely based on this quality. Self-regulation reflects on the one hand, a necessary stabilization resource, and on the other hand, the most important improvement potential of every organization.

The given classification distinguishes constructive relationship between the general, social, and synergistic properties of the manifestation of self-organization as a system that provides the basic potential of functioning and improvement of the individual. This relationship is revealed and is implemented in the most diverse forms of the organization, the content of which becomes a function of objective and subjective development of society.

The selection in the presented classification of synergistic properties system not only focuses attention on the target qualities of the organization, but also builds their cause-and-effect hierarchy, analogous to its tree of goals. Indeed, if the mission is identified at the level of the global goal of the organization, then architecture, formalization and tolerance determine its strategic stability, and further properties — corresponding tactical, operational, local and partial levels of the goals of its functioning and development.Such a disposition inevitably leads to the discretization of the above properties, isolation and development of their partial and specific manifestations at each of the levels, construction of complex configurations of the interaction of qualities that develop and condition, in the end, the emergence of fundamentally new organizations. The network approach to building the interaction of commercial structures based on the properties of self-regulation, emergentity, aggressiveness and correlations in conditions of intensive development of market relations was formed in this way.

2.Organization principles

The principles of the organization directly follow laws and rules of management. In the special literature, a unified approach to the formulation of organization principles has not been developed. Some researchers interpret separate laws as principles, and principles are put to the rank of laws.

According to most researchers, the *principle is optimal rule (norm)* that is formulated by people and carries objective character. The principles of the organization are reflection of the objective regularities of management practice. They determine requirements for a specific system, structure, and organization. In accordance with these requirements, management bodies are formed, relationships are established between its levels, between organizations and the state, and certain management methods are used. It should not be assumed that the principle of organization is dogma. The economic life of society does not stand still, it changes. Along with the change in economic realities organizational principles are also undergoing changes. At the turn of the 19th and 20th centuries the founder of the school of scientific management F. Taylor

formulated four principles of management of individual labor of workers. The founder of the classical administrative school of management A. Fayol in the book "General and Industrial Management", published in 1916, developed a system of general management principles consisting of 14 points. Principles of management of the 90s of the 20th century pay the main attention to the social aspect of management.Summarizing these approaches, it is possible to divide the principles into general ones - for all organizations and situations, partial and situational ones - characteristic only for a certain area or situations in the organization's activities, and, in addition, the principles, characteristic of a certain state of the organization — dynamic or static.

In addition, the principles of organization are divided into three groups in the literature:

1) structural principles (division of labor, unity of purpose and management, the ratio of centralization and decentralization, power, and responsibility)

2) process principles (justice, discipline, staff remuneration, corporate spirit, unity of commands, subordination to the main interest)

3) principles of the result (order, stability, initiative).

Structural principles ensure clear interaction between general goals and tasks, on the one hand, and their division into more partial and smaller ones — on the other hand, contributing to the correct selection and appointment of heads of units, the establishment of appropriate powers and responsibilities for them, as well as the uniting of units in a chain of target teams.

Process principles determine the nature and content of managers' activities, their relationships with subordinates, especially when it refers to the principles of justice and staff reward. The principle of discipline determines the establishment of stable relations between the organization and various groups of employees. In case of violation by the latter of disciplinary norms and procedures of work, application of sanctions and subordination of personal interests to general ones should be justified. According to the principles of team unity a subordinate should have only one boss. Communication and interaction should be considered when designing organizational structures.

The principles of the result determine the optimal characteristics of the organization. A properly formed and purposefully directed organization should be characterized by order and stability, and its employees should show initiative and conscientiousness by performaning their duties.

General principles of organization and their characteristics. Combining different approaches, common principles of the organization can include: the principle of feedback; the principle of development; the principle of competitiveness, competition; principle of additionality; three principles of conformity — conformity of goals and resources, conformity of management and subordination, conformity of activity efficiency and economy; the principle of optimal combination of centralization and decentralization of production and management; the principle of direct communication; principle of rhythmicity; principle of synchronization (system principle).

The feedback principle. Socio-economic systems are basically open and non-equilibrium systems. Disturbance of balance in them is possible because of a wide variety of reasons or random disturbances. Regardless of the nature of controlled objects (mechanical, biological, social) their regulation is possible according to the feedback principle.

Any control system consists of two leading subsystems **— *the controlling and the controlled***. There are various communication links between them which are appropriate channels of transfer of management information from the subject to the object and vice versa. Circulation of management information between two subsystems — the controlling and controlled — allows to

establish the relationship between information at the input and output of the controlled system. Comparison of levels of information makes it possible to assess the state of both the managed subsystem as a whole and its individual elements. Reverse connection can be positive, such that reinforces the action agreement signal, and a negative one, in which the action of unwanted agreement should be neutralized. The feedback principle cannot be understood unilaterally as the result of the system functioning in one mode (either positive or negative feedback). The assessment of information by the subject of management should be operational and reliable - only then there won't be a loss of management quality.

The principle of development. This is one of the leading general principles of organizational systems (in general, all material systems). Development is an irreversible directional change of systems. There are two forms of development: *evolutionary*, characterized by gradual quantitative and qualitative changes; *revolutionary*, which is a leap-like unconscious transition from one state of the system or management process to another. There is *progressive and regressive* development (change). Progressive and regressive development can include at the beginning not the whole system as a whole, but only some of its components, and only over time the socio-economic system undergoes qualitative changes to the full extent.

The principle of competitiveness, competition. Practice confirms that the viability of the social system depends on the degree of development of competitive, competitive principles. Competition reveals the most effective and efficient ways of socio-economic development. It is expressed in comparison, selection, and implementation of the most effective management methods.

The command-administrative management system did not allow competition to develop, inhibited the manifestation of private initiative, and monopolized the production of various goods and services. This system switched to "slow running", and then to degradation and stagnation. Some time in the economics the principle of competition was ignored. It was argued that in the conditions of the socialist economic system, its manifestation causes great damage to the economy.

Competitive relations are contradictory: the mechanism of competition forms social priorities of freedom of choice, active action to adopt bold, productive management decisions. At the same time, competition can have a negative impact on the work of some organizations, leading them to bankruptcy. The so-called unfair competition, i.e., using illegal economic methods or even forceful actions in the process of fighting against competitors, is especially dangerous. The principle of healthy competition is the engine of the socio-economic system, the development of which should be stimulated.

The principle of additionality (complementarity). In organizational systems, on the one hand, objective, stable trends, programmed, balanced, organized, predicted principles, and on the other hand, random, unstable, unbalanced, spontaneous, arbitrary, probabilistic, unpredictable principles are combined. They complement each other. Their dialectical interaction is defined as the principle of complementarity, the essence of which is an ambivalent approach to the disclosure of functioning and development of organizational systems.

The principle of matching goals and resources. Key objectives adopted in the organization should be provided with resources in a timely manner. The program- targeted technology of the production and development of solutions process corresponds to this principle. It is about the transfer of tasks (goals) with an indication of the means, methods, and time of their implementation, with external or internal organization control of intermediate states of this execution. The professionalism of the task performance is determined by the qualification of the manager who issued the task, and the qualification of the executor plays a secondary role.

Program-targeted technology, as a rule, guarantees the achievement of the set goal. Using this technology usually leads to achievement goals in each period with acceptable deviations in the provision of resources. Program-targeted technology forms management based on warning, not results. The main conditions for effective use of this technology are as follows:

- the staff of employees implementing a specific task of the goal should be 100-2000 people
- the task execution time should not exceed one year from the moment of its issuance
- determination and availability of management and production resources should be ensured within the specified time
- division of managerial and production work should be clearly expressed
- serial and mass production should be carried out over a long period of time.

The principle of matching management and subordination. Each employee should have one line manager and any number of functional while performing specific work. A line manager can perform administrative, technological and patronage functions. A function is considered administrative if, among the procedures that make it up, the priority procedure is "Making a decision" or "Approving a decision". Technological function is about the presence among the procedures that it consists of priority procedures: "Preparation of a decision", "Coordination" or "Organization of implementation of a decision". If there are no priority procedures in the set, then this is a patronage function. Availability of administrative general or specific management function gives it the same status.

The principle of compliance of activity efficiency and economy. For each organization a correspondence between efficiency and costs should be found. Priority should be given to efficiency. The concept of effectiveness is based on the word "effect", which means the impression that is made by someone on someone. The effect can be organizational, economic, psychological, legal, ethical, technological, and social. Usually the effect (result) is compared with the costs with the help of comparable indicators. The difference between current and previous costs characterizes cost-effectiveness. If costs have decreased, this is a positive economy, and if they have increased, then this is a negative economy. As a result, efficiency can be defined as the degree of influence of the difference of costs on the difference of the result, that is, economy on the difference of the result.

The principle of optimal combination of centralization and decentralization of production and management. It is necessary to find the best possible combination of administrative, technological and patronage functions of production and management. Man's need for power, self-expression and self-expression prompts many managers to strengthen the centralization of production and management. This indicates the presence of "big business syndrome", which creates essential difficulties both in production and in management. This principle requires a timely unification or separation of organizations or divisions. External signals for carrying out this work are a decrease in demand for goods, an increase in costs for the administrative apparatus, and growth of unplanned layoffs.

The principle of direct communication. This principle means that production and information processes should flow the shortest way to avoid additional costs and distortions. If we take information as an example, then its reliability and value also directly depend on the selected delivery method. First, completely reliable, and very valuable information, having come a long way and reaching the user too late may be unreliable and disorienting by then.

The principle of rhythmicity. Production and information processes should occur with a given level of uniformity during given time intervals. Rhythm ensures consistency of labor productivity in different areas of a single technological process.

Synchronization principle (system principle). Among production and information processes or

divisions it is necessary to allocate a permanent or temporary center of synchronization, to the mode of operation of which other processes or divisions of the organization should be adjusted. Dynamics of market relations requires sufficient flexibility in the organization of business processes: something should be temporarily or permanently strengthened, weakened, singled out; someone should be provided with the greatest support, and someone deprived of the support. This principle contributes to the implementation of another principle — "priority of structures over functions in organizations that act". Instead of changing the composition of the structure, it can be reoriented to new departments or processes.

Partial and situational principles of organization. Partial principles have a limited distribution in socio-economic systems. They are divided into the following groups:

- principles used in various subsystems of society (economic, social, political, family and household)
- principles used in the process of different types of organizational activity (principles of public service, principles of personnel management, principles of building a personnel management system in the organization, principles of planning service and professional promotion)
- principles of firm, corporation management.

For example, system of organizational audit principles includes: the principle of identifying the main; principle of compliance; the principle of encyclopedicity; the principle of fullness; the principle of systematicity; principle of standardization; the principle of timely use of account data; principle of elasticity; planning principle; the principle of coordination; inclusion principle.

The peculiarities of the action of situational principles are due to the existing situation or the special nature of the activity. For example, a famous American top manager Lee Iacocca when forming his team was guided by the following principles: professionalism, experience, ability to solve problems, the ability to interact, work in a team, willingness to take on a difficult problem, personal dedication, providing complete independence, determination and efficiency/operativeness in the selection of team members. To the same group of rules-principles rules-instructions can be attributed.

3. Organization's system of laws

Any system is subject to the laws of nature and society, management laws. Laws in society are understood in two positions: as normative acts adopted and approved in accordance with the established procedure by the highest state authorities; as necessary, essential, stable, repeated relationships between phenomena in nature and society. These laws are objective in nature.

Laws are the highest degree of knowledge and have the form of generality (that is, they express general relationships, connections inherent in all phenomena of a given kind, class). In scientific literature there are different categories of laws: laws of science, laws of nature, prescriptive laws, laws of thought, and laws of organization.

The laws of science are knowledge that is formulated by people in concepts that reflect objective processes occurring in nature and social life at the micro and macro levels.

The laws of nature mean the mathematical expression of any natural phenomenon that is carried out by known circumstances with equal necessity.

Prescriptive laws are norms, principles of behavior which a person should follow in the organization, public associations (legal, ethical laws).

The laws of thinking are rules application of which helps achieve optimal mental activity (laws of logic).

Every organization can be considered as an association of small units. The conditions of

application and the order of functioning of the laws in these subdivisions may differ in detail.

Organizational laws are general, partial, and special. General laws are universal, that is, they do not depend on the country or geographical location. Partial laws act in specific situations and certain types of activities. Special (specific) laws reflect the specifics of the organization. The laws of the organization form a theoretical foundation of organization theory, contribute to the transition of the empirical approach to professional, and allow correctly assessing the situation that arises, helping to objectively analyze the accumulated experience, contribute to the improvement of management culture in organizations. They have significant features, namely:

- characterize general connections and relationships in the social environment
- act as a catalyst of the social process
- strengthen their influence on the activities of organizations with development of social relations.

There are different points of view on the classification of organization laws. Some scientists single out two groups of objective laws: universal and specific. The action of universal laws extends to social, biological, and partly to technical systems. This group includes fundamental and background laws. **The fundamental laws** are the law of synergy, the law of self-preservation and the law of development. **Background laws** are the law of awareness-ordering, the law of unity of analysis and synthesis, and the law of composition-proportionality. Specific laws combine several laws that are applied only to social organizations. Some scientists emphasize that organization theory studies general, partial, and specific laws (Fig. 3.20), which are manifested in organizations.

These two classifications are close in their content but have different readings in the names. The partial laws of the second classification are equivalent to the specific laws of the first, but specific of the second classification are close in nature to background ones in the first. In our opinion, it is appropriate to combine these two approaches and distinguish general laws, partial acting in a certain situation, and specific acting in any but one specific field.

General laws of the organization. General laws of organization operate in all material systems. Main ones can include the following:

- law of synergy
- the law of self-preservation
- the law of development
- the law of conformity of the diversity of the system, which manages, the variety of the managed object
- the objective law of the priority of the whole over the part
- the general law of considering the system of needs.

Any organization has a technological room, equipment, personnel, materials, components. These resources make up the organization's potential, its ability to act. Each resource of the organization has its own quantitative and qualitative characteristics: volume, weight, productivity. The set of key characteristics determines the potential of a specific resource of the organization. In real organization's activity the potential of the set of resources is important. The used resources significantly strengthen or weaken each other's potential. General potential of organization will be either significantly smaller or significantly larger than sums of potentials that make up the activity of resources, — synergy effect. Different combinations of resources used in an organization can create different levels of possible potential of the organization: from very low to very high. The effect of synergy is analogous to resonance, that is, sharp increase or decrease in productivity. So, synergies cause both sharp positive and sharp negative consequences. Positive synergy is realized due to the coincidence of a set of resources and

optimal combination of their characteristics. Negative synergy is obtained because of an unprofessional approach to the assigned activity. Heads of organizations are more interested in the synergy effect. The mechanism of its action is an objective law of organization theory — the law of synergy. **The law of synergy shows** for any system (technical, biological, or social) there is such a set of resources in which its potential will always be either significantly greater than the simple sum of the potentials of the resources included in it (technology, personnel, computers), or significantly smaller.

Of particular importance are social systems in the form of companies, firms, societies, or associations. The manager's task is to find such a set-in which resource would optimally interact with each other, creating positive synergy effect. In practice, the effect is positive and negative synergy is rarely found. This is explained by a very rare combination of high management professionalism of the manager and a long period of success. However, knowledge of the law of synergy can intensify the manager's activity in finding the best possible set of resources.

The law of synergy works independently of the will and consciousness of the manager, but the results of the law depend on the manager, subordinates, and the external environment relative to the law of synergy.

Some scientists argue for the importance and significance of the tectological law of synergy: "Its full flowering will express the conscious domination of people both over external nature, and over the social nature. Because any task of practice and theory is reduced to a tectological question: how to organize some set of elements real most expediently or ideal".

Signs of achieving positive synergy in the organization are:

- good mood in the team
- increasing the interest of employees in the professional field growth
- active acquisition of shares of one's organization
- increased loyalty to the organization's management
- growing number of suggestions for improvement of technologies and management structures
- charitable activities of the organization
- stability of the organization to internal and external influences.

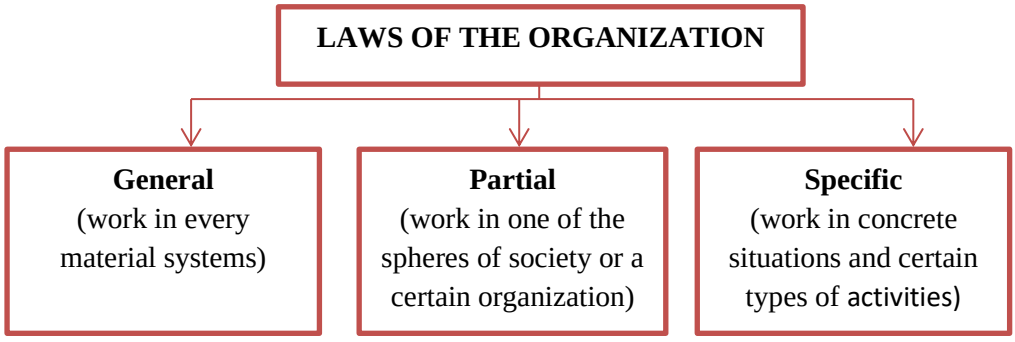


Fig. 3.20. Laws of the organization and their interaction
Source: [22-25]

Currently, there are no direct methods for assessing the synergistic effect. However, for the successful implementation of the law of synergy it is necessary to use methods of organization and self-organization, management, and self-governance. Among them: questions-answers;

conference of ideas or "brainstorming"; method of heuristic forecasting.

The simplest way to assess the effect of synergy is in assessing the indicators of the organization's activity that are analyzed in comparison with the work of another similar organization. In Table 3.11 a list of main indicators is given, that allows us to draw a conclusion about the actions of the management system regarding the use of the synergistic effect based on the method of comparative assessments.

Table 3.11

The main indicators of the synergy effect

Personal and group	**For the organization as a whole**
Increase in labor productivity	High level of indicators of economic activity
Making proposals regarding improvement of labor organization conditions	Quick and adequate response to changes in the external environment
Increasing in the level of professional preparation	Use of profit for expansion of own business
Strengthening of executive discipline	Sustainable indicators of the organization's development
Mastering of related professions	Improvement of the structure
Wage growth	Development of new sales markets
Transition to group forms of payment of labor and a flexible system of incentives of labor activity	Use of modern technologies of communication and management
Purchase of shares of the organization	Increased demand for products
Conscious attitude to work	High quality of goods and services
Loyalty to management	Creating a positive image
No conflicts	Favorable moral climate
Participation in collective events	Innovative activity

Source: [22-25]

Practical implementation of the method of comparative assessments involves the accumulation of statistical data on the activities of organizations of the same type over a considerable period and building a reference model based on these data. In the future when evaluating the effectiveness of the organization's management system regarding the use of the synergistic effect comparison of its indicators with model parameters is carried out. Most of the indicators, given in Table 3.11, involve an assessment only at the qualitative level, their quantitative value can be determined by the method of expert evaluations. For finding evaluations based on indicators of personal character, it is advisable to apply procedures for testing the socio-psychological state of a person.

Each manager should correctly assess the overall situation in the organization and the situation that is developing around it to decide its future fate. The theoretical basis for analyzing the general state of the organization is the law of self-preservation.

Formulation of the *law of self-preservation*: every system (biological or social) seeks to preserve itself (survive) and uses all its potential (resource) to achieve this. This law is of particular importance for social systems (companies, firms, societies, associations). It can be presented in the form of the following ratio [22]:

$$\sum_{i=1}^{n} (R_{1i} + R_{2i}) > \sum_{i=1}^{n} (V_{1i} + V_{2i}), \quad (3.1)$$

where R_{1i} is the internal potential (resource); R_{2i} is external potential of the organization in

the t-th field (economy, politics, finance, etc.), which contributes to its development; V_{1i} — internal potential of the organization; V_{2i} is the potential of the external environment in the i-th sphere, which tends to liquidate the organization or inflict significant damage on the organization.

The left part of the formula is called "Potential of creation" (C), the right - "potential of destruction" (P). The sum of creative resources of the organization always strives to be more than sum of destructive resources. The formula can be presented in the form: $C > P$. If this ratio for a long time can't be fulfilled, then the organization ceases to exist voluntarily or forcibly.

The current state of the organization depends on internal and external factors. The *internal ones* include the principles of the organization activity, the level of personnel qualifications, use of resources and technologies, degree of combination of functions and management structure. *The external ones* include the economic and political situation, the purchasing power of the population, the level of culture, the state of development of science and technology. If the head of the organization professionally shapes the internal factors of the organization's activity and strengthens its stability to external actions, then they can significantly increase the creative potential of the organization. For the implementation of the law of self-preservation, it is of great importance (according to one of the leading theorists in the field of management M. Porter) following three strategies of company's behavior on the market:

1) achieving leadership in minimizing production costs, because of which the company can win greater market share with lower prices for similar products. Organizations that use this type of strategy should aim at high organization of production and supply, high level of professionalism of employees and implement advanced technologies

2) specializing in the production of products. In this case, the organization should carry out a course on especially specialized production and achieve leadership in the selected product type. Organizations that prefer this type of strategy should have a developed structure of research institutes, as well as high-class marketers and designers

3) concentrating of the organization's efforts in the selected market segment. In this case, the company can combine the first two strategies — cost reduction and high specialization in product production. However, to implement the strategy of the third type organization should build its activity primarily on analysis of customer needs of a certain market segment, that is, specific customers.

Development is an irreversible and directed change of matter. The development cycle introduces elements of novelty to the next cycle of creating technical devices, the origin of life, the creation of a scientific theory. There are two forms of development: evolutionary - continuous, gradual quantitative and qualitative changes; revolutionary - leap-like changes. Development is progressive and regressive. Progressive is a transition from lower to higher, from simple to complex. Regressive is a reverse movement, a transition from higher to lower, degradation. Progress and regression are closely related between themselves and constitute dialectical unity. Progress and regression are components of the process of achieving harmony. Without progress there is no regression, and without regression there is no progress. Progress and regression accompany the development of any organization.

The development of organizations is conditioned by the change of the following factors: supply and demand on the market; external environment; internal environment; ecology.

Formulation of the *law of development*: each system (biological or social) seeks to achieve the greatest total potential when passing through all stages of the life cycle. The mathematical interpretation of this law is as follows [22]:

$$n \qquad n$$

$$R_j = \sum_{i=1} (R_{ij}) \rightarrow R_{max}, \quad (3.2)$$

where Rj is the potential of the system at the j-th stage of the life cycle; Rij is the potential of the system in the i-th sphere (economy, technology, politics, finance) at the j-th stage. The value of Rmax is a subjective value and depends on managers' ideas about the sustainability of the organization. It is expressed in stocks and reserves of the organization.

In the literature on the theoretical problems of cybernetics, a natural dependence between the level of diversity of the object and the level of diversity of the subject of management was found. Regarding social organizations, the diversity of the system that manages is always less than the variety of the object of management from the point of view of information "capacity". The governing system is poorer than the real object which the system is designed to regulate. There is a necessary minimum of diverse of the management body regarding its object.

Formulation of the law *of correspondence between the diversity of the controlling system and the diversity of the controlled object*: the diversity (uncertainty) in the behavior of the controlled object can be reduced by corresponding increase in the diversity of the organ(s) of management.

The variety of social systems existing in nature and society, which varies in scale, complexity, levels of their openness, determines the alternative ways of their development and functioning. A similar process some scientists consider as a law that manifests itself at all stages of the evolution of nature and society.

According to some scientists, in social development, there is a continuous and strict selection of more perfect organizational structures that have better adaptation properties. At the same time, it would be wrong to underestimate the impact of a conscious, organizing start on the choice of alternative ways of development of both individual societies and organizations. For a social system to function stably; it should have a single goal, a leading management entity, which directs its development as an integrated entity. In the absence or non-compliance of any of these parameters the social system (organization) is not able to maintain its integrity. At first, it feels unbalanced, disintegrated, chaotic interaction between its components, and later disintegrates. In the interaction of system components, it is necessary to follow the objective law of priority of the whole over the part. This requirement is due to the very nature of the whole, its emergence and development. The whole (system) and parts (components) are one, they do not exist without each other. At the same time, their influence on the functioning of the social system is uneven. In the interaction of the whole and the part, the leading party is the whole, which actively affects the parts (components). Parts are subordinate to the whole, move, develop within their limits and coordinate with it in the implementation of their functions. The relationship between the whole and the part is a relationship of equal partners equally interested in stabilizing and preserving the organization as a system.

In organizational social systems there is a *general law of considering the system of needs — individual,* group, organizational and public. The actions of people are always driven by needs and interests, leading of which are economic and social, due to their nature and the role in the socio-economic structure of motives of human activity.

American researcher A. Maslow divided all needs into two groups: primary and secondary. In turn, Maslow divided primary needs into physiological needs, need in safety and security. Secondary needs include social needs, needs for self-respect, respect from others, self-expression, realization of potential opportunities and growth as a person.

Because with the development of a person as a person the potential of a person expands, the

need for self-expression can never be fully satisfied. Therefore, the process of motivation of an individual behavior and a social group due to needs is endless. For the next, higher level, to begin to influence people's behavior, it’s not necessarily to fully satisfy a lower level of need.

The organization is an independent market entity that objectively generates its economic, social, and other needs and interests in its team. Individual groups and organizations, based on functional types of activity, decide different tasks with different degrees of complexity, laboriousness, and intensity. All this creates different needs and interests in different groups of the labor team. Therefore, the system of interests and needs should form the basis of the mechanism of management. Thus, only the management that considers diversity of the set of individual, group and organizational interests will be effective.

Partial laws of organization. Partial laws include laws that apply in specific situations and certain types of activities. One of the partial laws of production management is a *law of continuity, rhythmicity in the movement of production assets*. It means continuity and rhythmicity of the production process, continuity of material and technical supply and sale of manufactured products, renewal of the main production assets of the enterprise. Compliance with these conditions allows achieving the optimal speed of turnover of production assets which is the basis of their rational use, as well as a source of production efficiency increase. The rhythm of the enterprise's work should be under the control of managers. There are many reasons for irregular work: suboptimal internal company planning, deficiencies in repair and energy maintenance, untimely and poor-quality preparation of production, weak coordination of suppliers' activities. Irrhythmic work of the enterprises negatively affects the work of neighboring enterprises. Through socio-economic distribution of the work, enterprises are organically interconnected. Violation of the rhythm on one host object causes difficulties in the work of other objects and even the whole branches of economy. Therefore, ensuring the rhythm of work of the enterprise is an important function of a manager.

Another partial law is *the law of competitiveness of management personnel*. According to it, every socio-economic system should have a clear mechanism of management personnel evaluation and selection according to their real abilities. The operation of such a mechanism is inextricably linked to the competitive selection and nomination by the economic system itself of the most professionally trained employees to fill management positions.

In the organizational provision of professional growth of management personnel, it is necessary to consider approaches, which significantly influence the stimulation of their professionalism. The use of two main approaches has a positive effect on increasing the professionalism of management employees: first, a dynamic career associated with vertical promotion (growth), with changing of positions; secondly, a static career within one apparatus, one management level, one position, which is carried out through professional growth with a change in functions, as well as through deeper mastery of the profession, skills and abilities, increasing professional competence. A combination of these approaches is possible in the development of management staff professionalism. It is important to consider the individual motives of different employees of the management apparatus: the opportunity to show creativity, mastering of professional competence, gaining authority among colleagues, strengthening one's position in the organizational management structure.

In the development of a strategy for the growth of professionalism and the nomination of employees, considering the actions of the law of competitiveness of management personnel, it is necessary to define a criterion of professional qualification level at all stages of the career ladder so that professional requirements encourage a person to master their profession, strengthen its perspective.

There are other partial laws operating in different countries and various sectors of the economy.

Specific laws of the organization. Specific (special) laws are based on the effective use of laws in the sphere of functioning of organizations and people. Specific laws of the organization include:

- the law of awareness-ordering'
- the law of unity of analysis and synthesis
- law of proportionality and composition
- the law of differentiation and universalization of functions
- the law of originality
- the law of social harmony
- the law of optimal loading
- the law of effective perception and memorization of information.

The information environment is a management object along with personnel, finance, and production. It obeys the action of the law of awareness-ordering. Orderliness means the harmonious development of all elements of the organization: the management system, personnel, divisions, economy, and others, as well as the presence of established interaction (mutual influence) between the elements.

Formulation of the law *of awareness-ordering*: every system (biological or social) strives to get as much reliable, valuable, and rich information about the internal and external environment for sustainable functioning (self-preservation) as possible. According to the law of information-ordering, the more information an organization has about the internal and external environments, the more probable its stable functioning is. The law requires managers to create an effective system of communication links, and the introduction of advanced information technologies. According to many researchers, a manager spends 50 to 90% of their time on communications. Information exchange permeates all major types of management activities, communications are connecting channels. With the help of communications, coordination, organization, and regulation of people's activities is carried out. A favorable result in management is only possible if the law of awareness-ordering is used. To do this, heads of organizations should: form an optimal set of necessary characteristics of information for a specific task; find or create their own sources with the necessary information characteristics; improve qualifications of their employees; implement advanced information technologies.

Analysis and synthesis are elements of biological and intellectual development. Analysis is the division of the whole into parts, the representation of the complex in the form of simple components, change of these parts, adding new ones or removing some of them for efficient operation or convenience of research. Synthesis is a connection, a union (imaginary or real) of an updated set of simple components of the object into a single whole, coordination of their activities for more effective activities or research facilities. Analysis and synthesis make up the intellectual process of any intelligent person - this is what a human being differs from other representatives of the animal world. Analysis and synthesis are also characteristic of the collective thinking of scientists and specialists. Predominance of collective analysis over synthesis leads to the differentiation of sciences, to a deeper study of special issues. Analysis and synthesis in individual and collective thinking are intertwined and cannot exist without each other. Analysis and synthesis have great practical importance in the reformation and restructuring of companies, the organization of collective labor, and scientific research.

In organization theory, analysis includes two main procedures: dividing the whole into parts; improving the functioning of each of these parts. The synthesis also consists of two procedures:

matching the characteristics of the selected parts; uniting them into one whole. Improvement procedures of characteristics of selected parts of the organization and coordination of these characteristics refer to a greater extent to the theory of management, and separation and unification refer directly to organization theory. Separation processes and associations in nature and artificial organizations are continuous and cyclical. The speed and result of transformations depend on the creative resources of the company, as well as on the range of change of external or internal environment.

How does a course in organization theory differ from a course in management or organizational behavior? The answer is related to the concept called level of analysis.

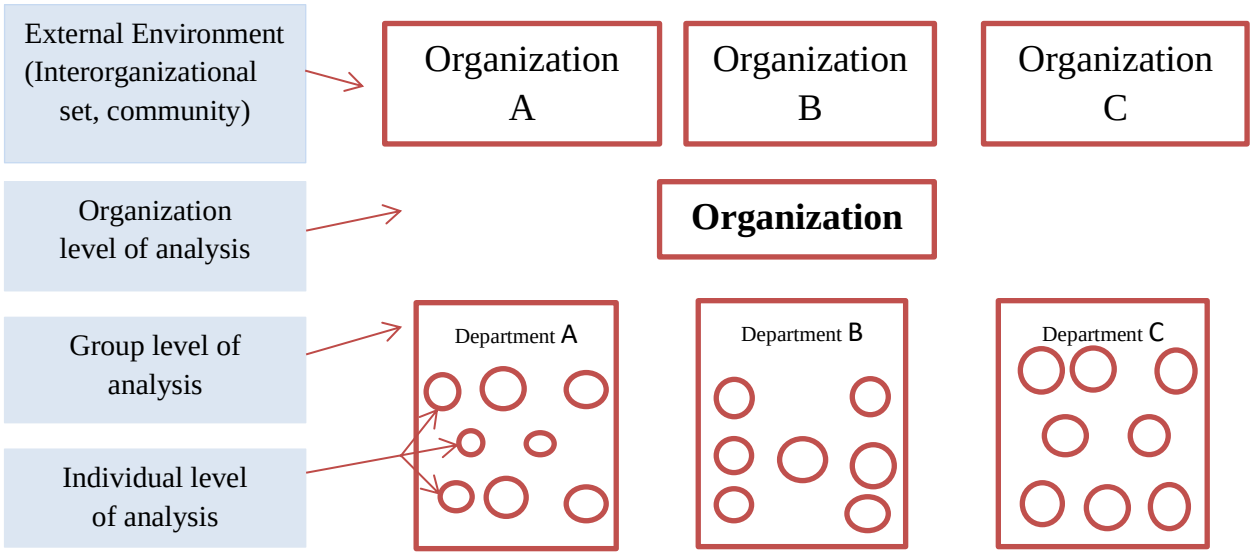


Fig.3.21. Levels of analysis in organizations
Source: [3]

Each organization is a system that is composed of subsystems. Organization systems are nested within systems, and one level of analysis should be chosen as the primary focus. Four levels of analysis normally characterize organizations, as illustrated in Fig.3.21. The individual human being is the basic building block of organizaions. The human being is to the organization what a cell is to a biological system. The next higher system level is the group or department. These are collections of ndividuals who work together to perform group tasks. The next level of analysis is the organization itself. An organization is a collection of groups or departments that combine into the total organization.

Organizations themselves can be grouped together into the next higher level of analysis, which is the interorganizational set and community. The interorganizational set is the group of organizations with which a single organization interacts. Other organizations in the community make up an important part of an organization's environment.

Organization theory focuses on the organizational level of analysis but with concern for groups and the environment. To explain the organization, one should look not only at its characteristics but also at the characteristics of the environment and of the departments and groups that make up the organization. Are individuals included in organization theory? Organization theory does consider the behavior of individuals, but in the aggregate. People are important, but they are not the primary focus of analysis. Organization theory is distinct from organizational behavior. Organizational behavior is the micro approach to organizations because it focuses on the individuals within organizations as the relevant units of analysis. Organizational behavior examines concepts such as motivation, leadership style, and personality

and is concerned with cognitive and emotional differences among people within organizations. Organization theory is a macro examination of organizations because it analyzes the whole organization as a unit. Organization theory is concerned with people aggregated into departments and organizations and with the differences in structure and behavior at the organization level of analysis. Organization theory might be considered the sociology of organizations, while organizational behavior is the psychology of organizations.

A new approach to organization studies is called *meso theory*. Most organizational research and many management courses specialize in either organizational behavior or organization theory. Meso theory (meso means "in between") concerns the integration of both micro and macro levels of analysis. Individuals and groups affect the organization, and the organization in return influences individuals and groups. To thrive in organizations, managers and employees need to understand multiple levels simultaneously. For example, research may show that employee diversity enhances innovation. To facilitate innovation, managers need to understand how structure and context (organization theory) are related to interactions among diverse employees (organizational behavior) to foster innovation, because both macro and micro variables account for innovations. For its part, organization theory is directly relevant to top- and middle management concerns and partly relevant to lower management. Top managers are responsible for the entire organization and should set goals, develop strategy, interpret the external environment, and decide organization structure and design. Middle management is concerned with major departments, such as marketing or research, and should decide how the department relates to the rest of the organization. Middle managers should design their departments to fit work-unit technology and deal with issues of power and politics, intergroup conflict, and information and control systems, each of which is part of organization theory. Organization theory is only partly concerned with lower management because this level of supervision is concerned with employees who operate machines, input data, teach classes, and sell goods. Organization theory is concerned with the big picture of the organization and its major departments.

Formulation of the law of *unity of analysis and synthesis:* each system (biological or social) seeks to adjust to the most economical mode of functioning due to constant changes in its structure or performance functions. To implement this law, the manager is recommended to draw up and implement programs for continuous improvement of the organization, its elements, and divisions; conduct market research in key areas of activity; use management information technologies. Any type of human activity is associated with the use of certain resources: a computer, a car, clothes, etc. Each set of resources should be complete enough for the successful completion of this or that work. Increasing the number of some resources cannot completely compensate for the lack of others. Any person strives for implementation of their activities to have the necessary resources in such a proportion that would ensure its convenience and efficiency in work. So, proportionality and composition are a natural process in human life. We can put a sign of equality between the concepts of proportionality, composition, and harmony. As a natural evolutionary process, harmonization occurs at all levels of the universe. The main task of a smart person is not to slow down this process. The main task of a professional manager is to assist this process. Harmony has a systemic beginning; it is objective and does not depend on human will and desire.

Formulation of the law of *proportionality and composition*: each system (biological or social) seeks to acquire, create, or preserve in its structure all the necessary resources (composition) found in a given correlation or given subordination (proportion). R. Emerson, developer of productivity principles, emphasized the importance of proportionality and composition to

achieve success in management activities. He wrote that if it were possible to unite all goals and ideals that inspire the organization from the bottom to the top, collect them so if all were to act in the same direction, the results would be colossal. But since they all pull in different directions, the net effect often turns out to be very weak, and sometimes simply negative. From these thoughts we can draw a conclusion about the need for social systems to carry out an optimal combination and harmonization of general, partial, and individual goals.

Professional implementation of the law of proportionality and composition is based on the implementation of several principles: planning, coordination, limitation, stabilization, coordination, completeness.

The essence of the law of *differentiation and universalization of functions* is that in organizational systems oppositely directed processes operate separation, specialization of functions implemented by its elements, on the one hand, and their integration, universalization, on the other hand. As a result, the potential capabilities of the components increase, and the results of their interaction improve in the form of an increase in the potential of the organization.

Formulation of the *law of singularity*: for each organization there is the best and unique organizational structure of production and management. Any organization has some peculiarities in the use of technological equipment, professionalism and personal qualities of personnel, procedures, and traditions of relations between employees vertically and horizontally. These features collectively *define the organization* as a small society with its population and territory, economy and goals, material values and finances, communications, and hierarchy. Each organization has its own history, culture, technological philosophy and to make them interact harmoniously there is a single organizational management structure that is most appropriate to them. The originality of specific management organizational structure is achieved based on using existing typical linear, functional, staff and other structures by including in them or excluding from them of any subdivisions or connections thereof.

Formulation of the *law of social harmony*: for each organization the development of the social sphere increases productivity of employees because of increasing the emotional level of the employee (quality ofproducts improves), as well as due to the intensification of the labor activity (labor productivity increases). The social sphere of activity of the organization includes the performance of the function of social development of the team. It includes achieving social justice; creating an auspicious socio-psychological climate in each group of employees; improvement of working and rest conditions of employees and their family members; health care and a decent pension provision.

In contrast to technological functions, the function of social development of the collective plays a great unifying role. Usually, the managerial and technological functions of the organization are limited to the framework of the department, workshop and other formal structures, and the function of social development covers the entire team. This allows improving communication between employees from different departments, which often leads to the emergence of new technological ideas useful for the organization.

Formulation of the law *of optimal loading*: for each person there is an optimal volume of work loading, at which their abilities and capabilities are fully revealed. People with different education, experience background, health, and temperament work in organizations. Some work fast enough, some work more slowly. For each employee, a sphere of effective activities using various testing methods and by research can be found.

Formulation of *the law of effective perception and remembering information*: perceptual and memorization of information processes by a person are implemented most effectively if they are close to the process of one’s thinking. There are two features of human thinking types: figurative

or algorithmic. Figurative thinking is a presentation of some events in the form of pictorial, vivid, and perhaps spiritual equivalents. Algorithmic thinking is based on the logic of representation and development of real events. Each person has mainly one or another type of thinking. In all cases a system of individual "durable memory" is used. Therefore, the manager should approach each employee individually and advise them to use the appropriate technique for memorizing information and developing solutions.

The given division of laws into groups is conditional. They have specific manifestations depending on the life cycle of organizations. Laws have on each other both positiveand negative impacts. All laws do not operate in isolation from each other, but in a dialectical interaction, in a certain system of horizontal and vertical connections. Understanding of system of laws of the organization, identification of the mechanism of their action allows leaders, managers, entrepreneurs to determine objective trends in the development of production and the market, to find optimal ratios between the consumption fund and the development fund, main and auxiliary production, between linear and functional structures in the management system and, if possible, to create favorable conditions for the mechanism of action of laws.

4. Concept of organizational system

Management is understood in a broad sense as an element, a function of organized systems of various nature (biological, social, technical) that ensure the preservation of their certain structure, maintenance of the mode of operation, implementation of their programs and goals.

The relationship between the concepts of "organization" and "management" is characterized by the following provisions:

- management, or rather the system that manages, already itself is an organization, a single ordered whole consisting of various elements which form a structure. This structure fully possesses the system properties of the organization
- management can be considered as a necessary and most important part of most biological, economic, social, and mechanical systems, that is, as a part of the organization that performs a special function of maintaining system deviations from set goals within permissible limits
- organization as a process of ordering in organized systems acts as a management function and from this point of view is an integral part of management. Management reflects the systemic and functional unity of the organization as a state and process.

Thus, consideration of the organization from system and functional positions is expedient, as it allows to reveal its new features and relations of an organized whole with single-order categories — "system" and "management".

Any organization implements three processes: receives resources from the external environment; manufactures product; transfers the product to the external environment. For the successful existence of the organization a certain balance between these processes should be supported. A key role in maintenance of this balance belongs to management.

Management in intra-organizational life plays the role of a coordinating principle that forms and leads the resources of the organization in motion to achieve its goals.

Management shapes and changes, when necessary, the internal environment of the organization. The internal environment of organizations is an organic combination of such components as structure, internal organizational processes, technology, personnel, and organizational culture.

The *structure* reflects the separation of individual units that have developed in the organization, the connections between these units, and the unification of units into a single entity. The management should determine the organizational dimensions of the structural units,

their rights and responsibilities, a system of interaction and information communication with other units, give tasks for units and supply them with the necessary resources. The successful functioning of the organization depends on the skillful solution of all these issues and the timely correction and change of the structure.

Internal organizational processes include three main sub-processes: **coordination, decision-making, communications**. To implement *coordination*, management can form two types of procedures in the organization: direct management of actions in the form of orders, orders, and proposals; creation of a system of norms and rules concerning activities of the organization.

Decision-making procedures are formed in different ways by different organizations. Decision-making can be carried out from the bottom to the top, only at the top level or at the low level of the hierarchy. **Norms** existing in the organization and forms of *communication* have a great influence on the climate inside the organization. The role of management here is to create the best possible atmosphere within the organization.

Technology includes technical means and methods of their combination and use to obtain the final product created by the organization. Management should solve the issues of technologies and their implementation to the most effective use.

Personnel are the basis of any organization. Management forms personnel, establishes a system of relations between people, includes them in the creative process of joint labor activity, contributes to their development, training, and career advancement.

Organizational culture consists of stable norms, ideas, principles, and beliefs. It is produced and formed to a large extent by management and by top management. Management is also focused on solution issues related to the formation, support, and development of organizational culture.

The **internal life** of the organization consists of many different actions, processes, and sub-processes. There are five groups of functional processes that cover the activities of any organization. They are the object of management from the management side. These functional groups include production, marketing, finances, work with personnel, accounting and analysis of economic activity.

Production management assumes that appropriate management services and managers of a certain level manage the process of processing of raw materials, materials and semi-finished products arriving as input to the organization in the product that the organization offers to the external environment. *Marketing management* is designed to connect in a single consistent process meeting of the needs of the organization's customers and achieving the organization's goal. *Finance management* means managing the process of movement of financial means in the organization. *Personnel management* is associated with using the opportunities of employees to achieve the goals of the organization. *Accounting management and analysis of economic activity* involves management of the process of processing and analysis of financial information about the organization's work. Management of the process of interaction of the organization with the external environment is aimed at supporting the necessary relations with the general external environment and the immediate business environment.

The *general external environment* of the organization reflects the state of society, its economy, and the natural environment and is not directly associated with a specific organization. It is formed under the influence of political, legal, socio-cultural, economic, and other processes. The immediate business environment is formed by the following environmental subjects that are directly related or directly affect the activity of these organizations. This environment is created by buyers, suppliers, and competitors.

In a broad sense the environment is infinite and includes everything outside the organization.

However, the analysis presented here considers only those aspects of the environment to which the organization is sensitive and should respond to survive. Thus, *organizational environment* is defined as all elements that exist outside the boundary of the organization and have the potential to affect all or part of the organization. The environment of an organization can be understood by analyzing its domain within external sectors. An **organization's domain** is the chosen environmental field of action. It is the territory an organization stakes out for itself with respect to products, services, and markets served. Domain defines the organization's niche and defines those external sectors with which the organization will interact to accomplish its goals. The environment comprises several sectors or subdivisions that contain similar elements. 10 sectors can be analyzed for each organization: industry, raw materials, human resources, financial resources, market, technology, economic conditions, government, sociocultural, and international. The sectors and a hypothetical organizational domain are illustrated in Fig.3.22. For most companies, the sectors in Fig.3.22 can be further subdivided into the task environment and general environment.

(a) Competitors, industry size and competitiveness, related industries
(b) Suppliers, manufacturers, real estate, services
(c) L abor market, employment agencies, universities, training schools, employees in other companies, unionization
(d) Stock markets, banks, savings and loans, private investors
(e) Customers, clients, potential users of products and services
(f) T echniques of production, science, computers, information technology, e-commerce
(g) Recession, unemployment rate, inflation rate, rate of investment, economics, growth
(h) City, state, federal laws and regulations, taxes, services, court system, political processes
(i) Age, values, beliefs, education, religion, work ethic, consumer and green movements
(j) Competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rate

Fig 3.22. An organization's environment
Source: [3]

The **task environment** includes sectors with which the organization interacts directly and that have a direct impact on the organization's ability to achieve its goals. The task environment typically includes the industry, raw materials, and market sectors, and perhaps the human resources and international sectors. The following examples illustrate how each of these sectors can affect organizations:

• In the industry sector, the retail landscape has begun a decided shift, with consumers rejecting huge stores for smaller shops or Internet retailers that offer greater choice, better service, or higher quality. In clothing, for instance, shoppers favor small niche retailers that offer rapid style changes. Regional grocery chains have grown more competitive by offering fresher and organic foods as well as prepared meals.

• An interesting example in the raw materials sector concerns the beverage can industry. Steelmakers owned the beverage can market until the mid-1960s, when Aluminum Company launched a huge aluminum recycling program to gain a cheaper source of raw materials and

make aluminum cans price-competitive with steel.

• In the market sector, makers of computer games have benefitted from a shift in consumer interest away from gaming consoles and back to lower-cost options. Today's more powerful PCs and bigger screens are perfect for gamers and with the tough economy, many people aren't interested in paying much for a console and a big screen television. After being overshadowed for several years by consoles, PC games made a big comeback, particularly for role-playing adventure games.

• The human resources sector is of significant concern to every business. At a CEO roundtable discussion president and CEO of Energy Solutions, said his company's single biggest problem is human capital. Other leaders agreed that factors such as the aging of the workforce, government limitations on visas for foreign workers, and fewer students entering fields such as engineering, and science have combined to create a tremendous human resources headache for companies trying to stay competitive in a rapidly changing world.

• For most companies today, the international sector is also a part of the task environment because of globalization and intense competition. China is already the world's largest producer of raw materials for pharmaceuticals, and in 2007, for the first time, a Chinese company won permission from the Food and Drug Administration to export finished medicines to the USA. India-based companies have been exporting generics to the USA for a decade, but experts believe China's growing firms, blessed with low costs and brilliant scientists, will overtake them.

The **general environment** includes those sectors that might not have a direct impact on the daily operations of a firm but will indirectly influence it. It often includes the government, sociocultural, economic conditions, technology, and financial resources sectors. These sectors affect all organizations eventually. Consider the following examples:

• In the government sector, regulations influence every phase of organizational life. One of the most far-reaching changes in the USA was the 2002 Sarbannes-Oxley Act (SOX). SOX required several types of corporate governance reforms, including better internal monitoring to reduce the risk of fraud, certification of financial results by top executives, improved measures for internal auditing, and enhancing public financial disclosure. Additional regulations of this type are certain to follow the financial meltdown of banks and firms on Wall Street in 2008.

• Shifting demographics is a significant element in the sociocultural sector. In the USA, Hispanics have passed African Americans as the nation's largest minority group, and their numbers are growing so fast that Hispanics (or Latinos, as some prefer to be called) are becoming a driving force in U.S. politics, economics, and culture. The growing Hispanic population is forcing gradual changes in organizations from the U.S. Labor Department to the major television networks to the local auto parts store.

• General economic conditions affect the way a company should do business. The already-struggling auto industry had an abysmal year in 2008. Car and light truck sales in the USA dropped about 20 % and gasguzzling large trucks and sport utility vehicles sales slowed to a crawl due to high gas prices, a weakening economy, the credit crunch, and declining consumer confidence. Auto makers had to scale back production, offer incentives to car buyers, and cut back their sales goals.

The international sector can directly affect many organizations, and it has become extremely important in the last few years. In addition, international events can influence all domestic sectors of the environment as well. For example, adverse weather and a workers' strike in Western Africa, which supplies about two-thirds of the world's cocoa beans, sharply increased raw materials costs for Choco-Logo, a small maker of gourmet chocolates in Buffalo, New

York. Farmers, fertilizer companies, food manufacturers, and grocers in the USA faced new competitive issues because of an unexpected grain shortage and rising costs related to international changes. Strong economic growth in developing countries has enabled millions of people to afford richer diets, including grain-fed meat, which directly contributed to the grain shortage in the USA. Countries and organizations around the world are connected, and economic, political, and sociocultural changes in one part of the world eventually affect other areas. Moreover, the distinctions between foreign and domestic operations have become increasingly irrelevant. U.S.-based Ford Motor Company owns Sweden's Volvo, while the iconic American beer Miller is owned by a South African company. Toyota is a Japanese corporation, but it has manufactured millions of vehicles in North American factories. The technology behind Intel's Centrino wireless components was born in a lab in Haifa, Israel, and Chinese researchers designed the microprocessors that control the pitch of the blade on General Electric's giant wind turbines. The significance of the international sector has tremendous impact on organization design.

Every organization faces uncertainty domestically as well as globally. Organizations should cope with and manage uncertainty to **be effective**. Uncertainty means that decision makers do not have sufficient information about environmental factors, and they have a difficult time predicting external changes. Uncertainty increases the risk of failure for organizational responses and makes it difficult to compute costs and probabilities associated with decision alternatives. The patterns and events occurring in the environment can be described along several dimensions, such as whether the environment is stable or unstable, homogeneous, or heterogeneous, simple, or complex; the munificence, or number of resources available to support the organization's growth; whether those resources are concentrated or dispersed; and the degree of consensus in the environment regarding the organization's intended domain. These dimensions boil down to two essential ways the environment influences organizations: (1) the need for information about the environment and (2) the need for resources from the environment. The environmental conditions of complexity and change create a greater need to gather information and to respond based on that information. The organization is also concerned with scarce material and financial resources and with the need to ensure availability of resources. Environmental uncertainty pertains primarily to those sectors that an organization deals with on a regular, day-to-day basis. Although sectors of the general environment—such as economic conditions, social trends, or technological changes—can create uncertainty for organizations, determining an organization's environmental uncertainty generally means focusing on sectors of the task environment, such as how many elements the organization deals with regularly, how rapidly these elements change, and so forth. To assess uncertainty, each sector of the organization's task environment can be analyzed along dimensions such as stability or instability and degree of complexity. The total amount of uncertainty felt by an organization is the uncertainty accumulated across environmental sectors.

Simple–Complex Dimension. The simple–complex dimension concerns environmental complexity, which refers to heterogeneity, or the number and dissimilarity of external elements relevant to an organization's operations. The more external factors that regularly influence the organization and the greater number of other companies in an organization's domain, the greater the complexity. A complex environment is one in which the organization interacts with and is influenced by numerous diverse external elements. In a simple environment, the organization interacts with and is influenced by only a few similar external elements. Aerospace firms such as Boeing and Airbus operate in a complex environment, as do universities. Universities span many technologies and are continually buffeted by social, cultural, and value changes. Universities

also should cope with numerous ever-changing government regulations, competition for quality students and highly educated employees, and scarce financial resources for many programs. They deal with granting agencies, professional and scientific associations, alumni, parents, foundations, legislators, community residents, international agencies, donors, corporations, and athletic teams. This large number of external elements makes up the organization's domain, creating a complex environment. On the other hand, a family-owned hardware store in a suburban community is in a simple environment. The store does not have to deal with complex technologies or extensive government regulations, and cultural and social changes have little impact. Human resources are not a problem because the store is run by family members and part-time help. The only external elements of real importance are a few competitors, suppliers, and customers.

The stable–unstable dimension refers to whether elements in the environment are dynamic. An environmental domain is stable if it remains the same over a period of months or years. Under unstable conditions, environmental elements shift abruptly. Environmental domains seem to be increasingly unstable for most organizations. Today's business world can be characterized by volatile nature and fast-shifting environment. Instability may occur when competitors react with aggressive moves and countermoves regarding advertising and new products or services. For example, News Corporation's MySpace held the crown as king of social networking until managers at upstart Facebook began aggressively promoting the college-focused niche site as a place for everyone. The "face" of Facebook—youthful founder and CEO Mark Zuckerberg—was suddenly crowding MySpace off magazine covers and television talk shows, and the size of Facebook's worldwide user base surpassed MySpace before managers at MySpace even had time to react. Sometimes specific, unpredictable events—such as reports of lead-tainted paint in Mattel toys made in China, the Pakistani government's attempt to block access to certain videos on YouTube, or the discovery of heart problems related to pain drugs such as Vioxx and Celebrex—create unstable conditions for organizations. Today, freewheeling bloggers are a tremendous source of instability for scores of companies, able to destroy a company's reputation virtually overnight. Kryptonite's reputation in bicycle locks plummeted after a blog noted that the locks could be opened with a Bic pen. After 10 days of blogging, Kryptonite announced a free product exchange that would cost the company about $10 million. Although environments are more unstable for most organizations today, an example of a traditionally stable environment is a public utility. In the rural Midwest, demand and supply factors for a public utility are stable. A gradual increase in demand may occur, which is easily predicted over time. Toy companies, by contrast, have an unstable environment. Hot new toys are difficult to predict, a problem compounded by the fact that children are losing interest in toys at a younger age, their interest captured by video and computer games, electronics, and the Internet. Adding to the instability for toymakers is the shrinking retail market; with big toy retailers going out of business trying to compete with discounters such as Wal-Mart. Toymakers are trying to attract more customers in developing markets such as China, Poland, Brazil, and India to make up for the declining U.S. market but hitting the target in those countries has proven to be a challenge. Companies such as Fisher-Price, owned by Mattel, can find their biggest products languishing on shelves as shoppers turn to less expensive locally made toys in countries where brand consciousness doesn't come into play. As one toy analyst said, "Chinese kids have been growing for 5,000 years without the benefits of Fisher-Price".

The simple–complex and stable–unstable dimensions are combined into a framework for assessing environmental uncertainty in Fig. 3.23. In the simple, stable environment, uncertainty is low. There are only a few external elements to contend with, and they tend to remain stable.

The complex, stable environment represents somewhat greater uncertainty. Many elements should be scanned, analyzed, and acted upon for the organization to perform well. External elements do not change rapidly or unexpectedly in this environment. Even greater uncertainty is felt in the simple, unstable environment. Rapid change creates uncertainty for managers. Even though the organization has few external elements, they are hard to predict, and they react unexpectedly to organizational initiatives. The greatest uncertainty for an organization occurs in the complex, unstable environment. Many elements impinge upon the organization, and they shift frequently or react strongly to organizational initiatives. When several sectors change simultaneously, the environment becomes turbulent. A soft drink distributor functions in a simple, stable environment. Demand changes only gradually. The distributor has an established delivery route and supplies of soft drinks arrive on schedule. State universities, appliance manufacturers, and insurance companies are in somewhat stable, complex environments. Many external elements are present, but although they change, changes are gradual and predictable. Toy manufacturers are in simple, unstable environments. Organizations that design, make, and sell toys, as well as those that are involved in the clothing or music industry, face shifting supply and demand. Most Internet companies focus on a specific competitive niche and, hence, operate in simple but unstable environments. Although there may be few elements to contend with — e.g., technology, competitors — they are difficult to predict and change abruptly and unexpectedly. The telecommunications industry and the airline industry face complex, unstable environments. Many external sectors are changing simultaneously. In the case of airlines, in just a few years the major carriers were confronted with an air-traffic controller shortage, aging fleets of planes, labor unrest, soaring fuel prices, the entry of new competitors, a series of major air-traffic disasters, and a drastic decline in customer demand. Between 2001 and 2008, four large airlines and many smaller ones went through bankruptcy, and the airlines collectively laid off 170,000 employees.

According to the degree of interaction of organizations with the external environment, organizations with mechanistic and organic types of management are distinguished.

The mechanistic type of organization management is characterized by a set of the following characteristics: inflexibility of the structure; clearly defined, standardized and sustainable tasks; resistance to change; hierarchical control system; command type of communication that goes from top to bottom.

The organic type of organization management is characterized by flexible structure; dynamic, loosely defined task; readiness for change; self control and control of colleagues; diversity of communications.

Each of these types may be preferred depending on the nature of the environment and the level of uncertainty.

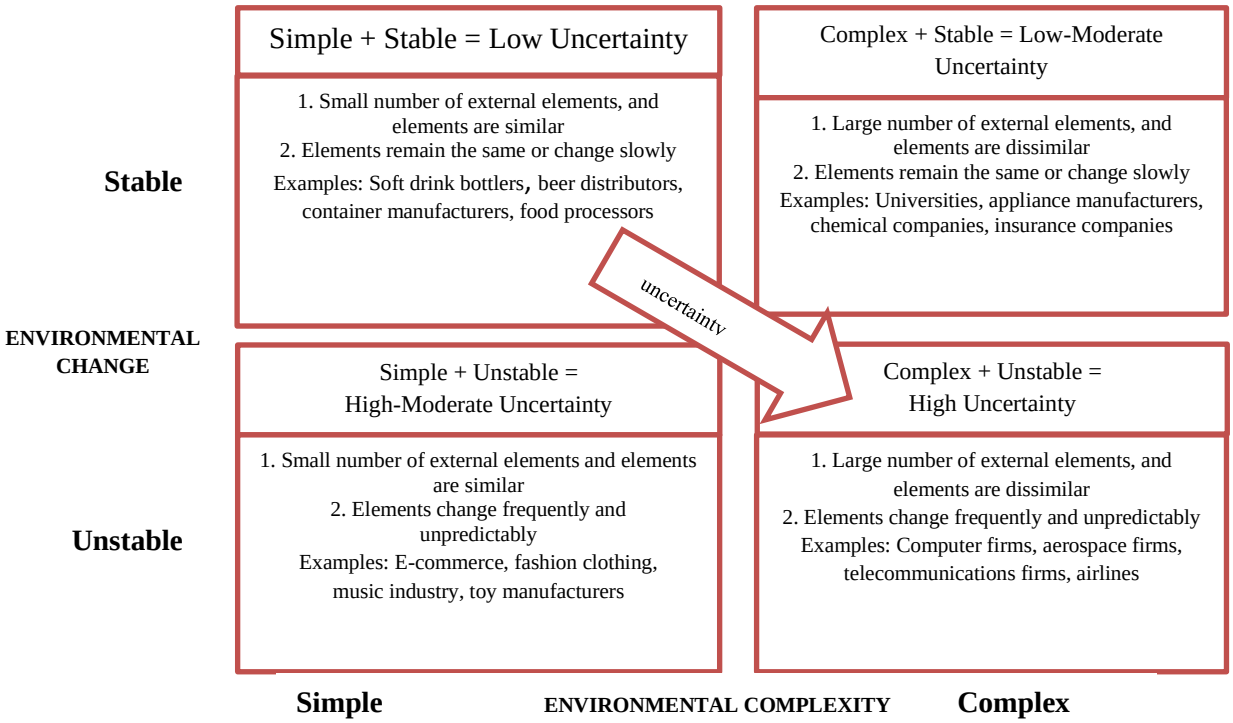


Fig. 3.23. Framework for assessing environmental uncertainty
Source: [3; 22]

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 3.4. Organization management system
1. Organization management styles

A management style is a way in which a manager works to fulfill their goals. Management style includes the way that a manager plans, organizes, makes decisions, delegates, and manages their staff. It can vary widely depending on the company, level of management, industry, country, and culture, as well as the person themself. An effective manager is someone who can adjust their management style in response to different factors while keeping their focus on successfully achieving targets. Management styles are affected by both internal and external factors.

Internal factors include: the overall organizational and corporate culture of the company, policies, priorities, employee engagement, staff skill levels. In general, the higher-skilled staff does not need as much supervision, while less skilled staff will require more monitoring to consistently achieve their objectives.

External factors include employment laws, the economy, competitors, suppliers, consumers. These are factors that are outside of the control of the organization but will influence both managers and employees.

There are three broad categories of management styles: a*utocratic, democratic, and laissez-faire*. Within these categories, there are specific subtypes of management styles, each with its own pros and cons.

Autocratic management styles. This type of management follows a top-down approach, with one-way communication from bosses to employees. This is the most controlling of the different management styles, with the management making all workplace decisions and holding all of the power. Employees are treated as drones, to be monitored closely as they perform within clearly defined perimeters. Employees are not encouraged to ask questions, submit ideas, or share their thoughts on improving processes, and are in some cases actively discouraged from

doing so.

The subtypes of autocratic management style are *authoritative, persuasive, and paternalistic.*

1. Authoritative management style. In this style, managers dictate exactly what they require their subordinates to do and punish those who do not comply. Employees are expected to follow orders, not question the authority of management, and perform their tasks the same way each time. Managers monitor the employees closely, micromanaging their performance without placing trust or confidence that their employees can achieve their goals without direct and constant supervision. These types of managers believe that without this supervision, employees will not operate successfully.

Pros:	Cons:
-allows quick decision making, and creates clearly defined roles and expectations	-an increase in the dissatisfaction of employees, which leads to higher turnover, resentment, a lack of professional development and employee engagement, and the formation of an "us" versus "them" mentality between employees and management
-with unskilled workers or large teams, setting clear and solid expectations can allow workers to operate without uncertainty	
- productivity will increase, but only when the manager is present	-innovation is stifled and inefficient processes will remain in place

When to use this style: If decisions need to be made and executed quickly, for example, in a time of organizational crisis, this management style can be used successfully. It should otherwise be avoided.

2. Persuasive management style. In this style, managers use their persuasive skills to convince employees that the unilateral decisions that the manager implements are for the good of the team, department, or organization. Rather than simply ordering employees to perform tasks, managers employing this style would invite questions and would explain the decision-making process and rationale behind policies. This can help employees feel as though they are a more trusted and valued part of the staff and are involved in key business decisions, leading to lower levels of resentment or tension between management and staff.

Pros:	Cons:
-Management can establish a higher level of trust between themselves and employees, and employees will accept top-down decisions more easily.	Employees will still chafe under the restrictions they are placed under, and become frustrated that they cannot give feedback, create solutions, or upskill in a meaningful way.
-Employees respond more positively to reason and logic than they do the threat of punishment and may feel less constricted than those managed with an authoritative style.	

When to use this style: This style can be used when you have more experience on the subject than the team you are leading. In those cases, you are the expert. While it is helpful to explain your thought process, ultimately, you know best. It can also be helpful when managing upwards.

3. Paternalistic management style. In this style, the manager acts with the best interests of their subordinates at heart. Usually, the organization will refer to staff as "family" and ask for

loyalty and trust from employees. Management using this style will use unilateral decision making but will explain to employees that the decision-makers are working from a place of expertise, and thus, legitimacy. Decisions are explained to employees, but there is no room for collaboration or questioning.

Pros:	Cons:
-A paternalistic manager is focused on the welfare of their employees and will base their decisions on what is best for their staff. -Upskilling and employee education are valued, leading to happier, more skilled, more productive employees.	-Employees can become too dependent on management, leading to a lack of innovation and problem-solving. -There is a high chance of this style breeding resentment among employees who do not believe in the "organization as family" concept. -Employees might find this style condescending and infantilizing.

When to use this style: The use of this style is heavily culture dependent. In Western countries, there is less reliance on hierarchical structures, and employees will be less accepting of the idea of a benevolent leader. Smaller companies may find success in this type of leadership, but it should be avoided by larger organizations.

Democratic management styles. In this style, managers encourage employees to give input during the decision-making process but are ultimately responsible for the final decision. Communication goes both ways, top-down and bottom-up, and team cohesiveness is increased. This process allows for diverse opinions, skills, and ideas to inform decisions.

1. Consultative management style. In this style, managers ask for the opinions and thoughts of their team, consulting the viewpoints of every member of their team. The manager will make the final decision, but they will consider all the information given by team members before they do so. This style is often used in specialized fields, where staff are experts, and their input is needed for the management to make informed decisions.

Pros:	Cons:
-This style promotes a deeper bond between staff and management and builds trust within teams. -Management grows with the team, as they learn from the ideas, opinions, and experience of the employees that they lead. -Innovation and voicing opinions are encouraged, leading to better problem-solving.	-The process of consulting staff can be labor and time-intensive. -If a manager is not skilled in the time management aspect of this process, they can easily get bogged down. -If there is an appearance of favoritism or bosses not listening to opinions, employees may become resentful and distrustful of the manager. -Excessive reliance on this style can lead to staff losing trust in their boss, as they will start to wonder why they are always called on to help solve problems instead of management handling it as part of their job.

When to use this style: This style should be used when managing teams with specialized skills or when the manager does not have as much experience with the subject as the team does. For example, a manager assigned to run a team of developers creating a new SaaS product would want to consult with the team often to benefit from their experience.

2. Participative management style. In this style, managers and staff are all active members

of the decision process. Staff are given access to more information about the company and its goals and are encouraged to innovate solutions. Management seeks the thoughts, ideas and opinions of staff, works together with staff to make decisions and then the company acts on them.

Pros:	Cons:
-Employees feel as though they are valued by their management team and the organization as a whole and will respond with increased motivation and productivity. -The more they understand and connect with the organization's goals, the higher their engagement will be. Innovation is increased.	-This process can be a slow one, and there is a risk of staff with bigger personalities steamrolling less assertive staff members, leading to conflicts and resentment. -In industries with trade secrets, letting staff have access to sensitive information can be risky. -If employees do not want to be involved in this type of decision making, they can grow to resent managers who employ this style.

When to use this style: When implementing large changes in an organization, especially one where employees are resistant to new concepts or strategies, encouraging participation from staff will result in a more positive outcome and less resistance to new policies. Organizations that want to drive innovation, such as tech companies, will find this style useful.

3. Collaborative management style. In this style, management creates an open forum for ideas to be discussed extensively before making decisions based on majority rule. Staff are empowered to take ownership of outcomes, which can lead to increased engagement, innovation, and creativity.

Pros:	Cons:
-Staff feel trusted, valued, and heard by all levels of their management team. -They are inspired to put forth their best work, find collaborative solutions to problems, and engage completely with the process. -Open communication means that workplace conflicts are often solved before real issues arise. -Turnover is decreased when employees are engaged, and diverse voices often lead to better solutions and outcomes.	-With other democratic management styles, this process can be time-consuming -Majority rule can also not always be the best choice for an organization, and if there is a decision that is not in the best interests of the business, management will need to step in and change it, which can breed resentment and mistrust.

When to use this style: When a business wants to foster innovation, drive collaboration, and engage employees, this style should be used. Any organization that wants to increase engagement and trust, especially in the face of large changes within the organization or industry, should consider this style.

4. Transformational management style. This style of management is agile and growth focused. Managers focus their efforts on pushing their staff to ever greater accomplishments through encouragement, pushing them past their comfort zones regularly, and consistently motivating their teams to raise their bar for achievements. Managers work alongside their employees, inspiring their team to ever greater efforts by demonstrating their own work ethic.

Pros:	Cons:
-Innovation is increased, and employees will more easily adapt to change, disruptions, or challenging projects.	-If not used carefully, this style will cause staff to burn out.
-Creative thinking is encouraged and problem-solving and product development will benefit from the increased flexibility of the staff.	-Staff may end up spread too thin, worn out from constantly pushing themselves, and unable to keep up with the pace.

When to use this style: This style is best used in companies that are in fast-paced industries or are anticipating a period of changes within the industry, organization, or department. This style will help teams become more agile, flexible, and innovative while responding to the outside or inside forces.

5. Coaching management style. In this style, managers see themselves as the coach and their employees as the valued members of their team. The manager's job is to develop and guide their team, putting their team's professional development at the forefront of their priorities. Long-term development is valued above short-term failures in this style, and the manager wants to promote learning, upskilling, and growing in the workplace.

Pros:	Cons:
-Employees feel valued, they know that they will learn and develop within their roles and are more likely to be engaged.	-This style can lead to toxic environments, as staff jockey for favored roles and development tasks.
-Managers build a strong bond with their employees, who will in turn be more likely to put forth their best work for their "coach".	-Too much focus on long-term development can leave short-term projects without proper support.

When to use this style: This style is useful when organizations want to promote and develop talent from within. Industries with competitive job markets would benefit from this style, as it can cost time and money to recruit the right candidates.

Laissez-faire management styles. In this style, management takes a hands-off approach to leadership. Staff is trusted to do their work without supervision, and they are left to control their decision making and problem-solving. Management is present at the delegation and delivery stages of work, but otherwise steps back and gives staff the freedom to control their workflow and outcomes. Management is only involved during the process if the staff requests their assistance.

1. Delegative management style. In this style, the manager is only present to assign tasks, although they still are responsible for tasks being completed successfully. Once the task is assigned, then the employees are empowered to do their work as they see fit. After the task is complete, the manager steps back in to review the work and give advice about how to improve future projects.

Pros:	Cons:
-Innovation and creativity are fostered by this system, especially in organizations with highly skilled workers.	-Without leadership, productivity may suffer.
-Problem solving and teamwork are strengthened, as staff are given space to handle their own issues and will work together to solve them.	-Teams can experience a lack of direction, focus, or uniformity.
	-Poorly managed conflicts may flare up and breed resentment.
	-Some staff may feel that the

-Job satisfaction may be increased in those who crave autonomy in their workplace.	management is not contributing anything towards the team's success and become resentful.

When to use this style: This style is best used in organizations with more decentralized leadership and where the team is much more skilled than the manager in the tasks. If the manager has no real experience in producing new cloud management software, for example, they can step back, allow their team the freedom to innovate, and offer support if needed.

2. Visionary management style. In this style, managers lead through inspiring their staff. Leaders explain their goals and the reasons behind them, convincing their team to work towards executing their vision. Team members are motivated by their manager, and then allowed the freedom to achieve their tasks with minimal interference. Managers will check in from time to time, but they trust that their shared vision will keep employees on track and produce good results. Managers offer a lot of constructive feedback during and after the process to assist their employees, and make sure to give praise liberally.

Pros:	Cons:
-Engagement is heightened because staff believe in what they are creating and are driven to complete tasks to the best of their ability. -Employees are more satisfied, motivation is higher, and turnover will be lowered. -Innovation is higher, and problem-solving can happen quickly within teams.	-Not all managers can be legitimately inspiring. It depends on the job, the industry, the product, and the person. -This is not a style that can be faked, employees should be inspired, or they will not perform as well.

When to use this style: This can be a great style in tech companies who are looking to disrupt industries, nonprofits trying to innovate creative solutions to problems, or companies who have a very strong sense of purpose. An organization that wants to drive innovation can turn to this style to galvanize their staff into action.

Management styles interview questions. It is important to know the type of management style that a potential employee will use. According to Gallup, companies fail to choose the right candidate for management jobs 82% of the time. According to the same study, managers have a massive impact on employee engagement, turnover, productivity, and many other factors that lead to positive business outcomes. Knowing that and being able to ask the right questions to identify the management styles is an essential factor in choosing suitable candidates. HR teams should be prepared with a management styles quiz for potential applicants to see how they will fit into the preferred styles of the organization. It is important to note that styles can (and should) be somewhat dynamic, but most managers would stick to one style they prefer. That's precisely what HRs need to determine during the interview.

Management styles example questions. During the interview, HR can ask questions like:

1. A PR crisis is quickly unfolding, and you and your team need to act now to handle it. What do you do?

A. Handle it myself. I plan a strategy and delegate what needs to be done to my team, with strict instructions for them to follow up with me the moment they are done with their tasks.

B. Gather my team for a planning session. I'll listen to everyone's opinion, work with the team to plan the best response, then we will all get to work handling the crisis.

C. I leave it to my team to handle this. They are professionals and know what needs to be done. I'll check in with them after to review how it was handled and give feedback.

In this situation, A indicates autocratic, B is democratic, and C is laissez-faire.
2. There is an important project that you need to plan. How do you go about doing that?
A. I will gather my team, give them all the information they need, and let them get to work.
B. I inform staff of the new project, and assign all roles, milestones, objectives, and timelines. Everyone will know what they need to complete, and I will continually check-in to make sure they are successful.
C. I'll meet with key employees, work with them to outline various plans for the project, then present the plans to the team. Whichever gets the most votes we will do.
In this situation, A is laissez-faire, B is autocratic, and C is democratic.
3. Your team is going to miss an important deadline. How do you handle this situation?
A. I'll work alongside my team to create and implement a solution to avoid a similar situation in the future.
B. I leave them to it. They are skilled, imaginative people and I trust that they'll figure it out.
C. I will make sure that teams have the resources they need to meet the deadline. Afterward, I will review the process, find problem areas, and improve the process.
In this situation, A is democratic, B is laissez-faire, and C is autocratic.
4. Which of the following qualities is most important for your team to have?
A. Diligence **B**. Innovative **C**. Cooperative
In this situation, A is autocratic, B is laissez-faire, and C is democratic.
5. What qualities do you not want your team members to have?
A. Unskilled **B.** Undisciplined **C.** Not a team player
In this situation, A is laissez-faire, B is autocratic, and C is democratic.
6. How would you like your team to feel about their jobs?
A. They have structure and support, their tasks and goals have been explained thoroughly, they know the exact steps to success.
B. They are allowed to innovate and create, they are trusted to perform, and they enjoy rising to the occasion.
C.They are heard and valued. Their skills contribute to the success of the organization, and they are an important team member.
In this situation, A is autocratic, B is laissez-faire, and C is democratic.

Conflict management styles. Conflict management is an important aspect to consider when hiring a manager, and it is different from the general management style. There is no correlation between management styles and conflict management styles – although a skilled manager should be able to switch conflict management styles depending on the situation, just as they should be able to adjust their general management style. Learn more about the five conflict management styles. Each of them has pros and cons, and times when they will be appropriate.
Just like in communication, a different management style should be used depending on the employee.

Task styles focus on getting the job done, while people-centered styles focus on relationships. A participatory style involves both task-oriented and people-centered styles. A directing style is focused on the task and doesn't allow for employee participation. A teamwork style focuses on teamwork and is a people-oriented style. The advantage of this style is the ability to use strengths from everyone on the team. An autocratic style doesn't allow much room for employee decision making; the focus is on getting the task done. A participative style constantly requires input from employees. The free-rein style gives employees freedom to make decisions on how things will get done. The situational leadership model, which looks at relationship behavior, task behavior, and the readiness of employees, is used to recommend different management styles.

No one management style works in all situations. Just like with communication, you will likely want to vary your approach based on the situation to get the best results.

Application of a management style using situational leadership model. This model, developed by Ken Blanchard (author of the One Minute Manager series of books). The model looks at three areas: the relationship behavior of the manager, the task behavior of the manager, and the readiness of employees. The relationship behavior means how supportive the manager needs to be in helping employees. Task behavior refers to the type of style the manager should use when managing employees, based on their readiness level. Readiness includes the willingness and skills to perform the task at hand. Depending on where the employees fall in each of these areas, you might use a different management style:

D4—High Competence, High Commitment—Experienced at the job and comfortable with their own ability to do it well. May even be more skilled than the leader.

D3—High Competence, Variable Commitment—Experienced and capable, but may lack the confidence to go it alone or the motivation to do it well/quickly.

D2—Some Competence, Low Commitment—May have some relevant skills but won't be able to do the job without help. The task or the situation may be new to them.

D1—Low Competence, High Commitment—Generally lacking the specific skills required for the job at hand but has the confidence and/or motivation to tackle it.

Based on the readiness and commitment of the employee, the leader can see what management style and level of support the employee should experience (Situational Leadership):

S1—Telling/Directing—High task focus, low relationship focus—Leaders define the roles and tasks of the "follower" and supervise them closely. Decisions are made by the leader and announced, so communication is largely one way. This style can be used with people who lack competence but are enthusiastic and committed and who need direction and supervision to get them started.

S2—Selling/Coaching—High task focus, high relationship focus—Leaders still define roles and tasks but seek ideas and suggestions from the follower. Decisions remain the leader's prerogative, but communication is much more two-way. This approach can be used with people who have some competence but lack commitment and who need direction and supervision because they are still relatively inexperienced. These individuals may also need support and praise to build their self-esteem and involvement in decision making to restore their commitment.

S3—Participating/Supporting—Low task focus, high relationship focus—Leaders pass day-to-day decisions, such as task allocation and processes, to the follower. The leader facilitates and takes part in decisions, but control is given to the follower. This style can be used with people who have the necessary competence but lack confidence or motivation. These individuals may need little direction because of their skills, but support is necessary to bolster their confidence and motivation.

S4—Delegating—Low task focus, low relationship focus—Leaders are still involved in decisions and problem solving, but control is with the follower. The follower decides when and how the leader will be involved. This style would work with people who have both competence and commitment and who are able and willing to work on a project by themselves with little supervision or support.

The bottom line when discussing management style is that no one style works best in all situations. We may be more comfortable with one style versus another, but we need to change our management style depending on the person and task we are working with. For example, if you have an employee who is brand new, you will likely work with that person using a more

directive style. As she develops, you might change to a participative style. Likewise, someone who does good work and has lots of experience may prefer a free-rein style. Many managers make the mistake of trying to use the same style with every person in every situation. To be a great manager, they should change our styles based on the situation and the individual involved (Fig. 3. 24).

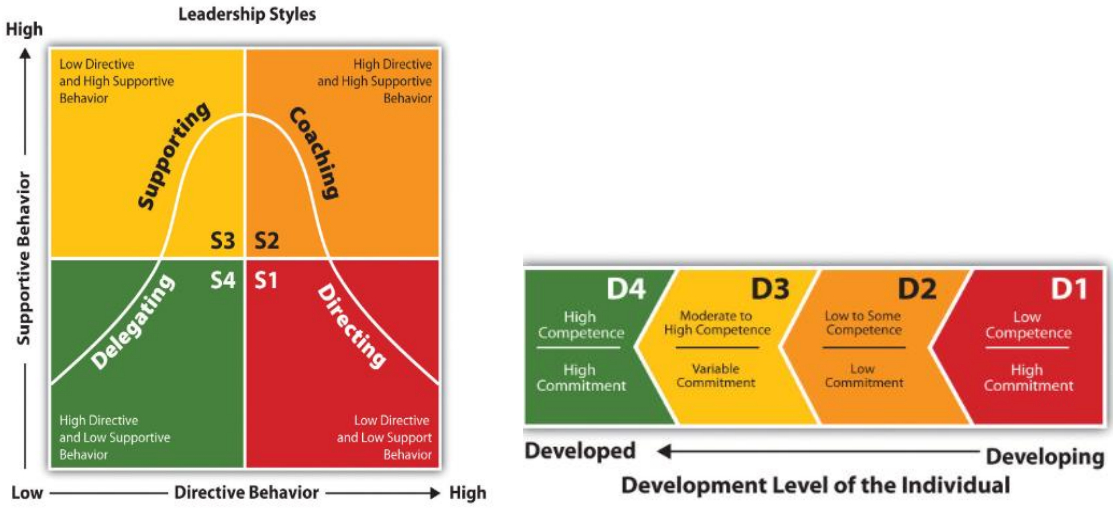


Fig. 3.24. Blanchard's situational leadership model
Source: [40]

2. Organization management technologies

The organization's management system includes management objects, management subjects and control levers. Management levers constitute the organization's management system. It is possible to give several definitions of organization management that express its content:

- organization management is a means of organizational management
- organization management is a direction of scientific research that forms theoretical foundations and practical proposals for effective management of the organization's development
- management of the organization is a system of special levers and tools for ensuring the development of the organization using internal resources and reserves.

Management of the organization is also called intra-organizational management. The main functions of the organization's management are planning, organization, control, and motivation. Management functions are elements of the management process, connected into a single entity by the management decision-making algorithm. The tasks of organization management are the coordination and integration of the efforts of the members of the organization to achieve its goals; organization of interaction between individual elements of the organization; efficient allocation and use of the organization's resources; establishing contacts with the external environment; adaptation of the organization's activities depending on the conditions of the internal and external environment; constant implementation of innovations. Like any other type of management, organization management is implemented with the help of tools that being aggregated constitute a special economic toolkit (Table 3.12). The special economic toolkit of organization management is a complex system of interconnected and interdependent tools, the use of which is aimed at effective achieving the organization's development strategy. Each of the tools of special economic toolkit of the organization's management is realized with the help of a complex of management technologies. Special economic tools of organization management are directed to the implementation of the development strategy of organizations within the framework of strategic management. The formation of a set of organizational management tools,

considering the characteristics of a specific organization and the state of the external environment at a certain point in time, is carried out using the apparatus of situational management.

Table 3.12

Elements of special economic tools of organization management

Element of toolkit	Content of the element	The importance and prospects of the implementation of the element to ensure the development of the organization
Strategic Management	Formation of a complete system of creating and implementing of the organization's development strategy based on the determination of long-term priorities	Ensuring programmability and certainty of the development of the organization based on maximum realization of internal reserves and competitive advantages
Financial Management of Organization	Management of financial resources of the organization and financial relations, which arise in the process of their movement	Creation of a traffic transparency system of financial flows between units of the organization and balancing income and expenses
Organizational Logistics	Management of the movement of material, financial and information flows in organizations	Elimination of barriers in the process of movement of resource flows according to the optimum trajectories
Organizational Marketing	Obtaining information about the state of certain subsystems of organization and the external environment using a comprehensive system, ensuring the promotion of the rganization in conditions of fierce competition based on realization of competitive advantages	Providing opportunities for the implementation of the transformation process and the result of the organization's activities of the required quality, as best as possible, under favorable conditions and at the right time based on maximum awareness
Project Management	Ensuring the complex development of the organization as a complex system of projects with specific goals, resources, and time frames	Ensuring effective useoforganizational resources on principles of economic and socialexpediency, concentration andcoordination of efforts
Personnel Management	Forming of an adequate management system for personnel support of the organization based on consideration of priorities of the human factor in the process of realizing the goals of its development	Involving of professional managers and functional specialists in the process of ensuring the development of the organization, constant growth of qualifications of personnel of the organization
Information Technology	Using of modern information developments based on the formation of local computer networks with their subsequent integration into the global information environment	Informatization and automation of the organization's development management process based on Intranet and Extranet technologies
Risk Management	Reducing or eliminating the impact of external and internal risks of organization development in conditions of uncertainty	Ensuring the stability of the development of the organization and its subsystems; reducing possible loss of organizational resources
Anti-crisis Management	Smoothing cyclical fluctuations in the development of the organizational system aiming at prevention of crisis situations	Elimination of potential factors of crises, provision of increasing attractiveness of the organization
Situational Management of the Organization	Application of organizational management tools considering the characteristics of a specific organization and the state of the external environment	Formation of a special set of organizational management tools for each organization at a specific point in time

Source: [22-25]

3. Organization management structure: centralised and decentralised

In the field of organization theory, organization size has been described as an important variable that influences structural design and methods of control. Should an organization become more bureaucratic as it grows larger? In what size organizations are bureaucratic characteristics most appropriate? Studies have attempted to answer these questions. Most of these studies indicate that large organizations are different from small organizations along

several dimensions of bureaucratic structure, including formalization, centralization, and personnel ratios.

Formalization refers to rules, procedures, and written documentation, such as policy manuals and job descriptions that prescribe the rights and duties of employees. The evidence supports the conclusion that large organizations are more formalized. The reason is that large organizations rely on rules, procedures, and paperwork to achieve standardization and control across their large numbers of employees and departments, whereas top managers can use personal observation to control a small organization. For example, a locally owned coffee shop in a small town doesn't need the detailed manuals, policies, and procedures that Starbucks uses to standardize and control its operations around the world.

Centralization refers to the level of hierarchy with authority to make decisions. In centralized organizations, decisions tend to be made at the top. In decentralized organizations, similar decisions would be made at a lower level. Decentralization represents a paradox because, in the perfect bureaucracy, all decisions would be made by the top administrator, who would have perfect control. However, as an organization grows larger and has more people and departments, decisions cannot be passed to the top because senior managers would be overloaded. Thus, the research on organization size indicates that larger organizations permit greater decentralization. In small start-up organizations, on the other hand, the founder or top executive can effectively be involved in every decision, large and small.

Personnel Ratios. Another characteristic of bureaucracy relates to personnel ratios for administrative, clerical, and professional support staff. The most frequently studied ratio is the administrative ratio. Two patterns have emerged. The first is that the ratio of top administration to total employees is smaller in large organizations, indicating that organizations experience administrative economies as they grow larger. The second pattern concerns clerical and professional support staff ratios. These groups tend to increase in proportion to organization size. The clerical ratio increases because of the greater communication and reporting requirements needed as organizations grow larger. The professional staff ratio increases because of the greater need for specialized skills in larger, complex organizations. Fig.3.25 illustrates administrative and support ratios for small and large organizations. As organizations increase in size, the administrative ratio declines and the ratios for other support groups increase. The net effect for direct workers is that they decline as a percentage of total employees. In summary, whereas top administrators do not make up a disproportionate number of employees in large organizations, the idea that proportionately greater overhead is required in large organizations is supported. Although large organizations reduced overhead during the difficult economic years of the 1980s, overhead costs for many American corporations began creeping back up again as revenues soared during the late 1990s.With the declining U.S. economy, many companies have again been struggling to cut overhead costs. Keeping costs for administrative, clerical, and professional support staff low represents an ongoing challenge for large organizations.

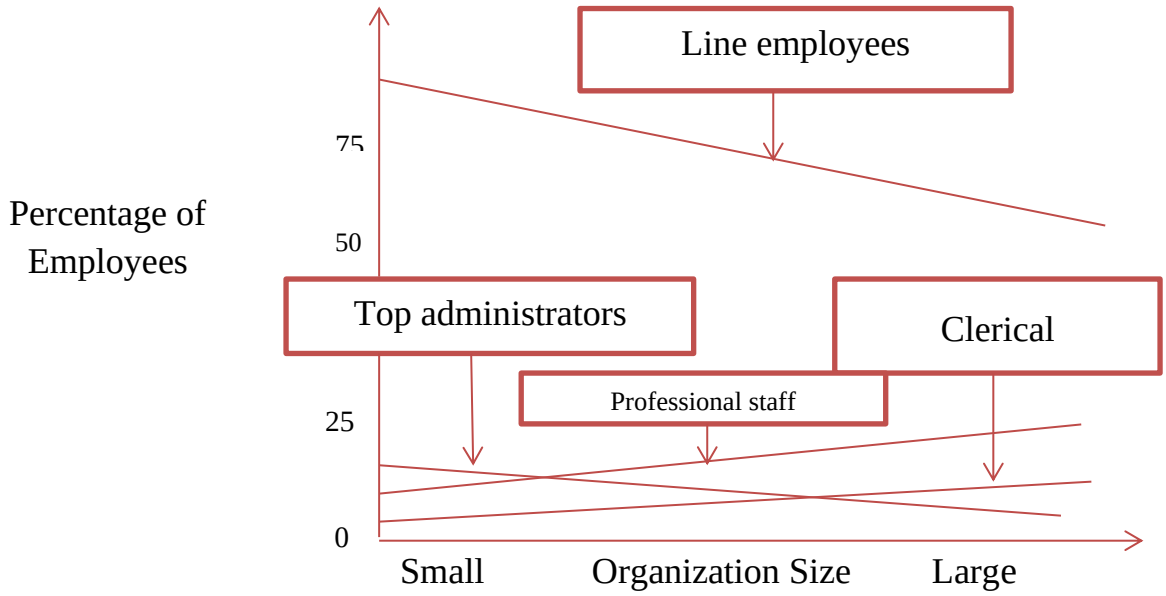


Fig. 3.25. Percentage of personnel allocated to administrative and support activities
Source: [4]

4. The principle of priority of the subject of management over the object

The management system of the organization includes the totality of all services of the organization, all subsystems, and communications between them, as well as the processes that ensure the functioning of the organization. Managing an organization is a continuous process influencing the productivity of an employee, group, or organization as a whole for the best possible results from the point of view of achieving the set goal. "To manage means to lead the organization to its goal, extracting maximum opportunities from all the resources at its disposal", - this is how A. Fayol characterized the management process. The management process involves coordinated actions that ensure, in the end, the realization of a common goal or set of goals facing the organization. To coordinate actions, there should be a special body implementing the management function. Therefore, in any organization, the controlling and controlled parts are distinguished. An interaction scheme between them is shown in Fig. 3.26. Each of the marked parts has certain independence and its own purpose. The control object is a system that performs the role function of the organization, while the management entity maintains the outputs of this system at a level that satisfies the given conditions of its functioning. *Communication in system management unites the subject and the object of management into one whole.* It should be considered as a source of information for management actions. Information flows move through communication channels feeding all subsystems of the organization and ensuring the achievement of its goal.

The management part includes the directorate, managers and information units that ensure the work of the management links. This part of the organization is called the administrative and management apparatus. The final product of controlling part is information. Management is a necessary element of any organization. Management decisions are made at this level as the result of analysis, forecasting, optimization, economic substantiation, and selection of an alternative from many options for achieving the set goal. The administrative decision is adopted to overcome the problem that has arisen. Note that a management decision is a result of collective creative work. It is always generalized. Even when the manager decides on their own collective

intelligence directly or indirectly affects the process of developing an individual management decision. Managers are the main subjects of management activities. A manager is a member of an organization that carries out management activities and solves management tasks. Managers occupy key positions in the management of the organization. Managers in an organization play a variety of roles. The most important of them are the following:

Role in decision-making. It is expressed in such a way: the manager determines the direction of the organization, solves the issue of resource allocation, makes current adjustments.

Informational role. It consists of the fact that the manager collects information about the internal and external environment, disseminates information in the form of facts and regulations settings, and explains the policy and main goals of the organization.

Leadership role. The manager forms relationships within and outside the organization, motivates members of the organization to achieve goals, coordinates their efforts, and acts as a representative of the organization.

Depending on the position of managers in the organization, tasks, which are solved, the nature of the functions that are implemented, data roles may be inherent to them to a greater or lesser extent. However, every manager necessarily makes decisions, works with information and is the head of a certain group of employees.

The managed link is different functional divisions that are engaged in ensuring the transformation process. That, what enters the controlled part and what is its output depends on the type of organization. For example, if it is about a business organization that carries out finance management, say, about a bank, then cash or their substitutes (securities, promissory notes, shares, etc.) are its input. The output is information on the management of financial flows and cash. In many cases, the bank pays out available funds.

Management of an organization can be represented as a process of carrying out a certain type of interrelated actions on the formation and use of the organization's resources to achieve its goals. Management includes only those functions and actions that are related to coordination and establishment of interaction within the organization, with motivation to carry out production and other types of activities, with target orientation of various activities. The content and set of actions and functions performed in the management process depend on the type of organization, its size, spheres of activity, and levels in the management hierarchy, functions within the organization and from other factors. All management processes in the organization are characterized by the presence of homogeneous types of activities. All types of management activities can be grouped into four main management functions: planning, organization, management, and control.

To coordinate the action of the controlled part, it is necessary to use the scientific management system substantiated by F. Taylor in his book "Principles of Scientific Management". F. Taylor separated the planning process from labor itself for the first time, thus distinguishing one of basic management functions. The main provisions of the system of scientific management according to Taylor are formulated as the following: *creation of a scientific foundation that replaces the traditional methods of work that have practically developed; selection and training of employees on the basis of scientific criteria; interaction between administration and performers for the purpose of practical implementation of scientifically developed labor organization systems; equal division of labor and responsibility between administration and executors.*

Later G. Emerson formulated 12 principles of labor productivity related to organization management, having determined the actual mission and purpose of managerial work: *clearly set goals; good sense; competent consultation; discipline; fair treatment of staff; fast, reliable,*

complete, accurate, permanent accounting; dispatching; standardization of operations; effective planning; normalization of working conditions; standard written instructions; performance reward.

The clearest task of managing an organization was formulated by A. Fayol, one of the founders of the scientific theory of management. He singled out six spheres of the organization's activity that should be managed: *technical, commercial, financial, accounting, administrative and protective*. In his opinion, the most characteristic tasks of the management link are: *planning the general direction of activity and predicting the final result; organizing, that is, distribution and management of the use of material and human resources; issuance of orders to support the actions of employees in an optimal mode; coordination of various actions for achievement of the general goal; development of norms of behavior of members of the organization and implementation of compliance measures of these norms; control over the behavior of organization members.*

Fayol formulated the characteristic features of the process of management at the beginning of the 20th century. Since then, in organizations' activity significant changes have taken place. Their structure became more complicated, the scientific and technical revolution in the field of natural sciences led to the emergence of new complex technologies, rapid introduction of computer technology in various spheres of human activity had a significant impact on the technology of management decision-making and the control procedure over the implementation of the decision.

A feature of the activity of a business organization these days is work in conditions of intense competition not only within the country, but also at the international level. Accelerated development of means of communication, electronic means that provide storage and processing of information, led to the emergence of a new information environment in which organizations are functioning. This, in turn, caused changes in the requirements for management systems. A modern system of management functions can be presented by the following list of main tasks:

- coordination and integration of efforts of members of the organization regarding the achievement of the general goal
- organization of interaction and support of contacts between working groups and individual members of the organization
- collection, assessment, processing, and storage of information
- distribution of material and human resources
- personnel management (development of a motivation system, struggle with conflict situations, control of activities of organization members and groups)
- contacts with external organizations, negotiations, marketing, and advertising activities
- innovative activity
- planning, control over the implementation of decisions, correction of activities depending on changes in working conditions.

In modern science of management of the organization it is accepted to talk about the art of management as a complex combination game. Regarding the organization, three main principles characterizing organization as a managed system can be distinguished:

- the principle of reasonableness: the organization obeys certain regularities that determine its internal cause-and-effect relationships, its functioning and existence
- principle of purposefulness: the desire to achieve the set goal inherent in the organization, which provides over time a new state of the organizational system

● principle of modeling: organization as complex system can be represented by a variety of models, each of which reflects a certain facet of its essence.

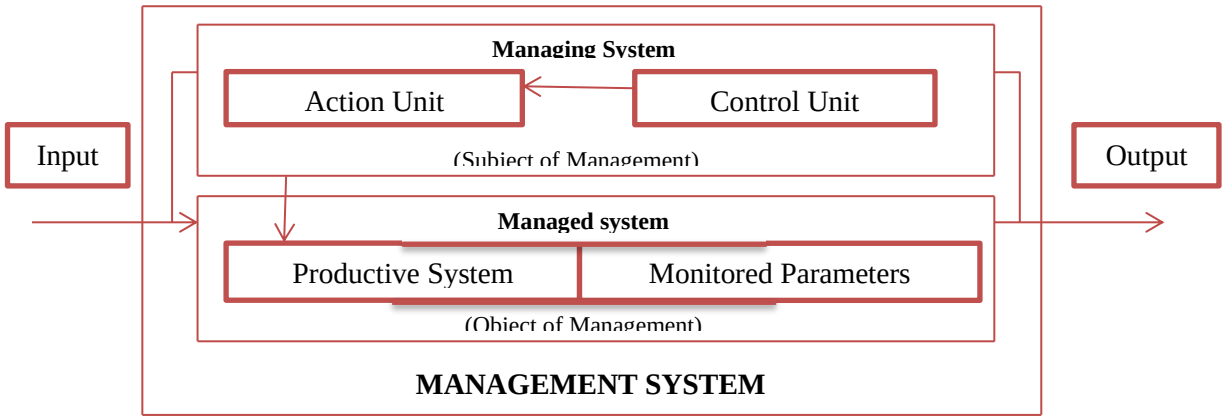


Fig. 3.26. Organization management system
Source: [22-25]

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 3.5. Organizational structure

1. Characteristics of organizational structure

The organization as a system can be represented as a set of interconnected subsystems in a certain way (elements) that create a single whole. The composition, location, and nature of the relationship between them determine the structure of organization. Organizations create structures to ensure coordination and control of the activities of their departments and employees. Structures of organizations differ from each other by complexity (that is, the level of division of activity to different functions), formalization (i.e., the degree of use of pre-established rules and procedures), the ratio of centralization and decentralization (i.e., the levels at which management decisions are made). Within the structure of the organization, various processes (management, production) flow, and corresponding tasks and functions are distributed between the participants of the processes, and therefore responsibility for their implementation. From these positions, the *structure of the organization* can be considered as a form of distribution of various types of activities between its components and coordination of these component's activities aimed at achieving goals of the organization. The same structure may not be suitable for all types of organizations, but every organization has a structure that is adapted to achieving its specific goal. The structure allows employees to realize their own place in the organization and at the same time ensures coordination of functions performed by them. The main characteristics of the structure of the organization are *division into departments, accountability in accordance with the management norm and subordination, which are displayed on the organizational chart*. An organizational chart (organigram) shows how the organization is organized. Graphically, such a system can be represented by the image of horizontal and vertical lines and blocks (Fig. 3.27). Blocks define types of people's activities; the lines indicate the connection between them. The number of horizontal blocks indicates how many levels organization has. An effective organizational structure should comply with the following principles: **cost-effectiveness** (expenses for maintenance of the organizational structure should be minimal); **optimality** (ensuring rational communication between levels and links of management); **efficiency** (оперативності) (connections in the organization should not

be a barrier when transfer of information); **reliability** (information that passes through certain levels and links of management should be clear, correct and reliable).

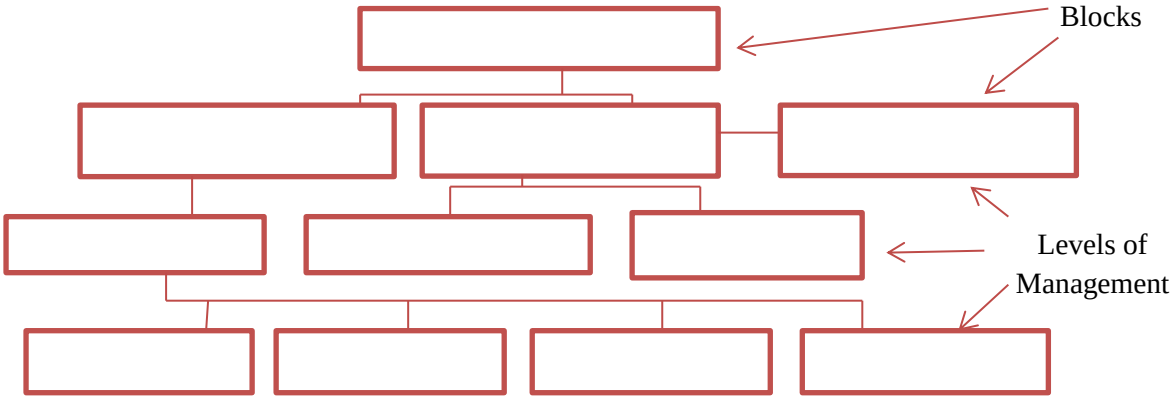


Fig. 3.27. An example of an organizational chart (organizational charts)
Source: [22-25]

2. Formal and informal organizational structure

The organizational chart reflects the planned, formal connections necessary for the organization's work, i.e., its formal structure. The term "formal" means that an organizational structure is specially developed by managers to achieve a strategic goal. It can be said that a formal structure is a formal plan for the execution of tasks that lead to the achievement of the organization's goal. The formal structure includes a stable system of formal rights and duties, positions instructions, regulations on organization, work performance procedures. In other words, the formal structure of the organization characterizes those standards of behavior in the organization that are changed slowly and are relatively stable. The presence of formal structure in the organization makes a person's behavior in it to some extent different from their behavior in other conditions. However, getting things done often requires unplanned, non-standard actions and decisions and relies on informal connections among organizational members. These unplanned connections and activities that accelerate the work of organizations are determined by the informal structure of the organization.

Informal structure is the organizational characteristics and relationships that are not part of the formal structure of the organization but influence its success in achieving the goal. Informal structure of the organization can arise spontaneously or be the result of a certain policies of its members. An informal structure is not characterized by a hierarchy of power since the connections in it are public. Such structure does not rely on formal rules, it is governed freely by social norms. The communication scheme, characteristic of an informal organization, was called the "grape chain" (Fig. 3.28). Such analogy is used because channels of informal communication work their way up, down and through the formal structure of the organization. Informal groups uniting people from different divisions often appear within formal organizations. It is a natural process that occurs when regular development of communications lags the development of technologies, the professionalism of personnel in the organization. Relations between members of such groups are formed based on personal preferences. Members of the group are connected by common views, inclinations, and interests. Informal groups exist in every organization. They invariably "grow" from friendly relations and relations that are not determined by the organizational scheme. It is important for the organization that informal groups do not dominate. Informal organizations can be both similar and unlike formal organizations. Therefore, it is

possible to distinguish features characterizing informal organizations.

Social control. Informal organizations exercise social control over their members. It's about establishing and strengthening norms — group benchmarks of acceptable and unacceptable behavior. Naturally, those who violate these norms await alienation. The manager should know that social control carried out by an informal organization can have a positive impact on achieving the goal of a formal organization.

Resistance to change. There is always a tendency to resist change in informal organizations. Partly it is explained by the fact that changes can carry a threat to further existence of an informal organization.

Informal leaders. Informal organizations have their leaders as well. Their difference from formal ones is in that the leader of the formal organization has the support in the form of official powers delegated to them and acts in a specific functional area assigned to them. The support of an informal leader is the recognition of their group. The influence of an informal leader can go beyond the administrative framework of a formal organization. Informal leaders perform two primary functions: they help the group in achieving its goal, support and strengthen its existence.

The influence of informal relationships can be controlled, but to achieve this, the manager should have a clear understanding of how and why the informal organization functions. When a manager has a basic motivation for the functioning of an informal group, then they have the possibility of developing an appropriate behavior strategy. The existence of informal groups in the organization is a completely normal phenomenon. Such groups often strengthen the work team, and the formal head of the organization should support them.

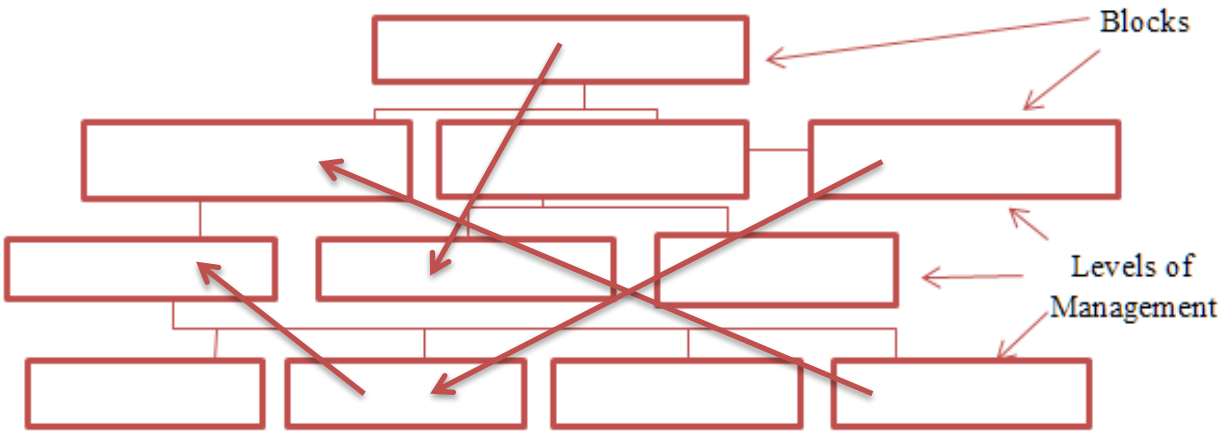


Fig. 3.28. An example of an informal organization structure
Source: [22-25]

3. Types of organizational configurations according to H.Mintzberg. Mintzberg's organizational types

One framework proposed by Henry Mintzberg suggests that every organization has five parts. These parts, illustrated in Fig. 3.29, include the technical core, top management, middle management, technical support, and administrative support.

Technical Core. The technical core includes people who do the basic work of the organization. This part produces the product and service outputs of the organization. This is where the primary transformation from inputs to outputs takes place. The technical core is the

production department in a manufacturing firm, the teachers and classes in a university, and the medical activities in a hospital.

Technical Support. The technical support function helps the organization adapt to the environment. Technical support employees such as engineers, researchers, and information technology professionals scan the environment for problems, opportunities, and technological developments. Technical support is responsible for creating innovations in the technical core, helping the organization change and adapt.

Administrative Support. The administrative support function is responsible for the smooth operation and upkeep of the organization, including its physical and human elements. This includes human resource activities such as recruiting and hiring, establishing compensation and benefits, and employee training and development, as well as maintenance activities such as cleaning of buildings and service and repair of machines.

Management. Management is a distinct function, responsible for directing and coordinating other parts of the organization. Top management provides direction, planning, strategy, goals, and policies for the entire organization or major divisions. Middle management is responsible for implementation and coordination at the departmental 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.

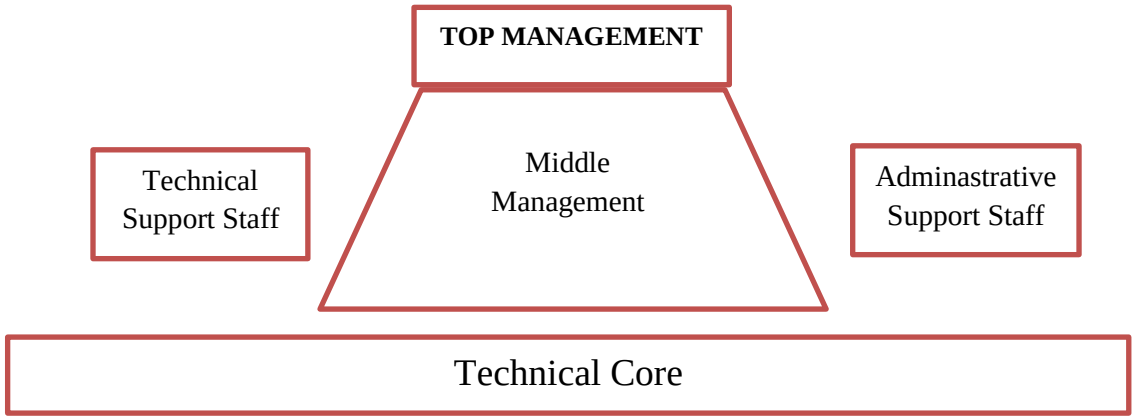


Fig. 3.29. Five basic parts of an organization
Source: [3; 4]

In real-life organizations, the five parts are interrelated and often serve more than one function. For example, managers coordinate and direct parts of the organization, but they may also be involved in administrative and technical support. Mintzberg proposed that the five parts could fit together in five basic types of organization, as illustrated in Fig.3.30. The five configurations are entrepreneurial structure, machine bureaucracy, professional bureaucracy, diversified form, and adhocracy. The five organizational parts vary in size and importance in each type.

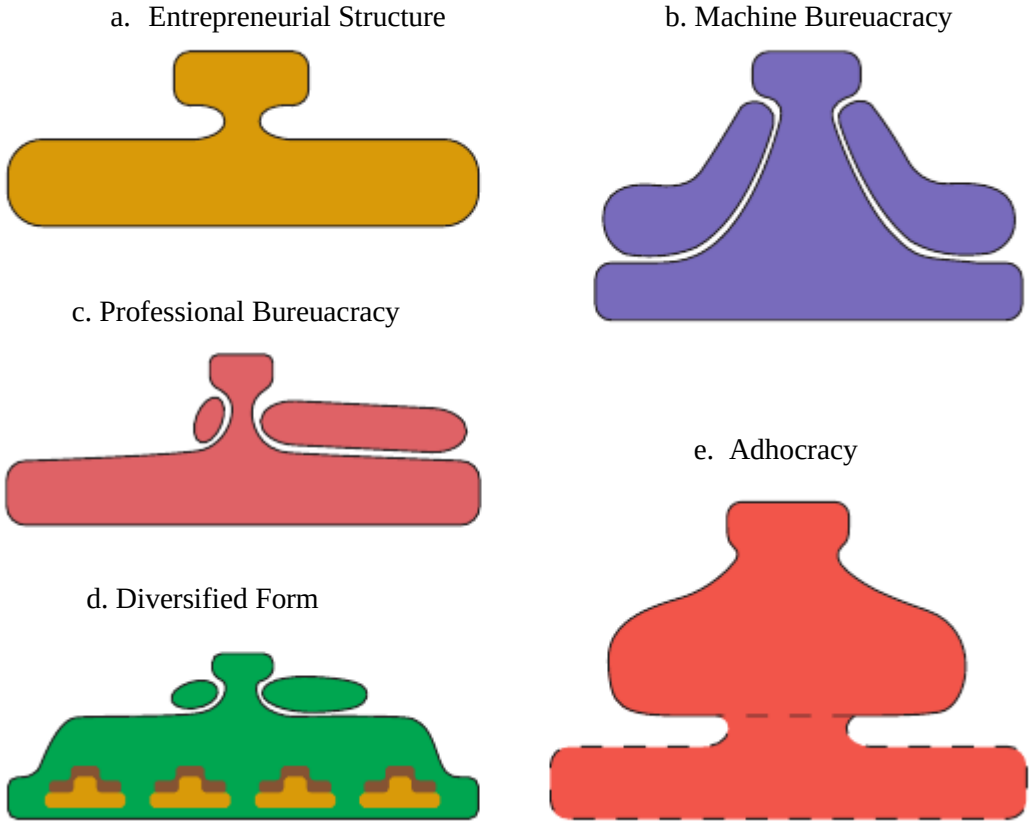


Fig.3.30. Mintzberg's five organization types
Source: [3; 4]

1. **Entrepreneurial Structure.** The organization with an entrepreneurial structure, as shown in Exhibit (a), 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. Top management is the key part of the structure. Few support staff are needed. 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 its simplicity and flexibility enable it to maneuver quickly and compete successfully with larger, less adaptable organizations.

2. **Machine Bureaucracy**. The machine bureaucracy in Exhibit (b) 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. It would not do well in a dynamic environment because the bureaucracy is not adaptable.

3. **Professional Bureaucracy**. The distinguishing feature of the professional bureaucracy in Exhibit (c) 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, as shown in Exhibit (d). 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. In the exhibit, four independent divisions are shown below the headquarters, and the bulge across the middle indicates that middle management is the 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 inflexibility experienced by a too-large machine 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. Exhibit (e) shows the various parts (middle management, technical, and administrative support) merged 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 is part of the mix of ongoing innovation teams and projects rather than being placed in separate departments. Employees are engaged in the administration and support of their own teams. The production center, illustrated with dashed lines, is separate from the fluid and innovative core above it. If standardized production is done within the organization, it would occur in this operating core quite separate from the ongoing innovation in the professional center above it. In the professional center, the adhocracy is decentralized. Each of the forms outlined by Mintzberg can be found among today's organizations. To some extent, organizations are still imprinted with the hierarchical, bureaucratic, formalized approach that arose in the nineteenth century. Yet the challenges presented by today's dynamic environment require greater flexibility and adaptability for most organizations. Thus, organizations and managers may be seen as shifting from a mindset based on rigid mechanical systems to one based on flexible natural systems.

4. Structural forms of organization

The elements of the structure are individual employees, functional units, as well as services and other units of the apparatus of management of the organization. The structure of any organization in the context of its basic elements can be presented in the form of a system that includes five components:

1) **Operational center**. The operational center is formed by employees whose activities are directly related to the production of goods or services

2) **Strategic center**. It includes employees and divisions that are responsible for the development and implementation of the long-term goals of the organization and the distribution of resources in the short- and long-term perspective

3) **Intermediate middle link**. The middle link transmits decisions of the strategic center and ensures their implementation, and also serves to support information flows of both centers

4) **Technostructure**. It includes the activity of analysts (planners), which consists in the implementation of influence on the work of other members of the organization. They are outside direct work process and are responsible for standardization of activities. Analysts are represented as technologists, planners, mechanics, etc.

5) **Support staff.** Support staff performs functions related to the indirect support of the functioning of the main production. Examples of such subdivisions are a legal department, an office (канцелярія), a research department, an editorial and publishing department in universities. The existence of these divisions in the structure reflects the aspirations of organizations to the integration of all aspects of their life activities and reducing the uncertainty of the external environment.

The relationship between the elements of the structure is carried out thanks to the establishment of stable connections, which are divided into horizontal and vertical.

Horizontal connections have the nature of coordination and express relations between components of equal position in the hierarchy of organizations; therefore, they are classified as equal. Their main purpose is to facilitate the most effective interaction of parts of the organization when solving the problems that arise between them. **Vertical connections** are subordinate ties; they connect hierarchical levels and serve as channels for the transmission of administrative and reporting information. Connections to be installed can be of **a linear or functional nature**. **Linear onnections** reflect the movement of management decisions and information between managers, i.e., persons fully responsible for the activity of an organization or its structural subdivisions. **Functional connections** are often called headquarters ones, take place along the line of information movement between separate parts of the organization and perform the role of information provision of coordination.

The problem of rational analysis and structure construction organizations have been set and solved on some aspects by the representatives of the classical theory of organization. In their understanding, "the structure is the logical relationship of functions in the organization, established for the effective achievement of its goal." The development of the structure of the organization is carried out in this case according to the following principles:

● division of labor and division of functions. If this principle is applied to the vertical structure of the organization, it means **hierarchy**, if to the horizontal — **division into functions and tasks**

● division into departments, which implies the distribution of various types of activities among the components of the organization depending on its purpose and other factors. Departments and the corresponding structure of the organization function in such a way as to allow each organizational unit to concentrate their efforts on certain aspects of activity. Moreover, departments can be formed, focusing on customers, as well as by geographic regions

● ensuring coordination of work, first, at the expense of their rational grouping (by degree of homogeneity and interconnectedness) under a single leadership. As an exception, coordination of works by direct executors from different units located on the same hierarchical level ("bridge" of Fayol) was allowed

● complete identification of the structure of the organization and its organizational chart, which is established and regulated by regulations on subdivisions and positions, route maps, daily work schedules, planning forms and reporting. The listed principles form the basis of the "classical" understanding of the organization's structure as a clearly regulated "bureaucratic" tool and have become quite widespread. Modern theory of organizational systems expands the classical concept of the structure of organizations by including *the human factor* in the list of basic structural factors. The structure of the organization is considered as constantly reproduced in people's relations formal-informal distribution of powers, responsibilities, influences, tasks, connections. The combination of formal-informal and behavioral aspects of the organization's structure forms the basis of the situational theory of organizational structures. Its main provisions are formulated in the works of R. Simon, J. March, P. Lawrence, and boil down to the

following:

1. The primary basis of the organization is the system of interconnected social behaviors of several people — members of the organization. Accordingly, the structure of the organization should consist of those aspects, patterns of behavior in the organization, which are relatively stable and change slowly. The framework of the structure is the composition of divisions and positions, and in a more general sense — a system of decision-making centers and processes, which end at them, but its real content is the contributions of individual members of the organization to the processes of decision-making and achievement of organizational goals.

2. The main point of the structure is not the logic of the general task division into sub-tasks itself and not establishing responsibility for their performance, but "behavioral effects of specialization", that is, the degree of influence of the structure on people's behavior.

3.What is more important is not the division of tasks into subtasks, but the further process of their implementation, the connections that arise at the same time to overcome newly identified problems.

4. The sphere of effective use of functional specialization (by individual functions, stages, works in a single production and economic process) is objectively limited. Specialization by goals is the most expedient, as it allows focusing attention and orienting the employee to the result, not to the process, forces to search for the best ones (optional predetermined) ways of achieving results and more correctly evaluate the effectiveness of their activities. A component of the more general theory of a special approach to building a structure by organizations is the theory of differentiation and integration by P. Lawrence and J. Lorsh. Based on a survey of several enterprises Lawrence and Lorsch concluded that on the relations between units such factors as the degree of difference between divisions (differentiation) and the degree of necessary cooperation of divisions (integration) influence along with others.

Differentiation means the division of work between parts or divisions of the organization so that each of the works receives a certain degree of completion within the given division. Differentiation is the selection of parts in organizations, each of which offers something in response to demand, which is determined by the external environment. To determine the degree of differentiation in the organization, Lawrence and Lorsch suggested using four parameters:

- clarity in goals or tasks are the goals clear and easily measurable or are they ambiguous and have a strong qualitative tone
- structure: is the structure formal, with rigid policies and procedures, or is it loose and flexible, with policies that focus on the moment
- the level of interaction are there significant interpersonal and intergroup connections and cooperation or not
- feedback time limits: whether they receive people information about work results at short or long intervals.

The dimensionality of the specified differentiation variables reveals the degree of difference between subdivisions (Table 3.13). The more units within an organization differ from each other on these four variables, the more organization is differentiated. When the organization is at the same time strongly differentiated or strongly decentralized from the point of view of its management, there is a need to introduce the roles of integrators that should perform special work on the integration of different parts of the organization.

Table 3.13

Differentiation between units of the organization by four variables

Basic differentiation variables	R&D	Production	Marketing
1. Goals	New product	Cost	Volume of sales
2. Structure	High-Organic	Mechanical	Organic
3.Impact on People	Strongly Oriented	Task Oriented	Focused directly on People
4. Feedback	Very Long Lasting	Long Lasting	Fast

Source: [22-25]

Integration refers to the level of cooperation that exists between the parts of the organization and ensures the achievement of their goals within the framework of the requirements set by the external environment. The need for integration is first created by the distribution and interdependence of work in the organization. Certain forms of differentiation give rise to their own forms of integration, while both depend on operating conditions of the organization. Studying the degree of differentiation of parts of the organization helps to determine the level of potential conflict between them, and finding the appropriate integration mechanism creates conditions to reduce the level of possible conflict. Violation of objectively determined interdependence of *differentiation — integration — external environment* leads to a decrease in the effectiveness of the organization's activities.

Any organization is characterized by the constancy of its constituent parts. Depending on the features of their combination and the prevailing mechanisms of coordination of activities, the main types of organizations with different structures are distinguished. Organizations use three main methods of coordinating activities: *mutual agreement, direct control, and standardization*.

Agreement involves coordination of activities based on informal communication. Upon mutual agreement, operators (executors) control the work themselves. This method of coordination is used both in very simple and in very complex structures. The main condition for mutual agreement is the skill of employees to adapt to each other. As the organization grows and its activities become more complicated, there is a need for subordinate relations or direct control. In this case, a certain person (manager) is given responsibility for the work of the operators subordinate to him. The manager issues certain tasks to the operators and monitors their execution.

Standardization involves the inclusion of coordination in the work program before the start of its implementation. For example, workers on the assembly line do not need to coordinate activities, because they know exactly what they can expect from other participants in the process, and act in exact accordance with these expectations. If executed actions are simple enough and routine like it takes place on the assembly line, the work process is standardized. In cases of complication of activities, the organization resorts to standardization of work results, giving performers freedom of choice in the methods of action (for example, autonomous assembly teams are formed, each of which has at its disposal all the necessary resources for the release of a finished product or the implementation of a full-service cycle).

With the help of coordination, the unification of the efforts of the constituent parts (basic elements) of the organization is achieved as one concerted effort directed toward a common goal.

There is a certain correspondence between the considered coordination mechanisms and the organizational characteristics of the organization's elements. Standardization of the labor process is associated with the formalization of the organization's behavior, relies on a low-skilled operational center, and is used with a traditional bureaucratic form of structure. This correspondence is achieved in the process of interaction of the main components of the structure.

The functions performed by each of the five components can be combined and sometimes performed by one participant, for example, in a small business organization. But depending on the predominance of one of them above others and the used activity coordination mechanism a certain location of the main components is established, and the organization accepts one of the five possible structural forms:

- simple structure
- mechanistic or machine bureaucracy
- professional bureaucracy
- divisional structure or structure by departments
- adhocracy.

A simple structure is characterized by the predominance of a strategic center and uses direct control as the main coordination mechanism. This is a simple, small-scale organization with a low degree of formalization of decisions and centralization of power, in which almost every performer (operator) submits information to the decision-making center. A simple organizational structure has its strengths and weaknesses: simplicity, flexibility, clear responsibility, lack of differences in the goals of the manager and the subordinate. Since in simple structures centralization of all decisions takes place, a possible imbalance between them can happen, when one decision (for example, a strategic one) is given more attention than an operational one, or vice versa. Simple structures are exposed to the greatest risk from the external environment, for example, small enterprises at the time of formation. As a result of informal communication and lack of formalization of behavior simple structures are ideal from the point of view of social comfort of the employee.

Machine bureaucracy as a key element of the structure has a technological component (technostructure) and uses the standardization of the work process as the main mechanism of activity coordination. Machine bureaucracy is characterized by centralization of power, formalization of behavior, horizontal and vertical differentiation of labor. Such organizations implement specific goals that usually have functional character. Machine bureaucracy includes all enterprises with mass production, as well as trade and hotel enterprises, public catering, banks, and post offices. Strengths and weaknesses of machine bureaucracy:

- ability to perform standard actions in a highly efficient manner
- possibility of using managers and operators with a low level of qualification
- redundancy (надмірність) control at all levels of the hierarchy and the number of conflict situations, especially in the operational center, due to the monotonous and routine nature of work
- distortion of information - in connection with a rigid and multi-level hierarchy subordination, the information that "reaches" the strategic center is either "generalized" as much as possible (good news is embellished, and bad news is blocked), or it is very late. Hence there is inadequacy of the received information to a specific situation.

Professional bureaucracy is based on key positions of the operational center. Organizations of this type of use complex and changing technologies. That is why standardization of tasks is combined with a detailed division of labor and involves active participation of highly qualified personnel. Decision-making procedures in this case are mainly decentralized in nature, less formalized rules are used, which ensures freedom (flexibility) of choice. An example of a professional bureaucracy includes all institutions of the system of education, medical care (except for research centers), legal consultations, that is, those organizations that apply standard sets of programs (methods, procedures) to a certain set of tasks. Strengths and weaknesses of professional bureaucracy:

- ability to effectively perform specialized tasks using diagnostic procedures; unlike a

mechanistic bureaucracy that applies a standard program of actions to a given situation, in the professional bureaucracy, the performance of tasks includes two stages: the diagnostic stage, on which one of the standard programs is selected, and the execution stage, which involves the use of a standard program in a specific situation

● due to the professional nature of the work, the control over the activities of the performers is in the hands of professional operators. Therefore, such structures are ineffective in two cases: in the absence of the necessary professional level of the operators and the low self-awareness of the professional operator, when they focuse in their activities on the use of one program of action (the one that they can do better or they like more) to the detriment of others

● professional bureaucracy, as well as mechanistic, is not adapted to significant innovations, because the latter is associated with additional coordination of activities.

A divisional structure can be presented as a set of independent departments (divisions) focused on some result - product, consumer, or market. The dominant component of such a structure is "intermediate bodies". In theory, the organizationtheory divisional structure is defined as "coordinated decentralization". The highest level in the organization centralizes planning and allocation of resources, makes strategic decisions, while intermediate bodies make operational decisions and are responsible for getting the result.

The fundamental difference between the divisional structure and the previous ones is that its elements, divisions, do not only have their own administrative superstructure, but also as if "covered" from above by another structure with its administrative superstructure - the headquarters. Strengths and weaknesses of the divisional structure:

● it ensures growth and effective management of various types of activities

● creates a personnel reserve for the strategic level of the organization

●distribution of decisions by levels accelerates their adoption and improves quality. However, a trend is observed within the production departments towards "shortening" goals. As a result of the growth of the management apparatus due to the creation of branches, overhead costs increase. Centralized distribution of key resources in case of their lack can lead to development of conflicts between units. In large divisional organizations there is a difficult career between divisions, and at a mechanistic approach, a person turns out to be lost, their potential is used inefficiently.

Adhocracy (from Latin ad hoc – for a separate case) is a type of organization in which the key element is support staff due to the highly specialized nature of the organization's activities. An adhocratic organization is characterized by a high degree of freedom in the actions of employees and the ability to solve problems that arise. To the main features of adhocratic design can be include the following:

● high or complex technology that requires creativity, innovation, and effective teamwork (group interconnection of works)

● employees are highly qualified experts in their field, perform complex production operations and know how to communicate effectively with each other

● prevail of informal and horizontal connections, hierarchical structure is constantly changing, many managers do not have a rigid attachment to ne job, parts of the structure are kept in small sizes

● the right to make decisions and power are based on expert knowledge, financial control is carried out from above

● relations along verticals and horizontals have mainly informal nature.

Thus, profiles of the five types of structures can be reduced to a single classifier of forms of organization design (Table 3.14).

Table 3.14

Forms of organization design

Elements and characteristics of organizations	Simple structure	Mechanistic bureaucracy	Professional bureaucracy	Divisional structure	Adhocratic structure
Main coordination mechanism	Direct control	Standardizatio n of Process	Standardization of qualification	Standardizati on of the Result	Reciprocal harmonization
Key element of the structure	Strategic top	Techno structure	Operational Center	Linear connections	Logistics support functions
Organizational characteristics and factors:					
1. Formalization of behavior	Small	Significant	Insignificant	Significant	Insignificant
2. Specialization of subdivisions	Functional	Functional	Functional and market	Market	Functional and Market
3. Type of structure	Organic	Bureaucratic	Bureaucratic	Bureaucratic	Organic
4. Education and socialization	Insignificant	Insignificant	Significant	Moderate	Quite Significant
5. Sizes of subdivisions	Large and small	Large	Large and medium	Large	Small
6.Decentralization	Centralization	Limited horizontal decentralization	Horizontal and vertical decentralization	limited vertical decentralization	Selective decentralization
Environment	Simple and dynamic	Simple and stable	Complex and stable	Relatively simple,stable (diversified markets)	Complex and dynamic

Source: [22-25]

Organizational characteristics structures

An increase in the number of characteristics and factors that are involved in the design of organizations and evaluation of their effectiveness determines the need to highlight the general parameters of organizational structures. The main characteristics of the organization structure include: complexity, formalization and centralization.

Complexity. Complexity characterizes the degree of differentiation of the organizational system based on the division of labor horizontally (number of functions, departments, positions, in particular specialized ones), vertically (number of hierarchy levels), territory (number of locations).

On the efficiency and necessity of division of labor was first noticed by a famous Scottish economist A. Smith in 1776. He showed the advantages of division of labor and efficiency achieved by the workers of the manufactory production of pins. One worker pulled the wire, another - straightened it, the third - cut it, etc. Such a distribution of labor enabled 10 workers to produce 48,000 pins daily, whereas one man, performing all the operations alone, could produce only 20 pins per day. Since few workers possess the skills necessary to perform all the functions required by the organization, they can only function through the division of labor.

Horizontal differentiation involves a gradual division of labor and is based on the specialization and concretization of work (definition of the duties of employees). There are two main types of specialization — knowledge-based and routine. The first vyv is connected with the development of knowledge and technology and assumes the allocation of works that require

knowledge and skill. In this case, the attention of employees is concentrated on relatively narrow circle problems. However, these problems are usually quite complex and require decision-making and research. The second type of specialization involves the division of tasks into separate elements and execution of each of them separately as an employee. Such a specialization is achieved by fragmentation, simplification and standardization of templates production and clerical tasks. You can determine the level of specialization using two parameters — depth of activity and scope of activity. The depth of activity is the degree of control that the employee carries out his activities. The depth of activity is related to the freedom to plan and organize one's work (work at one's workplace or move around it, interact with others). The scope of activity is determined by the length of time of the activity cycle and the number of operations included in it. What a job contains fewer repetitions and more operations, has a wider swing. In cases where the activity is deep and large-scale, there is an opportunity to reorganize work to use greater specialization. It is known that specialization gives several advantages: it helps improvement of the labor process since its executor can understand the essence of the matter down to the smallest details; allows to identify the most important, critical spheres of activity in the organization; makes it easier process of formalization of work. At the same time, specialization produces negative results. P. Lawrence and J. Lorsch name the following directions a negative manifestation of overspecialization: firstly, it diverts the general goal of the organization from the employee and is the cause of excessive functionalism; secondly, it conditions the need for greater coordination of activities; Third, superspecialization develops intrapersonal orientation and creates differences in work culture. However, some level of specialization is fundamental when differentiating work in the organization. The choice that managers face when solving structural problems is to introduce and benefit from specialization while avoiding over-specialization and its associated negative consequences. There are three standard ways to eliminate negatives results of specialization and rationalization of routine work: expansion of the work front; alternation of activities; activity enrichment. Expansion of the work front (scope activity) consists in inreasing the number of specialized tasks performed by one employee. This achieves an increase in the scope of activity since the worker the cycle (the time between individual types of work) is lengthening. At changing tasks, the performer moves from one type of work to another at frequent time intervals, for example, every few hours. There is an alternation of activities one of the types of expansion of the front of work and involves the movement of an employee in a circle from one worker place to another. In both cases, the sensation increases choice and monotony of works is eliminated. Enrichment of activity consists in giving the employee greater independence and responsibility for the work performed. In this in this case, the following tasks are solved: the work cycle is extended; are integrated into the general process additional items such as inspection or maintenance; compliance of the work content with the capabilities and wishes of the employee is ensured; the identification of labor results with the final product is achieved. Vertical differentiation is related to distribution works by hierarchy levels in the organization and serves as a basis when forming its vertical structure. Each vertical structure has absolutely defined channels for exercising authority and exchanging information. During the distribution of tasks, powers and responsibilities are formed the system of subordination is the direction in which authority is distributed between employees at different levels of the hierarchy. The line of command defines who has the authority to issue orders and who is accountable to whom. The simplest and most common system of subordination is called a linear organizational structure. In this case, the transfer of power is carried out from the upper echelons to the lower ones. Organizations with a linear structure have several advantages. Because managers in a linear organization clearly

imagine the scope of their powers, the decision-making process is significantly accelerated, and the maintenance of discipline is simplified. In addition, channels of business communication, which in this case are of a direct nature, are easily established. However, the linear organization has two significant disadvantages:

(1) senior managers may not possess the special knowledge necessary for effective management of the organization's activities; (2) expanding the scope of activities can lead to an increase in the number of levels subordination, which will slow down the exchange of information and decision-making. The line-staff organizational structure is more complicated. In the organization of this form, subordination from the bottom to the top is also clearly expressed, but it is represented by functional groups of employees located under the leadership of the administrative apparatus. The main advantage of the line-staff organizational structure is in the possibility of connecting to the decision-making process specialists in specific fields. When forming a vertical management structure there is a grouping of people and works according to the optimal interval or scale of management. The scale (interval) of management (also called the sphere of control) is the number of people or production units over which the manager is watching. The control interval is often defined as "narrow" or "wide". A narrow management interval is characterized by a minimum number of subordinates under one manager and involves the construction of a multi-level organizational structure.

This group of people and jobs has both advantages and disadvantages. With a smaller number of subordinates to the manager it is easier to control their work, so he has there is an opportunity to do it better and faster. However, with such a construction of connections, the manager may appear to have a desire to interfere in their direct work. Except moreover, the multi-level makes these connections cumbersome, long, and expensive. A wide scale of management implies the maximum possible number of subordinates under one manager and the minimum number of hierarchy levels. Such a grouping of people and works is characterized by the following advantages. Having many subordinates, the manager is forced to delegate their powers, which is a positive fact. At the same time, giving his subordinates the rights to perform the work, the manager should be sure that they will cope with it, so most often in this case he is selected strong and qualified team. To the disadvantages of a wide the scale of management can be attributed to the so-called "effect dark green throat", i.e

The disadvantages of a wide scale of management can be attributed to the so-called "dark green throat effect ", i.e., manager's overload routine tasks and in connection with this possible loss of control over subordinates. Territorial (by geographic location) differentiation characterizes the process of distribution by groups of species activities and resources depending on the specifics of the location. Differentiation by geographical location most often observed where operations or markets organizations are widespread. But it is also used in one city, for example, by trading real estate firms. As a rule, the division of labor based on geographical location can be observed in cases where there are limitations in material support or when specific consumption requirements vary by location. The main advantage of territorial differentiation is that it makes the organization more adapted to the needs of its consumers and the characteristics of different regions. The disadvantage of such a distribution component of the organization is that control and coordination is complicated and requires an increase in the administrative staff. **Formalization.** Formalization characterizes a set of means used by the organization to limit freedom of choice of employees in the process of their activity. Formalizing behavior is a way to standardize a process labor and regulation of human activity, which leads to to the vertical differentiation of labor and provides for the separation of the execution process from the labor design process activities with the help of various specifications,

for example technological maps. In addition, the formalization of behavior determines the horizontal division of labor, i.e selection of the simplest repetitive activities and development of rules and procedures for their implementation. Formalization is carried out in three forms:

- formalization related to the content of work. At a specific workplace, it is defined sequence of work stages and their duration. An example is the job description
- formalization related to the labor process. It is observed in organizations that use sets of methods and procedures in the form of instructions, which indicate to a specific employee the procedure for performing a task
- formalization of behavior in the organization with the help of regulatory rules and procedures that determine behavior in all possible situations. For example, "employees should wear a suit to work and ties", "the sketch of the detail is made on a sheet of white paper in A4 format". Such regulatory documents consider all types of possible behavior in the organization. Formalization characterizes a certain degree of standardization and is achieved in the following ways:
- with the help of selection of employees to determine the degree of conformity of the candidate's character and qualifications for the job he is applying for
- using a set of rules and procedures that tell employees what they should do and how to perform the task assigned to them
- training and socialization, i.e., a set of professional knowledge and requirements, which is put forward to a certain workplace If they are defined, then the organization can either include them as hiring criteria for work and select candidates accordingly to these criteria, or to create training and socialization programs for workers to meet these criteria.

Organizations using the formalization technique for predicting and controlling their behavior belong to the bureaucratic class. Bureaucratic structure assumes that the behavior of the organization and its component can condition, i.e., it is standardized. The organic structure is based on weak or moderate use formalization techniques.The characteristic features of such a structure are: informal relations; adjustment and reformulation of individual tasks in the process of interaction of members organizations; abolition of the concept of responsibility as an organic set of rights and obligations (no one "redirects" up or down problems arising by referring to one's duties); decisions are made in those divisions where there is appropriate knowledge and experience for this, and it is these divisions (structural blocks) that become the centers of power, control and communications. Organic structures are the opposite of bureaucratic. At the same time, if in a bureaucratic structure the main emphasis is on standardization, then in organic - on mutual agreement. However, in this case an organic structure is considered only as a structure, which is characterized by a small degree of formalization.

Centralization of the organizational structure. In a small organization, all decisions can be made by her manager However, as the size of the organization increases, the scale and complexity of the work, a situation may arise, when the manager will be overburdened with decision-making and there will be a need to delegate powers (decentralization). Decentralization indicates that power is widely distributed throughout the organization, while centralization means that that power is held at the top level of the organization.

Centralization is the concentration of decision-making rights, concentration of power at the top levels of management of the organization. Decentralization is transfer or delegation of responsibility for several key decisions, and therefore, the transfer of rights corresponding to this responsibility to the lower levels of management of the organization. The degree of centralization or decentralization in the organization or its subdivisions can be measured using the following variables: the number of decisions made at each level management; the possibility

of a solution for organizations as a whole; the degree of control over the implementation of the adopted decision.

Absolute centralization or decentralization exists in the organization quite rarely. Factors affecting decision-making on decentralization can be divided into external and internal. External factors include the environment of the organization, indicators of its position on the market, the competitive situation, as well as dispersion consumers and suppliers, the degree of uniformity of production. The more dispersed the firm's buyers or suppliers, the stronger the need for decentralization. Internal factors include the following characteristics organization and its culture, such as the size of the organization, the desire for policy uniformity, management philosophy.

As the organization becomes larger, the need for decentralization is growing. If the senior management staff puts its goal to standardize policies throughout the organization, then it will probably show a tendency towards the centralization of power. In addition, many organizations have tendencies or a culture of centralization (or decentralization), and the philosophy of managers reflects this culture. Centralization has several advantages: it makes it easier vertical coordination (since decisions "fall" from top to bottom); allows using richer experience and a better understanding of the organization's goals; provides strong leadership because it promotes the concentration of power at the top of the organizational structure. However, centralized decision-making takes more time than decentralized. When delegating authority to subordinates, decisions will be made faster. Subordinates not only do not waste time communicating with management, but and take fewer steps to make successful decisions. In addition, decentralization provides more incentives for grassroots workers and is one way of preparing subordinates for promotion to management positions. Recently, there has been a trend towards decentralization of power, as decentralization promotes growth efficiency, allowing to speed up decision-making, relieve senior managers of menial duties and easier to adapt to a changing environment. But this trend does not mean that all organizations should be decentralized. Each organization has its own level of hierarchy at which decisions are made. Task managers decide which point on the "continuous line" from centralization to decentralization is appropriate for their organization.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 4. Organizational culture

1. General concept of organizational culture

An important component of organization theory is representation about organizational culture. In modern conditions, the main areas of work to improve the efficiency of activities organizations is to change the attitude of employees to work, ensure its modern organization, creative orientation. It is the implementation of these directions that creates the prerequisites for the development of organizational culture. An organization is a complex organism whose vital potential is based on organizational culture. She did not only distinguishe one organization from another, but also determines its success of functioning and survival of the organization in the long term. It can be said that it is organizational culture is the "soul" of the organization. There are different definitions of the concept of "organizational culture" in the literature. The concept of organizational culture does not have a single interpretation. Some authors refer to organizational culture as a complex composition of important assumptions that are accepted and shared by team members without proof. Others the authors interpret organizational culture as a philosophy and management ideology, value orientations, beliefs, expectations, norms underlying relations and interactions both inside and outside the organization. Most modern researchers understand culture as a specific way of organization and development of human life

activities, represented in the products of material and spiritual production, the system of social norms and spiritual values, a set of relationships of people to nature, to each other and to themselves. Organizational culture means an ordered set of industrial, social, and spiritual achievements of people. All the given definitions of the concept of organizational culture do not contradict each other. The difference is that that some are given in the narrow sense of this word, others – in wide. The most complete definition of the concept of organizational culture is as follows: *"Organizational culture is a set of the most important assumptions accepted by the members of the organization and expressed in the values declared by the organization and which determine people's orientations behavior and actions"* [22]. Thus, organizational culture is a set of methods and rules of adaptation of the organization to the requirements of the external environment and the formation of internal relations between groups of workers. Organizational culture concentrates on the politics and ideology of the organization's life activities, system of its priorities, motivation and power distribution criteria, and characteristics of social valuesand norms of behavior. Elements of organizational culture are a reference point in adoption of management decisions by the management of the organization, establishing control over behavior and relationships employees in the assessment of production, economic and social situations. In some studies, organizational culture is called corporate culture. Formation of organizational culture takes place sometimes, it absorbs the experience of employees, the fruits of their education, considers the goals and attitudes of the organization. General the purpose of organizational culture is creation in organizations a healthy psychological climate for uniting employees into a single team that adheres to certain ethical, moral, and cultural values. Organizational culture has a certain set of elements — symbols, values, beliefs, assumptions. Three levels of organizational culture are distinguished. The first level, or superficial, includes, from one on the one hand, such visible external facts as technology, architecture, behavior, language, slogans, and on the other hand, everything that can feel and perceive with the help of human senses. At this level, things and phenomena are easy to detect, but they cannot always be deciphered and interpreted in terms of organizational culture. The second level, or subsurface, involves the study of values and beliefs. Their perception is conscious and depends on people's wishes. The third, or deep, level includes the basic assumptions that determine people's behavior: attitudes toward nature, understanding the reality of time and space, attitude to other people, to work. Without special concentration, these assumptions are difficult to realize even by ourselves members of the organization. Researchers of organizational culture are often limited to the subsurface level, as they are at the deep level level almost insurmountable difficulties arise. Properties of organizational culture are based on the following essential features: generality, informality, stability.

The generality of organizational culture is expressed in because it covers all types of actions carried out in the organization. The concept of generality has a double meaning. From one on the other hand, organizational culture is the form that is received actions in the organization. For example, organizational culture can determine a certain procedure for developing strategic problems or procedures for hiring new employees. On the other hand —culture is not just a shell of an organization's vital activities, but also its content, an element that determines the content of activity. Culture itself turns into one of the strategic goals of the organization. A certain hiring procedure can be subject to necessity in the best way adapting new employees to the existing culture in the organization.

The informality of the organizational culture is determined by the fact that its functioning is practically not connected with official rules of organizational life established by order. Organizational culture works as it were, in parallel with the formal mechanism of the

organization's activity. A distinctive feature of organizational culture in comparison with a formal mechanism is the predominant use of oral, linguistic forms of communication, rather than written documentation and instructions, as it is accepted in the formal system.

The value of informal contact is determined by the fact that more than 90% of business decisions in modern organizations are not adopted in a formal setting - at meetings, meetings, and at informal meetings, outside specially established places. Organizational culture cannot be identified with any informal contacts in the organization. Organizational culture includes only those informal contacts that correspond to the values accepted within the culture. The informality of the organizational culture is the reason that parameters and results the effects of culture are practically impossible to measure using quantitative indicators. They can only be expressed qualitative term "better - worse". The sustainability of organizational culture is related to this a general property of culture, such as the traditionality of its norms and institutes. The formation of any organizational culture requires long-term efforts on the part of managers. But, being formed, cultural values and methods of their implementation acquire the character of traditions and remain stable for several generations of employees of the organization. Many strong organizational cultures are inherited values introduced by leaders and founders of companies many decades ago. Thus, the foundations of the modern organizational culture of IBM were laid in the first decades.

In the 20th century, its founder was T.J. Watson. It is possible to single out several main characteristics of organizational cultures, by which they differ from each other. A special combination of such features gives individuality to each culture, allows it to be identified in a certain way. The main features of organizational culture include:

- reflection in the organization's mission of its main goals
- focus on solving instrumental problems (production in a broad sense) tasks of the organization or personal problems of its participants
- degree of risk
- measure of the ratio of conformity and individualism
- preference for group or individual forms of decision-making
- degree of subordination to plans and regulations
- predominance of cooperation or rivalry among participants
- dedication or indifference of people to the organization
- orientation towards independence, independence, or subordination
- the nature of management's attitude towards staff
- focus on group or individual work organization and stimulation
- orientation to stability or changes
- source and role of power
- means of integration
- management styles, employee relations and by the organization, ways of evaluating employees.

Organizational culture contains both subjective and objective elements. The subjective elements of culture include beliefs, values, images, rituals, taboos, legends, and myths related to the history of the organization and the life of its founders, customs, accepted norms of communication, slogans. Values are understood as the properties of one or another object, processes and phenomena that are emotionally attractive to most members of the organization, which makes them models, landmarks, and a measure of behavior. Values include the first sequence of goals, nature of internal relations, orientation human behavior, diligence, innovation, initiative, labor, and professional ethics. It is believed that today it is necessary not

only to rely on existing values, but also actively form new ones. Therefore, it is important to carefully monitor everything new, useful, that others have in this field, it is fair and impartial to evaluate it. At the same time, old values cannot be destroyed or suppressed. Vice versa, they should be treated with care, used them as a basis for the formation of new values, including relevant mechanisms, in particular joint creativity. Key values, being combined into a system, form the philosophy of the organization. It answers the questions about what is most important to it. Philosophy reflects the organization's perception of itself and its purpose, the main directions of activity; creates a basis for developing approaches to management; organizes the activities of personnel based on general principles, facilitates the development of administration requirements; forms general universal rules of conduct. A ritual is a standard, recurring event held at a certain time and on a special occasion. The most widespread are such rites as commemoration veterans, farewell to retirement, and initiation into members of the organization. A ritual is a set of special events (rites), exerting a psychological influence on the members of the organization with the aim of strengthening loyalty to it, obscuring the true meaning of certain aspects of its activities, teaching organizational values and formation of necessary attitudes. Employees of many Japanese companies, for example, start the working day by singing national anthems. Legends and myths reflect in the right light and in the history of the organization, inherited values, decorated portraits of its famous figures in a coded form. Custom is a form of social regulation of people's activities and their relationships, which was adopted from the past without changes. Norms and behavior style of its members accepted in the organization — their attitude towards each other and external counterparties, management actions, problem solving can also be elements of culture. Finally, slogans are an element of organizational culture, that is, appeals that briefly reflect its management tasks, ideas, or mission of the organization. Objective elements of culture reflect the material side of the life of organizations. This is, for example, the symbolism of color, the convenience and design of interiors, the appearance of buildings, equipment, and furniture. Values, customs, rites, rituals, norms of behavior members of the organization, brought from the past to the present, received the name of traditions. The latter are both positive and negative. As positive a tradition can, be considered a friendly attitude towards all new employees who come to the organization, and as negative - hazing in the army. The way of thinking of the members of the organization, which defines traditions, values, level of culture, consciousness of the members of the organization is called mentality. Experts distinguish two important features of culture:

1) multi-level. The surface level is formed ways of people's behavior, rituals, emblems, design, uniforms, language, and slogans. Intermediate level constitutes ingrained values and beliefs. The deep level is represented by the philosophy of the organization.

2) versatility, multifacetedness. The culture of the organization, firstly, consists of subcultures of individual units or existing social groups under the "roof" of general culture (they can specify and develop the latter; they can peacefully coexist with it, or may contradict it). Secondly, organizational culture includes subcultures of certain directions and aspects of activity — entrepreneurship, management, business communication, internal relations.

2. Functions of organizational culture

Organizational culture performs various functions which it characterizes as fully as possible. All functions can conditionally be divided into two groups: those that are determined by the internal state of the formal mechanism of the organization; those that are determined by the need to adapt the organization to its external environment. The first group of functions includes the

following:

Protective function. Culture is a kind of barrier for penetration of unwanted tendencies and negative values that are characteristics of the external environment, that is, it neutralizes the effect of negative external factors. Culture includes a specific system of values, a special climate, and methods of interaction of the organization's participants and thereby creates a unique appearance of the organization, which allows it to be distinguished from other organizations, from the external environment as a whole. This function of culture is especially relevant for modern Ukrainian economic organizations, which determines the need for special attention of organizational leaders to the problems of organizational culture formation. It can limit uncertainty space and change the balance of power in favor of stability and sustainability.

Integrating function. By instilling a certain system of values, organizational culture creates a sense of identity among individuals and groups — its participants. This allows each subject of intra-organizational life to: (a) better understand the goals of the organization; (b) get the most favorable impression of the organization in which they work; (c) feel part of a single system and define one's own responsibility to it.

Regulatory function. Organizational culture includes informal, unwritten rules. They indicate how people should behave in the process of work. These rules determine the usual ways of acting in the organization: (a) sequence of work performance; (b) nature of working contacts; (c) forms of information exchange. Thus, ambiguity is set and orderliness of the main forms of activity. Integrating and regulatory functions contribute to the growth of labor productivity in the organization, because: (a) feeling the identity and perception of the organization's values make it possible to increase the purposefulness and persistence of the organization's participants in performing their tasks; (b) availability of informal rules regulating organizational activities and actions that eliminate inconsistency creates time savings in every situation.

Substitution function. Strong organizational culture, capable of effectively replacing formal, official mechanisms, allows the organization not to resort to excessive complication of the formal structure and increase in the flow of official information and orders. Thus, management costs are saved in the organization. Since culture, unlike a formal mechanism, is a self-reproducing phenomenon, — self-reproducing cultural language, cultural communications, habitual forms of behavior within the framework of the cultural environment, then many elements of culture for their reproduction do not require special efforts and costs.

Adaptive function. The presence of an organizational culture facilitates the mutual adaptation of employees to organizations and organizations to the employee. Adaptation is carried out using a set of measures called socialization. In turn, the opposite process is possible — individualization, when the organization organizes its activities in such a way as to maximize the use of personal potential and capabilities of an individual to solve their own tasks.

Educational and developmental function. Culture is always related to the educational and disciplinary effect. Leaders in organizations should take care of training and education of their employees. The result of such efforts is growth of knowledge and skills of employees that the organization can use to achieve its goal. Therefore, the organization expands the quantity and quality of economic resources at its disposal.

Quality management function. *Since culture is ultimately embodied in the results of economic activity — economic benefits, then organizational culture, producing a more attentive and serious attitude to work, contributes to the improvement of the quality of goods and services, offered by an economic organization. In other words, the quality of work and work environment is transferred in product quality.*

Guiding function directs the activities of the organization and its participants in the necessary

direction.

Motivational function creates the necessary incentives for effective work and achievement of the organization's goal.

Forming the organization's image function, that is organization’s image in the eyes of people around the organization. This image is the result of people's involuntary synthesis of individual elements of the organization's culture into some elusive whole that carries out a huge impact on both emotional and rational attitudes towards the organization.

Culture (a) permeates the management process from the beginning to end; (b) plays a huge role in the organization of communication, conditioning the logic of thinking, perception, and interpretation (giving individual meaning to observations and establishing a connection between them) of verbal and especially non-verbal information.

The second group of functions of organizational culture includes the following:

Customer orientation function. Considering the goals, requests, interests of consumers reflected in the elements culture, contributes to the establishment of stronger and consistent relations of the organization with its buyers and clients. Many modern organizations position care about consumers as the most significant value.

Regulating partnership relations function. Organizational culture produces rules of relations with partners, which implies moral responsibility towards them. In this sense, organizational culture develops and complements the norms and rules of behavior developed within the framework of *market economic culture.*

Adapting the economic organization to the needs of society function. The action of this function creates the most favorable external conditions for the organization's activities. Its effect consists in removing barriers and obstacles, neutralizing actions, related to violation or neglect the rules of the social game by the organization. That is, the benefit of the organization is elimination of economic disadvantages — losses.

3. Classification of organizational culture

In organizational theory, organizational culture is divided into two large, relatively independent parts: material and spiritual. *Material culture* is the whole field of material activity and its results. It includes tools and means of work, things, material and object activity, material relations, artificial environment, social organizations. *Spiritual culture* is a holistic system that includes all types, forms and levels of social consciousness, education and upbringing, religion, science, morality. It includes meaning, values, social norms, social guidelines, rituals, beliefs, knowledge.

There is a division of organizational culture in the fields of professional activity into engineering, managerial, organizational, and financial.

There is a distinction between elite, folk and mass culture. *Elite culture* is created by the privileged part of society or on its order by professional creators and includes fine art, classical music, and literature. *Folk culture* is the result of the activity of anonymous creators who do not have professional training; it has a collective character (myths, legends, stories, songs, and dances). *Mass culture* has public character and does not express the refined tastes of the aristocracy and intelligentsia.

Organizational culture is divided into subjective and objective. *Subjective* organizational culture is the assumptions, beliefs, and expectations shared by employees, as well as the group's perception of the organizational environment from its values, norms and roles that exist outside the person. This includes the following elements: heroes of the organization,

myths, stories about the organization and its leaders, organizational taboos, rites and rituals, language of communication. Subjective organizational culture is the basis for the formation of *management culture*, i.e., leadership styles, technology of making management decisions, the nature of the relationship between the manager and the staff, professionalism, clarity of the work of the management apparatus.

Objective organizational culture is usually the material external environment of the organization: the building, its architecture, color, location, equipment and furniture, colors and volume of space, amenities, reception rooms, and equipping workplaces. All this in one way or another largely reflects the values that this organization adheres to. Both aspects of organizational culture actively interact with each other. However, the subjective aspect of organizational culture has a greater influence on the formation of both general features of culture and its specific differences in different people and different organizations. Harris and Moran suggest considering a specific organizational culture based on ten characteristics:

- awareness of oneself and one's place in the organization
- communication system and communication language
- appearance, clothing, and self-presentation at work
- what and how people eat, habits and traditions in this area
- awareness of time, attitude towards it and its use
- relations between people
- values and norms
- belief in something, attitude, or attachment to something
- the process of employee development and training
- work ethic and motivation.

G. Hofstede formulated five parameters according to which national cultures can be identified by:

1) power distance, which is determined by the attitude to the problem of people's inequality, its permissible level

2) role of the individualistic principle, which is characterized by the close connection between the individual and society, the willingness of people to act alone

3) degree of non-perception of uncertainty, the desire to avoid it with the help of rules, traditions, laws, ideology, religion (any religion promotes tolerance for uncertainty)

4) degree of orientation towards the future. The organization can live yesterday, today or to strive for promising vitality, which is provided by savings, accumulation of wealth

5) level of masculinity, which is expressed in the nature of the distribution of social roles between the sexes under the influence of cultural traditions. A culture with a rigid fixation of roles is masculine, with a weak one - feminine. Masculine cultures are dominated by social values traditional for men (orientation on success, tangible results, effect). In feminine cultures prioritize human relations, care for the collective, sympathy for the weak.

In Table 4.1, an example of national expert assessments of some countries cultures according to the level of manifestation of the listed parameters (h — high; m — medium; l — low) is given.

Table 4.1

Expert assessments of national organizational cultures

Country	Power Distance	Individualistic Principle	Non-perception of Uncertainty	Orientation towards the future	Level of Masculinity
USA	L	H	L	L	H
Germany	L	H	M	M	H
Japan	M	M	H	H	H
France	H	H	H	M	M
Ukraine	H	M	H	L	L
China	H	L	M	H	M

Source: [22-25]

Depending on the place of the organization and the level of influence on it, several types of organizational cultures are distinguished. *Undisputed culture* is characterized by a small number of basic values and norms, but the requirements for orientation towards them are unwavering. It does not allow spontaneous influence both from the outside and from the inside, it is closed (culture closedness is the reluctance to see flaws, to remove garbage from the house, the desire to preserve ostentatious unity). *Closed culture* depresses staff and becomes a crucial point of motivation. But the values and norms themselves are deliberately corrected when necessary. *Weak culture* practically does not contain organizational values and norms. Each element of the organization has its own; moreover, they often contradict others. Norms and values of a weak culture are easily subject to internal and external influence and change under its action. Such culture separates the members of the organization, opposes them to each other, complicates the management process and ultimately leads to its weakening. *Strong culture* is open to both internal and external influences from the outside. Openness implies straightforwardness and dialogue between all participants, organizations, and outsiders. It actively assimilates everything better, wherever it comes from, and as a result, it only gets stronger. It should be borne in mind that a strong culture, like a weak one, can be effective in one way and ineffective in another. Consider some of the most famous varieties of organizational cultures:

U. Hall offers the *alphabets (ABC) of corporate culture*:

A — artifacts and etiquette (surface level). Specific visible elements of culture, such as language, form of greeting, clothing, physical location (open or closed spaces).

B — behavior and actions (deeper level). Persistent patterns and stereotypes of behavior, including methods of decision-making by individuals, organization of teamwork and attitude to problems.

C — morality, beliefs, values (core). It is about value judgments of most employees of the organization (right — wrong, fair — unethical). Different collective or general points of view on ethical problems of activity are often formed in organizations.

One more variety is known as **Ch. Handy's** *typology of management cultures*. Ch. Handy assigned the name of the corresponding Olympian god to each of the types. *The culture of power or the culture of Zeus*. Its essential point is personal power, the source of which is the possession of resources. Organizations that profess such a culture have a rigid structure, a high degree of centralization of management, few rules and procedures, suppress the initiative of employees, exercise strict control over everything and everyone. Success here depends on the qualifications of the manager and timely detection of problems, which allows quickly making and implementing decisions. This culture is characteristic of young structures. *Role culture or Apollo culture*. It is a bureaucratic culture based on a system of rules and instructions. It is characterized by a clear division of roles, rights, duties and responsibilities between management employees.

It is inflexible and makes it difficult to innovate, so it is ineffective in the fase of change. The source of power here is the position, and not the personal qualities of the manager. Such a management culture is a characteristic of large corporations and state institutions. *Task culture or Athena culture.* This culture is adapted to management in extreme conditions and constantly changing situations, so the main attention is paid to the speed of solving problems. It is based on cooperation, collective development of ideas and common values. The foundation of power is knowledge, competence, professionalism, and possession of information. It is a transitional type of management culture, capable of turning into one of the previous ones. It is characteristic of project or venture organizations. *The culture of the person or the culture of Dionysus*. It relates to an emotional beginning and is based on creative values, uniting people not to solve official tasks, but to achieve an individual goal. The resolutions are adopted based on consent; therefore, the power has a coordinating nature. Experts believe that, as a rule, at the nascent stage of an organization, *power* culture prevails; the stage of growth is characterized by *role* culture; stage of stable development — culture of *tasks* or culture of a *person*; the culture of *power* prevails in the crisis.

The American researcher U. Ouchi singled out three main types of organizational culture:

● market culture, which is characterized by the dominance of value relations and profit orientation. The source of power within such a culture is ownership of resources.

● bureaucratic culture based on dominance of regulations, rules, and procedures. The source of power here is the position of members of the organization.

● clan culture that complements the previous ones. Its basis is the internal values and traditions of the organization that direct the activity of the latter.

Based on such circumstances as the orientation of the culture on people or material conditions, on the one hand, openness and closedness on the other hand, the following types are distinguished:

Bureaucratic culture is characterized by regulation of all aspects of the organization's activities based on documents, clear rules, procedures, staff assessment according to formal principles and criteria. The source of power, concentrated in the hands of management, is a position. Such culture guarantees stability, security for people, and eliminates conflicts.

Patronage culture is in favorable moral and psychological climate, people's cohesion, group norms and values, informal status of employees, their personal activity, mutual understanding, harmony of relations. Culture guarantees staff stability, development, and participation in the affairs of the organization.

Praxeological culture is based on order, rationality, plans, careful control over their implementation, and evaluation of the employee's performance based on results. The main figure is the leader, whose power is based on official powers and deep knowledge. It assumes within certain limits the involvement of employees to management. All this ensures high work efficiency.

Entrepreneurial culture supports targeted actions outside the organization and on perspective, innovation, and active creativity of staff. The attractiveness of culture lies in guarantees of satisfaction of employees' needs in development and improvement. Management is based here on faith in the manager, his knowledge and experience, as well as on staff involvement in creativity. Profit obtaining is the basis of classification methods of entrepreneurial cultures. For example, American researchers Diehl and Kennedy, depending on them, identified the following types of entrepreneural cultures: *the culture of trade, the culture of profitable transactions, administrative culture, and investment culture.*

An important element of management culture of the organization is the *culture of attitude*

towards women (both those who hold managerial positions and those who are ordinary performers), which determines their position. The following types are distinguished here:

1) *gentleman's club culture*. This is the culture of polite, humane, civilized people, within which male managers based on paternalistic positions, gently keep women in certain roles, not allowing them to rise higher. Women are valued for the work they do, but they are not allowed to break down barriers and occupy management positions. Women's attempt to insist on their rights leads to aggravation of relations with them.

2) *barracks culture*. It is despotic and characteristic of bureaucratic organizations with multiple levels of management where women occupy lower levels. This culture allows ignoring their interests and treating them rudely and contemptuously.

3) *sports locker room culture*. Within its framework, men build interpersonal relationships based on specific male interests, ideas and demonstrate an open contempt for women. Women, even of high position, that, for example, belong to the top management of the organization, are not allowed in the circle of communication of men.

4) *culture of denial of differences between the sexes*. This culture rejects discrimination, but at the same time does not see real differences between the sexes, ignores women's essence, family responsibilities of women, and therefore requires from women the same successes as from men.

5) *culture of false protection of women*. Within this framework culture, the idea of equality, based on universal human values, is replaced by myths about equality. Discrimination in the form of patronage takes place here, when women are forcefully involved in active work, instill a sense of confidence in them, constantly remind them that they are victims in need of help and support.

6) *culture of intelligent machos*. Externally, this culture does not consider gender differences, because it values intelligent and energetic people who know how to deal with tough competition and to ensure high economic efficiency of the organization. Those who do not cope are punished and fired, and sometimes women are crueller and more merciless.

One organization can have several "local" cultures: prevailing culture of organization and culture of its parts — levels, subdivisions, professional, national, age, gender, and other groups. These different subcultures can coexist within one common culture. Organizational culture is a dynamic phenomenon. Usually, the organization grows due to the attraction of new members, which come from other organizations with different cultures and bring new elements of another culture. The content of organizational culture affects the direction of behavior and is determined not just by the sum of assumptions, but by how they are related to each other and how they form certain patterns of behavior. A distinctive feature of a culture is the relative order in which the basic assumptions that form it are located. This indicates what policies and what principles should dominate in case of conflict between different sets of assumptions.

4. System of methods for supporting culture of organization and its change

Management of organizational culture is carried out by means of such measures as monitoring its condition from the side of managers; promotion and training of personnel in the necessary skills; selection of personnel corresponding to the culture, and the elimination of those who do not fit into it; wide use of symbols, rites, and rituals. Strength, stability, and vitality of organizational culture is determined by a number of its leading factors: quantity of beliefs, values shared by employees or the "thickness" of the culture; depth of culture support by organization members; clarity of cultural priorities.

The "thickness" of organizational culture is determined by the number of important assumptions shared by employees. Cultures with many levels of belief and values have strong

influence on behavior in the organization. In some cultures, shared beliefs and values are clearly deciphered. Their relative importance and the relationship between them do not reduce the role of each of them. In other cultures, the relative priorities and connections between shared values are less clear. In the first case, greater effect in terms of influencing people's behavior is achieved. Thus, a strong culture is "thicker", it is shared by many employees, clearly defines priorities, and has a deeper influence on behavior in the organization. A strong culture not only creates benefits for the organization. It should be borne in mind that it is also a serious obstacle to ways of making changes in the organization. Therefore, it is considered that it is better to have a moderately strong culture in the organization. Organization theory offers a system of methods to support organizational culture. The main groups of methods are the following:

Objects and subjects of attention, assessments, control by managers. This is one of the most powerful methods of support of culture in the organization, because the manager orients employees to what is important and what is expected of them through repeated actions.

Management response to critical situations and organizational crises. In these situations, managers and their subordinates reveal to themselves the organizational culture to such an extent, in which they did not imagine it. The depth and scope of the crisis may require from the organization either strengthening of the existing culture, or the introduction of new values and norms that change it to a certain extent.

Role modeling, learning, and training. Aspects of organizational culture are learned by subordinates through the prism of fulfilling their roles. Managers can specifically build important "cultural" cues into training programs and daily work support for subordinates. Constantly focusing attention on these moments, the manager helps support certain aspects of organizational cultures.

Criteria for determining rewards and statuses. Culture in an organization can be learned through a reward system and privileges. The latter are usually tied to certain samples of behavior and define priorities for employees; also indicate values of greater importance for individual managers and the organization as a whole.

Criteria for hiring, promotion and dismissal. This is one of the main ways of supporting culture in organizations. The starting points of regulating the personnel process become quickly known to the staff regarding the movement of employees within the organization. Criteria for personnel decisions can help or hinder strengthening culture that exists in the organization.

Organizational symbols and formality. Many beliefs and values, which are the basis of the organization's culture, are expressed through various rituals, customs, traditions, and ceremonies. Rituals include standard and recurring collective events held at a set time on a special occasion to influence behavior and employees' understanding of the organizational environment. Rituals are a system of rites. Even certain management decisions can become organizational rituals that employees interpret as part of the organizational culture. Such rites appear as organized and planned actions, which have an important "cultural" meaning. Abidance of rituals, rites and ceremonies strengthens the self-determination of employees.

One of the forms of manifestation of the organization's culture is its image, i.e., reputation, good name; image formed by customers, partners, public under the influence of results of activities, successes, or failures of the organization. The concept of image was proposed by the American economist K. Bolding in 1961. The basis of the image is: the existing style of internal and external business and interpersonal relations of personnel and official attributes — name of the organization, emblem, and trademark. Today, image is one of the most important characteristics of an organization, a factor of trust in it and its products, and therefore is a condition for its prosperity. The purpose of creating an image is not to gain popularity for the

organization, but to ensure a positive attitude to it. Its basis is reliability, decency, flexibility, culture, and social responsibility. The image is dynamic and can change under the influence of circumstances and new information. It is created by purposeful efforts and depends on each employee. Modern management desperately needs the formation of a high culture. Firstly, it is necessary to determine what type of culture is necessary for this orgnization. Having chosen it, it is necessary to comprehensively study the culture that has already been formed. As a result, a plan to transform the organizational culture in accordance with the previously set goal can be drawn up and staff support can be engaged.

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5. Change of organizational culture

Culture can change over time and under the influence of circumstances. The methods of changing the culture of the organization correspond to the methods of maintaining the culture. It includes:

- changing of objects and subjects of attention from the part of the manager
- changing in style of crisis or conflict management
- redesigning roles and changing emphasis in training programs
- changing the incentive criterion
- changing of emphasis in personnel policy
- changing of organizational symbols and rituals.

Changes in behavior can lead to changes in culture, and vice versa. There are three possibilities of combining changes in behavior and culture in the organization.

Changes in culture without changes in behavior. In this case, employees can change one or more beliefs or values, but at the same time they are not able to change their own appropriate behavior. The main problem is that people in the organization do not have the necessary skills and training to change behavior in these conditions.

Changes in behavior without changes in culture. In this case, one or more members of the organization or group may be convinced that organizational changes should happen, even though individual employees may not want it. The main problem is the lack of commitment and consistency in adapting one's formal behavior to the new culture.

Changes occur in both behavior and culture. It is a situation of constant change in the sense that people really and sincerely believe and value the way they do things in a new way, which gives inner satisfaction. When changes are made in the culture of the organization, several difficulties occur. They are especially generated by resistance to cultural changes. This becomes noticeable when the changes begin to affect the deep meaning of the organizational culture. The degree of resistance to changes in the culture of the organization is proportional to the number of changes in content, that is, the level of their radicality and forces of the prevailing culture in the organization. Changes in organizational culture can either precede or follow behavioral changes. There are two possible approaches to culture change: adoption of new beliefs and values by employees of the organization; inclusion and socialization of new people in the organization, as well as dismissal of people. Changes in the content of culture are needed when culture that exists in the organization does not contribute to behavioral changes to the state necessary to achieve the desired level of organizational activity.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 5. Life cycle of an organization

A useful way to think about organizational growth and change is the concept of an

organizational life cycle, which suggests that organizations are born, grow older, and eventually die. Organization structure, leadership style, and administrative systems follow a predictable pattern through stages in the life cycle. Stages are sequential and follow a natural progression.

1. Stages of an organization's life cycle

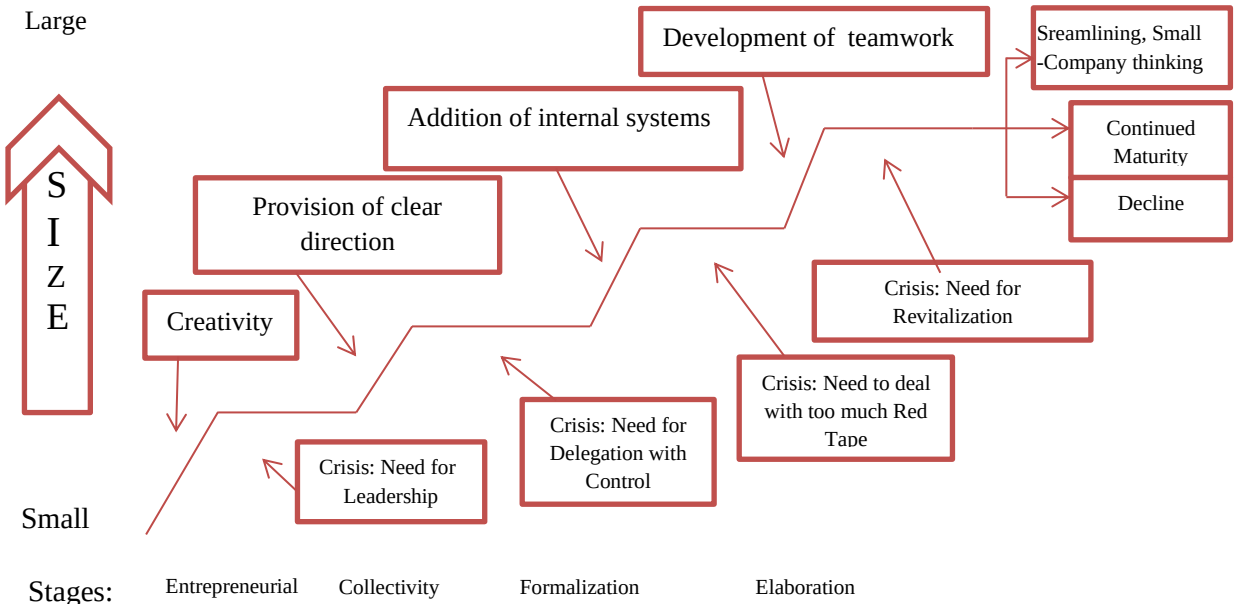


Fig. 5.1. Organizational life cycle
Source: [3; 4]

Research on organizational life cycle suggests that four major stages characterize organizational development. Fig.5.1 illustrates these four stages along with the problems associated with transition to each stage. Growth is not easy. Each time an organization enters a new stage in the life cycle, it enters a whole new ball game with a new set of rules for how the organization functions internally and how it relates to the external environment. For technology companies today, life cycles are getting shorter; to stay competitive, companies like eBay, Google, and MySpace should successfully progress through stages of the cycle faster.

1. **Entrepreneurial stage.** When an organization is born, the emphasis is on creating a product or service and surviving in the marketplace. The founders are entrepreneurs, and they devote their full energies to the technical activities of production and marketing. The organization is informal and nonbureaucratic. The hours of work are long. Control is based on the owners' personal supervision. Growth is from a creative new product or service. For example, Jimmy Wales and Larry Sanger co-founded Wikipedia in 2001 based on the idea of an open source, collaborative encyclopedia, open to contributions by ordinary people. They personally provided oversight of the project during its early years, with Wales acting as visionary leader and Sanger focused primarily on developing the new service. Apple (originally Apple Computer) was in the entrepreneurial stage when it was created by Steve Jobs and Stephen Wozniak in Wozniak's parents' garage.

Crisis: Need for leadership. As the organization starts to grow, the larger number of employees causes problems. The creative and technically oriented owners are confronted with management issues, but they may prefer to focus their energies on making and selling the

product or inventing new products and services. At this time of crisis, entrepreneurs should either adjust the structure of the organization to accommodate continued growth or else bring in strong managers who can do so. When Apple began a period of rapid growth, A. C. Markkula was brought in as a leader because neither Jobs nor Wozniak was qualified or cared to manage the expanding company.

2. Collectivity stage. If the leadership crisis is resolved, strong leadership is obtained, and the organization begins to develop clear goals and direction. Departments are established along with a hierarchy of authority, job assignments, and a beginning division of labor. Social networking company Facebook moved quickly from the entrepreneurial to the collectivity stage. Twenty-three-year-old founder Mark Zuckerberg knows his company has to "grow up at Internet speed", so he recruited a top Google executive, Sheryl Sandberg, to serve as chief operating officer. Facebook also hired other skilled executives to manage various functions such as marketing, legal, communications and public relations, and finance. In the collectivity stage, employees identify with the mission of the organization and spend long hours helping the organization succeed. Members feel part of a collective. Communication and control are mostly informal although a few formal systems begin to appear. Apple was in the collectivity stage during the rapid growth years from 1978 to 1981. Jobs remained as CEO and visionary leader, although Markkula and other executives handled most of the management responsibilities. Employees threw themselves into the business as the major product line was established and more than 2,000 dealers signed on.

Crisis: Need for delegation. If the new management has been successful, lower-level employees gradually find themselves restricted by the strong top-down leadership. Lower-level managers begin to acquire confidence in their own functional areas and want more discretion. An autonomy crisis occurs when top managers, who were successful because of their strong leadership and vision, do not want to give up responsibility. Top managers want to make sure that all parts of the organization are coordinated and pulled together. The organization needs to find mechanisms to control and coordinate departments without direct supervision from the top.

3. Formalization stage. The formalization stage involves the installation and use of rules, procedures, and control systems. Communication is less frequent and more formal. Engineers, human resource specialists, and other staff may be added. Top management becomes concerned with issues such as strategy and planning and leaves the operations of the firm to middle management. Product groups or other decentralized units may be formed to improve coordination. Incentive systems based on profits may be implemented to ensure that managers work toward what is best for the overall company. When effective, the new coordination and control systems enable the organization to continue growing by establishing linkage mechanisms between top management and field units. Apple was in the formalization stage in the late 1980s. **Crisis:** Too much red tape. At this point in the organization's development, the proliferation of systems and programs may begin to strangle middle-level executives. The organization seems bureaucratized. Middle management may resent the intrusion of staff. Innovation may be restricted. The organization seems too large and complex to be managed through formal programs. It was at this stage of Apple's growth that Jobs resigned from the company and a new CEO took control to face his own management challenges.

4. Elaboration stage. The solution to the red tape crisis is a new sense of collaboration and teamwork. Throughout the organization, managers develop skills for confronting problems and working together. Bureaucracy may have reached its limit. Social control and self-discipline reduce the need for additional formal controls. Managers learn to work within the bureaucracy without adding to it. Formal systems may be simplified and replaced by managing teams and

task forces. To achieve collaboration, teams are often formed across functions or divisions of the company. The organization may also be split into multiple divisions to maintain a small-company philosophy. Apple is currently in the elaboration stage of the life cycle, as are such large companies as General Electric, Caterpillar, and Motorola. **Crisis: Need for revitalization**. After the organization reaches maturity, it may enter periods of temporary decline. A need for renewal may occur every ten to twenty years. The organization shifts out of alignment with the environment or perhaps becomes slow moving and overbureaucratized and should go through a stage of streamlining and innovation. Top managers are often replaced during this period. At Apple, the top spot changed hands several times as the company struggled to revitalize. CEOs John Sculley, Michael Spindler, and Gilbert Amelio were each ousted by the board as Apple's problems deepened. Steve Jobs returned in mid-1997 to run the company he had founded nearly twenty-five years earlier. Jobs quickly reorganized the company, weeded out inefficiencies, and refocused Apple on innovative products for the consumer market. Jobs brought the entrepreneurial spirit back to Apple and moved the company into a whole new direction with the iPod music system and the iPhone. Sales and profits began to zoom. In the years since he had left Apple, Jobs had gained management skills and experience, but he was also smart enough to bring in other skilled managers. For instance, Timothy D. Cook, hired by Jobs in 1998, has been referred to as "the story behind the story". Jobs provides vision and entrepreneurial spirit, but Cook, as chief operating officer and second-in-command, makes sure things run smoothly behind the scenes. Apple is hot right now, but it faces the problems all mature organizations deal with. All mature organizations should go through periods of revitalization, or they will decline, as shown in the last stage of Exhibit. 84% of businesses that make it past the first year still fail within five years because they can't make the transition from the entrepreneurial stage. The transitions become even more difficult as organizations progress through future stages of the life cycle. Organizations that do not successfully resolve the problems associated with these transitions are restricted in their growth and may even fail. From within an organization, the life cycle crises are very real. For example, some former employees as well as Wall Street analysts worry that Amazon CEO Jeff Bezos's leadership style has the company stuck at early stages of the life cycle.

Organizational Characteristics during the Life Cycle. As organizations evolve through the four stages of the life cycle, changes take place in structure, control systems, innovation, and goals. The organizational characteristics associated with each stage are summarized in Table 5.1. **Entrepreneurial.** Initially, the organization is small, nonbureaucratic, and a one-person show. The top manager provides the structure and control system. Organizational energy is devoted to survival and the production of a single product or service. **Collectivity.** This is the organization's youth. Growth is rapid, and employees are excited and committed to the organization's mission. The structure is still mostly informal, although some procedures are emerging. Strong charismatic leaders like Jeff Bezos at Amazon.com provide direction and goals for the organization. Continued growth is a major goal. **Formalization.** At this point, the organization is entering midlife. Bureaucratic characteristics emerge. The organization adds staff support groups, formalizes procedures, and establishes a clear hierarchy and division of labor. At the formalization stage, organizations may also develop complementary products to offer a complete product line. Innovation may be achieved by establishing a separate research and development (R&D) department. Major goals are internal stability and market expansion. Top management delegates, but it also implements formal control systems. This is the stage where Jeff Bezos of Amazon is having trouble managing the transition because he doesn't want to give up personal control. **Elaboration.** The mature organization is large and bureaucratic, with

extensive control systems, rules, and procedures. Organization managers attempt to develop a team orientation within the bureaucracy to prevent further bureaucratization. Top managers are concerned with establishing a complete organization. Organizational stature and reputation are important. Innovation is institutionalized through an R&D department. Management may attack the bureaucracy and streamline it. Growing organizations move through stages of a life cycle, and each stage is associated with specific characteristics of structure, control systems, goals, and innovation. The life cycle phenomenon is a powerful concept used for understanding problems facing organizations and how managers can respond in a positive way to move an organization to the next stage.

Table 5.1

Organization Characteristics during Four Stages of Life Cycle

Characteristic	1 Entrepreneurial Nonbureaucratic	2 Collectivity Prebureaucratic	3 Formalization Bureaucratic	4 Elaboration VeryBureaucratic
Structure	Informal, one-person show	Mostly informal, some procedures	Formal procedures, division of labor, new specialties added	Teamwork within bureaucracy, small-company thinking
Products or services	Single product or service	Major product or service, with variations	Line of products or services	Multiple product or service l ines
Reward and control systems	Personal, paternalistic	Personal, contribution to success	Impersonal, formalized systems	Extensive, tailored to product and department
Innovation	By owner-manager	By employees and managers	By separate innovation group	By institutionalized R&D department
Goal	Survival	Growth	Internal stability, market expansion	Reputation, complete organization
Top management style	Individualistic, entrepreneurial	Charismatic, direction-giving	Delegation with control	Team approach, attack bureaucracy

Source: [3; 4]

The life cycle of the organization plays a large role in the system of factors of the internal environment of the organization, although rarely stands out because of what is perceived not as a situational variable, but as a system-wide property of the organization, reflected on its other components. However, many difficulties and problems of the organization are determined by the level of its maturity. The life cycle of an organization is a set of stages which are gone through by the organization during the period of its life: birth, childhood, youth, maturity, aging, rebirth.

The birth of any organization relates to the need to satisfy the interests of a new client, with the search and occupying a free market niche. The main goal of the organization at this stage is survival, which requires leadership of the organization of such qualities as belief in success, willingness to take risks, high efficiency. Characteristic for the birth stage is a small number of companions. Special value at this stage should be given to everything new and unusual.

Childhood is a dangerous stage, because at this period the organization's growth occurs

disproportionate compared to the change of management potential. At this stage, most of the organizations that are formed experience collapse due to the inexperience and incompetence of their own managers The main task of the organization here is to strengthen its position on the market, while special importance is attached to strengthening competitiveness. The main goal of the organization at this stage is short-term success and ensuring rapid growth.

Youth is a period of transition from complex management carried out by a small team of like-minded people to differentiated management using simple forms of financing, planning, and forecasting. Main goal of the organization in this period is to ensure accelerated growth and, as a rule, complete capture of the part of its market. The stage of youth is characterized by the fact that intuitive risk assessment by management of the organization is no longer sufficient, that forces managers to use mathematical estimates of possible losses because of risk. In this period the organization needs specialists in narrow areas of knowledge.

Maturity — the development of the organization at this stage is directed in favor of balanced growth based on a stable structure and clear management. The head of the organization is usually satisfied with the logic and smoothness of the management system, which slows down his interest in adapting to changes of external environment, as well as to modernization and decentralization. Thus, the stage of maturity is associated with the penetration of the organization into new areas of activity, expansion, and differentiation; however, it is during this period that bureaucracy is actively emerging in the management system. Three maturity stages of the organization stand out: *early, intermediate, and final*. The period of early maturity is characterized by the systematic growth of the organization, balanced growth occurs in the period of intermediate maturity, and the stage of final maturity is the period of formation of the individuality and image of the organization. The stage of maturity is dangerous due to the possibility of appearing in management of the organization the consciousness of the completeness of the movement forward.

The stage of **aging** is characterized by the triumph of bureaucracy at all stages of management, the death of new ideas in cumbersome management structures. The main task of the organization in this period is a struggle for survival and stability.

During the period of **revival,** a new team of managers enters the organization whose specific views allow implementing programs of internal reconstruction, changing management structure. In the management of the organization, as a rule, a leader who can give impetus to the management structure appears. The main goal in this period is to revitalize the organization.

For effective management, the manager needs to consider the peculiarities of management at each of the considered stages of the organization's life cycle.

2. Size of an organization

In the world of advertising, Crispin Porter & Bogusky is a bit of a maverick. The agency’s unusual ads and innovative techniques have been successful in an environment in which consumers are viewing the media and looking at advertising in new ways. But Crispin managers now face a challenge: how to make sure the hotshot agency stays hot as it copes with rapid growth and huge international accounts. They know that many creative upstarts have faltered, failed, or been swallowed up by larger firms as they try to make the transition to ad industry titans. As organizations like Crispin Porter & Bogusky grow large and complex, they need more complex systems and procedures for guiding and controlling the organization. Many entrepreneurs have trouble taking their companies through the growing pains. Moreover, the addition of more complex systems and procedures can also cause problems of inefficiency, rigidity, and slow response time, meaning the company has a hard time adapting quickly to

client or customer needs. Every organization—from locally owned restaurants and auto body shops to large international firms such as Coca-Cola and law-enforcement agencies such as the CIA and Interpol—wrestles with questions about organizational size, bureaucracy, and control. During the twentieth century, large organizations became widespread, and bureaucracy has become a major topic of study in organization theory. Most large organizations have bureaucratic characteristics, which can be very effective. These organizations provide us with abundant goods and services and accomplish astonishing feats—explorations of Mars, overnight delivery of packages to any location in the world, the scheduling and coordination of thousands of airline flights a day—that are testimony to their effectiveness. On the other hand, bureaucracy is also accused of many sins, including inefficiency, rigidity, and demeaning routinized work that alienates both employees and the customers an organization tries to serve.

The question of big versus small begins with the notion of growth and the reasons so many organizations feel the need to grow large. Entrepreneurial start-ups are the lifeblood of the U.S. economy. Yet the hope of practically every entrepreneur is to have his or her company grow fast and grow large, maybe even to eventually make the Fortune 500 list. Sometimes this goal is more urgent than to make the best products or show the greatest profits. However, there are some thriving companies where managers have resisted the pressure for endless growth to focus instead on different goals. Recent economic woes and layoffs at many large firms have spurred budding entrepreneurs to take a chance on starting their own company or going it alone in a sole proprietorship. Yet despite the proliferation of new, small organizations, the giants such as Procter & Gamble, General Electric, Toyota, and Wal-Mart have continued to grow. For example, Wal-Mart's employee base is almost as big as the population of the city of Houston, Texas. The combined square footage of Home Depot's retail stores is about the same as 92,564 average-sized U.S. homes. Verizon's fiber-optic cable for its Internet network would reach around the world 18 times. Companies in all industries, from retail, to aerospace, to media, strive for growth to acquire the size and resources needed to compete on a global scale, to invest in new technology, and to control distribution channels and guarantee access to markets. There are a number of other pressures for organizations to grow. Many executives have found that firms should grow to stay economically healthy. To stop growing is to stagnate. To be stable means that customers may not have their demands fully met or that competitors will increase market share at the expense of your company. At Wal-Mart, managers have vowed to continue an emphasis on growth even though it means a decreasing return on investment (ROI). They are ingrained with the idea that to stop growing is to stagnate and die. As chief financial officer Tom Schoewe put it, even if the ROI could "come down a bit and we could grow faster, that would be just fine by me". Large size enables companies to take risks that could ruin smaller firms, and scale is crucial to economic health in some industries. For marketing-intensive companies such as Coca-Cola, Procter & Gamble, and Anheuser-Busch, greater size provides power in the marketplace and thus increases revenues. Companies striving to develop renewable-energy technology have found that "the biggest bang for the buck is to go large," as entrepreneur Mark Rogers of the Cape Wind project in Massachusetts said. Many of the development costs for wind turbine and solar energy projects vary little whether the project is very large or very small, so increasing the size of the project makes it more cost-effective. In addition, growing organizations are vibrant, exciting places to work, which enables these companies to attract and keep quality employees. When the number of employees is expanding, the company can offer many challenges and opportunities for advancement.

Organizations feel compelled to grow, but how much and how large? What size organization is better poised to compete in a fast-changing global environment? The arguments are

summarized in Table 5.2.

Large. Huge resources and economies of scale are needed for many organizations to compete globally. Only large organizations can build a massive pipeline in Alaska. Only a large corporation like General Electric can afford to build ultraefficient $2 million wind turbines that contain 8,000 different parts. Only a large Johnson & Johnson can invest hundreds of millions in new products such as bifocal contact lenses and a patch that delivers contraceptives through the skin. In addition, large organizations have the resources to be a supportive economic and social force in difficult times. In 2005, after Hurricane Katrina wiped out New Orleans and much of the Gulf Coast, Wal-Mart gave thousands of employees $1,000 for emergency assistance, offered residents of the affected areas a free seven-day emergency supply of prescription drugs, shipped more than 100 truckloads of supplies to evacuation centers, and donated millions to relief organizations. Similarly, following the 2001 terrorist attacks in the United States, American Express had the resources to help stranded customers get home and waive delinquent fees on late payments. Large organizations also can get back to business more quickly following a disaster, giving employees a sense of security, and belonging during an uncertain time. Large companies are standardized, often mechanistically run, and complex.

Complexity offers hundreds of functional specialties within the organization to perform multifaceted tasks and to produce varied and complicated products. Moreover, large organizations, once established, can be a presence that stabilizes a market for years. Managers can join the company and expect a career reminiscent of the "organization men" of the 1950s and 1960s. The organization can provide longevity, raises, and promotions.

Table 5.2

Differences between Large and Small Organizations

Large	Small
Economies of scale	Responsive, flexible
Global reach	Regional reach
Vertical hierarchy, mechanistic	Flat structure, organic
Complex	Simple
Stable market	Niche finding
"Organization men"	Entrepreneurs

Source: [4]

Small. The competing argument says small is beautiful because the crucial requirements for success in a global economy are responsiveness and flexibility in fast-changing markets. Small scale can provide significant advantages in terms of quick reaction to changing customer needs or shifting environmental and market conditions. In addition, small organizations often enjoy greater employee commitment because it is easier for people to feel like part of a community. Employees typically work on a variety of tasks rather than narrow, specialized jobs. For many people, working in a small company is more exciting and fulfilling than working in a huge organization. Where would you be happier as a manager?

Many large companies have grown even larger through merger or acquisition in recent years, yet research indicates that few of these mergers live up to their expected performance levels. Studies by consulting firms such as McKinsey & Company, the Hay Group, and others suggest that performance declines in almost 20 % of acquired companies after acquisition. By some estimates, 90 % of mergers never live up to expectations. A look at ten of the biggest mergers of all time, including AOL/Time Warner, Glaxo/SmithKline, and Daimler/Chrysler, showed a

significant decline in shareholder value for eight of the ten combined companies. Only two, Exxon/Mobil and Travelers/Citicorp, increased in value. Although there are numerous factors involved in the decline in value, many researchers and analysts agree that, frequently, bigness just doesn't add up to better performance.

Despite the increasing size of many companies, the economic vitality of the United States, as well as most of the rest of the developed world, is tied to small and mid-sized businesses. There are an estimated 25 to 26 million small businesses in the United States, which account for a tremendous portion of goods and services provided. In addition, a large percentage of exporters are small businesses. The growth of the Internet and other information technologies has made it easier for small companies to compete with larger firms. And the growing service sector also contributes to a decrease in average organization size, as many service companies remain small to better serve customers.

Small organizations have a flat structure and an organic, free-flowing management style that encourages entrepreneurship and innovation. Today's leading biotechnology drugs, for example, were all discovered by small firms, such as Gilead Sciences, which developed anti-retroviral drugs to treat HIV, rather than by huge pharmaceutical companies such as Merck. Moreover, the personal involvement of employees in small firms encourages motivation and commitment because employees personally identify with the company's mission. Based on studies of primitive societies, religious sects, military organizations, and some businesses, anthropologist Robin Dunbar proposed that 150 is the optimum size for any group trying to achieve a goal. Dunbar says beyond that size, the group's effectiveness wanes because of too many rules, procedures, and red tape that slows things down and saps group morale, enthusiasm, and commitment.

Big-Company/Small-Company Hybrid. The paradox is that the advantages of small companies sometimes enable them to succeed and, hence, grow large. Small companies can become victims of their own success as they grow, shifting to a mechanistic structure emphasizing vertical hierarchy and spawning "organization men" rather than entrepreneurs. Giant companies are "built for optimization, not innovation." Big companies become committed to their existing products and technologies and have a hard time supporting innovation for the future. The solution is what Jack Welch, retired chairman and CEO of General Electric, called the "big-company/small-company hybrid" that combines a large corporation's resources and reach with a small company's simplicity and flexibility. Full-service global firms need a strong resource base and sufficient complexity and hierarchy to serve clients around the world. Size is not necessarily at odds with speed and flexibility, but managers should find ways to encourage innovation and adapt quickly. The divisional structure is one way some large organizations attain a big-company/small-company hybrid. By reorganizing into groups of small companies, huge corporations such as Johnson & Johnson capture the mindset and advantages of smallness. Johnson & Johnson is a group of 250 separate companies operating in fifty-seven countries. The development of new organizational forms, with an emphasis on decentralizing authority and cutting out layers of the hierarchy, combined with the increasing use of information technology, is making it easier than ever for companies to be simultaneously large and small, thus capturing the advantages of each. The shift can even be seen in the U.S. military. Unlike World War II, for example, which was fought with large masses of soldiers guided by decisions made at top levels, today's "war on terrorism" depends on decentralized decision making and smaller forces of highly skilled soldiers with access to up-to-the-minute information. Big companies also find a variety of ways to act both large and small. Retail giant Lowe's, for example, uses the advantage of size in areas such as advertising, purchasing, and raising capital; however, executives give

each individual store the autonomy needed to serve customers as if it were a small, hometown shop. To avoid the problem of isolated top managers, mutual fund manager Vanguard requires everyone—even the CEO—to spend some time each month manning the phones and talking directly to customers. The giant corporation Royal Dutch/Shell encourages innovation in its exploration-and-production division by setting aside 10 % of the division's research budget for "crazy" ideas. Anyone can apply for the funds, and decisions are made not by managers but by a small group of nonconformist employees. Small companies that are growing can also use these ideas to help their organizations retain the flexibility and customer focus that fueled their growth.

3. Downsizing and organizational decline

The organizational life cycle suggests that organizations are born, grow older, and eventually die. Size can become a burden for many organizations. For xample, General Motors is collapsing under its own weight. Not only is the company laboring under a financial burden of huge pension and health care obligations, but its cumbersome bureaucracy has made it hard for GM to connect with the needs of consumers. Regional managers say their ideas and suggestions for product changes or advertising approaches never reach decision makers or fall on deaf ears. Every organization goes through periods of temporary decline. Even the storied General Electric is facing problems related to huge size, which have been compounded by the global financial crisis. By the time GE decided to sell off its private-label credit card business and the lightbulb division, for instance, no one was buying. In addition, a reality in today's environment is that for some companies, continual growth and expansion may not be possible. All around, we see evidence that some organizations have stopped growing, and many are declining. Huge financial services firms, such as Lehman Brothers and Bear Stearns, collapsed partly because of unfettered growth and ineffective control. Starbucks had to bring its period of rampant expansion to an end when it became clear that it was cannibalizing sales and threatening the chain's success. In mid-2008, Starbucks announced that it would close 500 of its U.S. stores. Local governments have been forced to close schools and lay off teachers as tax revenues have declined. Many big organizations, including Siemens, Sprint, American Airlines, Nissan, Yahoo!, and even the American Red Cross, have had significant job cuts in recent years. In this section, we examine the causes and stages of organizational decline and then discuss how leaders can effectively manage the downsizing that is a reality in today's companies.

Definition and Causes. The term organizational decline is used to define a condition in which a substantial, absolute decrease in an organization's resource base occurs over time. Organizational decline is often associated with environmental decline in the sense that an organizational domain experiences either a reduction in size (such as shrinkage in customer demand or erosion of a city's tax base) or a reduction in shape (such as a shift in customer demand). In general, three factors are considered to cause organizational decline.

1. **Organizational atrophy**. Atrophy occurs when organizations grow older and become inefficient and overly bureaucratized. The organization's ability to adapt to its environment deteriorates. Often, atrophy follows a long period of success because an organization takes success for granted, becomes attached to practices and structures that worked in the past, and fails to adapt to changes in the environment. Some warning signals for organizational atrophy include excess administrative and support staff, cumbersome administrative procedures, lack of effective communication and coordination, and outdated organizational structure.

2. **Vulnerability.** Vulnerability reflects an organization's strategic inability to prosper in its environment. It often happens to small organizations that are not yet fully established. They are

vulnerable to shifts in consumer tastes or in the economic health of the larger community. Small e-commerce companies that had not yet become established were the first to go out of business when the technology sector began to decline. Some organizations are vulnerable because they are unable to define the correct strategy to fit the environment. Vulnerable organizations typically need to redefine their environmental domain to enter new industries or markets.

3. **Environmental decline or competition**. Environmental decline refers to reduced energy and resources available to support an organization. When the environment has less capacity to support organizations, the organization should either scale down operations or shift to another domain. This is the problem managers face at the American Red Cross. The 126-year-old organization has struggled with fund-raising for several years and finds itself in a position to spend more than it is bringing in. Steep drops in the stock market, rising prices, and general pessimism about the U.S. economy are creating a tough fund-raising environment for all nonprofits. New competition can also be a problem, especially for small organizations. Consider what's happening to U.S. toolmakers, the companies that make the dies, molds, jigs, fixtures, and gauges used on factory floors to manufacture everything from car doors to laser-guided bombs. Hundreds of the companies—including 1 of only 2 firms in the USA **capable** of making tools used to build components of stealth aircraft—went out of business, unable to compete with the super-low prices their counterparts in China are offering. As more toolmakers go out of business, the National Tooling Association urged Congress to pass legislation that would "level the playing field" and enable these small firms to stay competitive with Chinese companies.

A Model of Decline Stages. Based on an extensive review of organizational decline research, a model of decline stages has been proposed and is summarized in Fig.5.2.

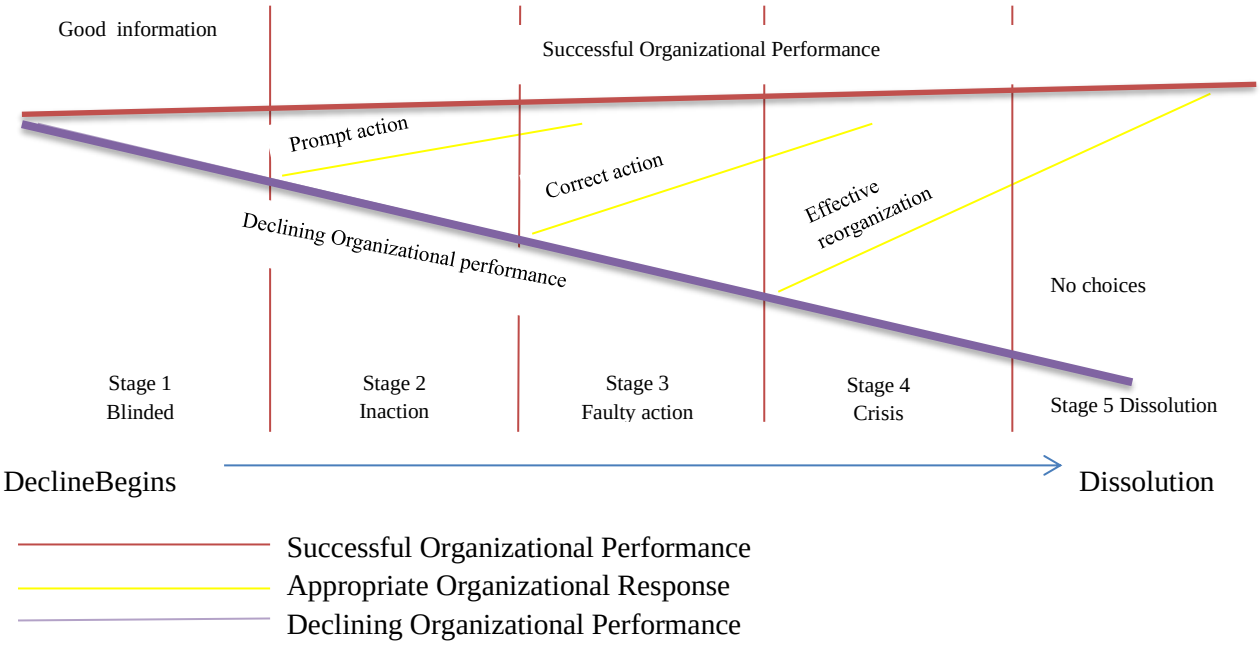


Fig.5.2. A model of decline stages
Source: [3; 4]

The model suggests that decline, if not managed properly, can move through 5 stages resulting in organizational dissolution.

1. Blinded stage. The first stage of decline is the internal and external change that threatens long-term survival and may require the organization to tighten up. The organization may have excess personnel, cumbersome procedures, or lack of harmony with customers. Leaders often

miss the signals of decline at this point, and the solution is to develop effective scanning and control systems that indicate when something is wrong. With timely information, alert executives can bring the organization back to top performance.

2. Inaction stage. The second stage of decline is called inaction in which denial occurs despite signs of deteriorating performance. Leaders may try to persuade employees that all is well. "Creative accounting" may make things look fine during this period. The solution is for leaders to acknowledge the decline and take prompt action to realign the organization with the environment. Leadership actions may include new problem-solving approaches, increasing decision-making participation, and encouraging expression of dissatisfaction to learn what is wrong.

3. Faulty action stage. In the third stage, the organization is facing serious problems, and indicators of poor performance cannot be ignored. Failure to adjust to the declining spiral at this point can lead to organizational failure. Leaders are forced by severe circumstances to consider major changes. Actions may involve retrenchment, including downsizing personnel. Leaders should reduce employee uncertainty by clarifying values and providing information. A major mistake at this stage decreases the organization's chance for a turnaround.

4. Crisis stage. In the fourth stage, the organization still has not been able to deal with decline effectively and is facing a panic. The organization may experience chaos, efforts to go back to basics, sharp changes, and anger. It is best for managers to prevent a stage-4 crisis; at this stage, the only solution is major reorganization. The social fabric of the organization is eroding, and dramatic actions, such as replacing top administrators and revolutionary changes in structure, strategy, and culture, are necessary. Workforce downsizing may be severe.

5. Dissolution stage. This stage of decline is irreversible. The organization is suffering loss of markets and reputation, the loss of its best personnel, and capital depletion. The only available strategy is to close the organization in an orderly fashion and reduce the separation trauma of employees.

Properly managing organizational decline is necessary if an organization is to avoid dissolution. Leaders have a responsibility to detect the signs of decline, acknowledge them, implement necessary action, and reverse course. Some of the most difficult decisions pertain to downsizing, which refers to intentionally reducing the size of a company's workforce.

Case Study. The following example shows how good managers take action to reverse the course of decline and position the organization for future success. In 2001 B. Walker confronted H. Miller CEO M. Volkema and the rest of the top executive team. Walker (who was then president of Herman Miller North America and today serves as CEO of the company) told the team they needed to stop hoping for a quick turnaround and start planning for brutal cutbacks to help the company survive. After years of success, the maker of office furniture such as the stylish, ergonomically engineered Aeron chair was suffering "an industry heart attack," with sales dropping drastically after the collapse of the dot-com boom. Managers noticed the decline, but they kept thinking it would be short-lived. Walker, though, believed it was just the beginning of a long and painful downturn. He was right; by 2003, the company's business had dropped 45 %. Fortunately, the executive team listened and acted. The plan involved some painful decisions and some risky ones. First, the team cut 4,500 jobs—nearly 38 % of the workforce, sold off more than a million square feet of prime real estate, and slashed some promising new businesses, such as a ready-to-assemble line of furniture sold over the Internet. However, managers knew that cutting back wasn't enough to ensure that the company would survive in the long term. Looking at the industry environment, the economy, and international competition, the team believed volatility in their business would increase rather than decrease in the future.

Therefore, they made a risky decision to invest millions in research and development of highly innovative ideas that might not pay off for years—if ever. The decisions about what to cut and what to fund were made thoughtfully after much debate and discussion. With the current economic environment, H. Miller is still facing challenges, but the most recent fiscal year's profits exceeded forecasts and new products, such as a new-generation cubicle that promises a sense of privacy with openness, are showing promise. The company began hiring more workers in mid-2008, and a $1,595 "environmentally friendly" executive chair named the Embody was touted by Fortune magazine as "the new throne of the techie." Moreover, the company is building business by creating innovative hospital furniture, such as a chair designed to help patients recovering from surgery.

Downsizing Implementation

The economic downturn has made downsizing a common practice in America's corporations. In addition, downsizing is a part of many change initiatives in today's organizations. Reengineering projects, mergers and acquisitions, global competition, and the trend toward outsourcing have all led to job reductions. Some researchers have found that massive downsizing has often not achieved the intended benefits and, in some cases, has significantly harmed the organization. Nevertheless, there are times when downsizing is a necessary part of managing organizational decline. Several techniques can help smooth the downsizing process and ease tensions for employees who leave and for those who remain.

1. **Communicate more, not less**. Some managers seem to think the less that's said about a pending layoff, the better. Not so. Rumors can be much more damaging than open communication. At 3Com Corporation, managers drew up a three-stage plan as they prepared for layoffs. First, they warned employees several months ahead that layoffs were inevitable. Soon thereafter, they held on-site presentations at all locations to explain to employees why the layoffs were needed and to provide as much information as they could about what employees should expect. Employees being cut were given a full sixty days' notice (now required by U.S. regulations). Managers should remember that it is impossible to "overcommunicate" during turbulent times. Remaining employees need to know what is expected of them, whether future layoffs are a possibility, and what the organization is doing to help co-workers who have lost their jobs.

2. Provide assistance to displaced workers. The organization has a responsibility to help displaced workers cope with the loss of their jobs and get reestablished in the job market. The organization can provide training, severance packages, extended benefits, and outplacement assistance. Ford Motor Company runs internal job fairs for laid-off employees. Kaiser-Hill, a company running the cleanup and dismantling of the Rocky Flats nuclear site in Colorado, set up a Workforce Transition Program, sponsors an online job bank, and funds grants for entrepreneurs. Because Kaiser-Hill should motivate employees to work themselves out of a job in a couple of years, it knows people need the security of feeling that they can provide for their families when the job is over. In addition, counseling services for both employees and their families can ease the trauma associated with a job loss. A growing number of companies are giving laid-off workers continued access to employee assistance programs to help them cope with stress, depression, and other problems. Another key step is to allow employees to leave with dignity, giving them an opportunity to say goodbye to colleagues and meet with leaders to express their hurt and anger.

3. Help the survivors thrive. There has been much research on the "layoff survivor syndrome". Many people experience guilt, anger, confusion, and sadness after the loss of colleagues, and leaders should acknowledge these feelings. Survivors also might be concerned

about losing their own jobs, lose confidence in company management, and grow depressed and cynical. People sometimes have difficulty adapting to the changes in job duties, responsibilities, and reporting relationships after a downsizing. The state of Oregon hired consultant Al Siebert to help employees adapt following the elimination of more than a thousand jobs. Most people "just aren't emotionally prepared to handle major disruptions," Siebert says. Through a series of workshops, Siebert helped people acknowledge their anger and unhappiness and then helped them become "change-resilient" by developing coping skills such as flexibility, curiosity, and optimism. Even the best-managed organizations may sometimes need to lay off employees in a turbulent environment or to revitalize the organization and reverse decline. Leaders can attain positive results if they handle downsizing in a way that lets departing employees leave with dignity and enables remaining organization members to be motivated, productive, and committed to a better future.

4. Product life cycle

The product life cycle includes all the processes performed from the moment the needs of consumers for a particular product are identified to the moment those needs are met.

Product life cycle stages. In the conditions of contract manufacturing, when the manufacturer needs to implement the customer's ideas in the form of a specific product, it is very important to organize a full cycle of the production process, from the development of the recipe and packaging design to the receipt by the customer of the required volume of finished products for sale. The organization of the quality control process at the enterprise is also important here. The tasks set should be achieved with maximum efficiency, i.e., it is necessary to ensure the effective functioning of all processes of the product life cycle to obtain products that meet the needs of the customer and direct consumers of products.

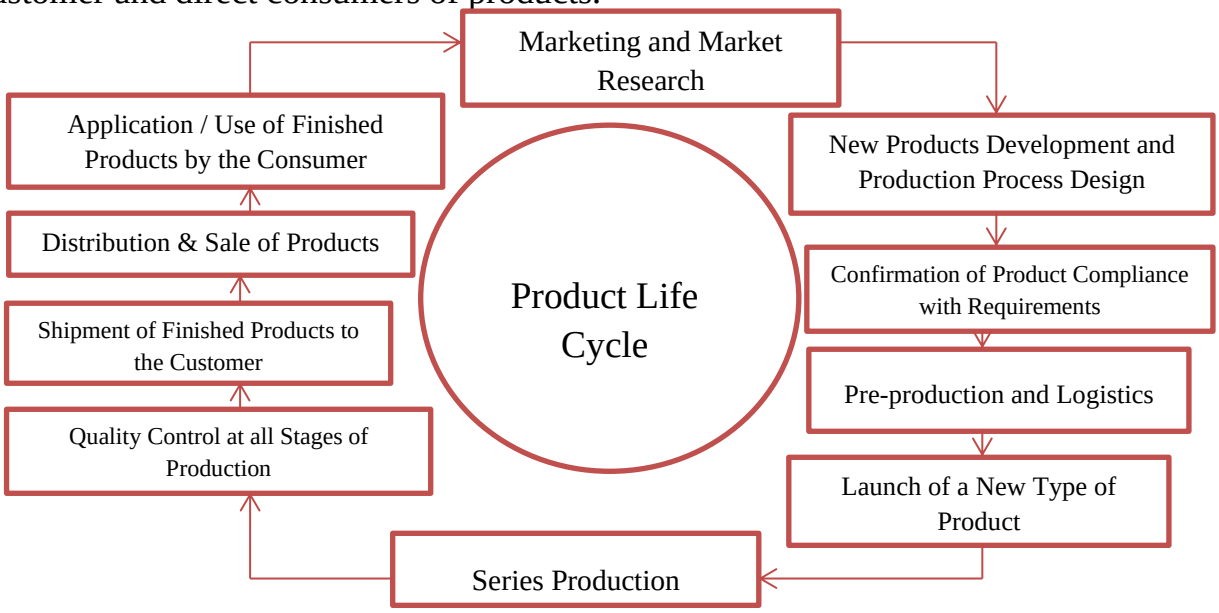


Fig.5.3. Stages of product life cycle
Source: [22-25]

The product life cycle consists of several stages, and any process is an activity that has an input and an output (Fig. 5.3).

It is the understanding that each process can be represented as a sequence of stages of activity that makes it possible to obtain output products with planned parameters. In practice, each enterprise in the planning process can break down the stages of the life cycle into components,

but it is necessary to ensure the integrity of quality management processes at all stages of the product life cycle.

For example, contract manufacturing can perform a full cycle of production based on a contract. The content of the stages of the life cycle of products in contract manufacturing:

Marketing stage. Marketing research and market analysis are carried out to obtain information about consumer demand for specific products. This stage, most often, is carried out directly by the customer or is transferred to a third-party organization specializing in the relevant field based on an agreement, i.e., by outsourcing.

Stage of development and design. It is necessary to develop a recipe and a layout of packaging materials, develop a technology to produce products. This defines the requirements related to the product. All legal requirements regulated, for example, by the Technical Regulations of the Customs Union, and the requirements of the customer regarding the consumer properties of the product and its packaging are required to fulfill.

Product certification stage. The developed product is subject to conformity assessment with the receipt of a certification document allowing the serial production of products. In accordance with the requirements, biologically active food supplements are subject to state registration, cosmetic products, depending on the type, are subject to declaration or state registration.

Stage of pre-production. Raw materials and packaging materials are purchased with mandatory input control and confirmation of compliance with established requirements. At the same stage, production is being prepared for the release of products, namely, the preparation of the main and auxiliary equipment, measuring instruments, the training of personnel, regulatory documentation, and the manufacture of reference samples.

Production setting stage. At the stage of setting, the development of the technological process is ensured to achieve the planned requirements for products. After that, serial production is possible.

Production stage. Production of products includes the manufacture of semi-finished products, product packaging and packaging. At the same time, compliance requirements should be met, which include identification, handling, storage, and protection.

Quality control stage. Quality and quantity control is carried out at all stages of production. Both the parameters of technological processes and the parameters of quality and safety of products are controlled. The parameters of technological processes are indicated in the technological instructions, all the norms of quality and safety indicators are regulated in the Specifications for each item of finished products.As for the net weight of packaged products, it is necessary to focus on the requirements of the state system for ensuring the uniformity of measurements (requirements for the number of packaged goods in packages of any kind during their production, packaging, sale and import). The consumer should receive the volume declared on the package or quantity of the product. For dosage forms of biologically active food supplements, the weight parameter will be critical, since for each unit of the dosage form (capsule or tablet) the rate of consumption of active substances is calculated based on the recommended ones. To justify the composition of specialized food products norms of physiological needs for energy and nutrients for various population groups are used.

Shipment of finished products. At this stage, the customer receives products for sale. Finished products are subject to shipment to the customer only after receiving the test results confirming compliance with the established requirements.

Stage of product realization. In the conditions of contract manufacturing, the implementation stage is carried out by the customer or with the help of dealer organizations based on concluded contracts.

Stage of product use. Cosmetic products and food supplements are not subject to after-sales service processes. But in the process of use, if the consumer reveals any inconsistencies in relation to the quality and safety of the purchased product during the expiration date indicated on the package, the consumer has the right to file a claim with the manufacturer. In turn, the manufacturer is obliged to consider all claims and identify the causes of identified non-conformities, which may lead to the need to make changes to the product life cycle processes.

It should be noted that properly planned processes that make up the life cycle of products lead to the release of high-quality and safe products, which adds value to both the manufacturer and the distributor and increases consumer demand for manufactured products. And this, in turn, allows the manufacturer to take a strong position in the market.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 6. Information and analytical technologies in an organization

1. The role of information in ensuring the effectiveness of an organization

Any management apparatus is an "information factory". Its main role is to process information, like an enterprise that is engaged in the processing of materials and energy production. The control apparatus receives information in various forms. The management apparatus produces information in the same forms. These can be data, issued by a computer in electronic form; documents that convey information in numerical or digital form; verbal information transmitted over the phone, often in electronic form. Between the process of obtaining and distributing information, management apparatus performs several different actions. It can: (a) convert information (for example, information about sales in information about received revenue and work performed); (b) combine information (for example, information on sales with information on purchases into information on inventory); (c) accumulate information (for example, sales information for preparation of monthly and annual income reports). A generalized diagram of connections in an organization that uses information technologies is shown in Fig. 6.1.

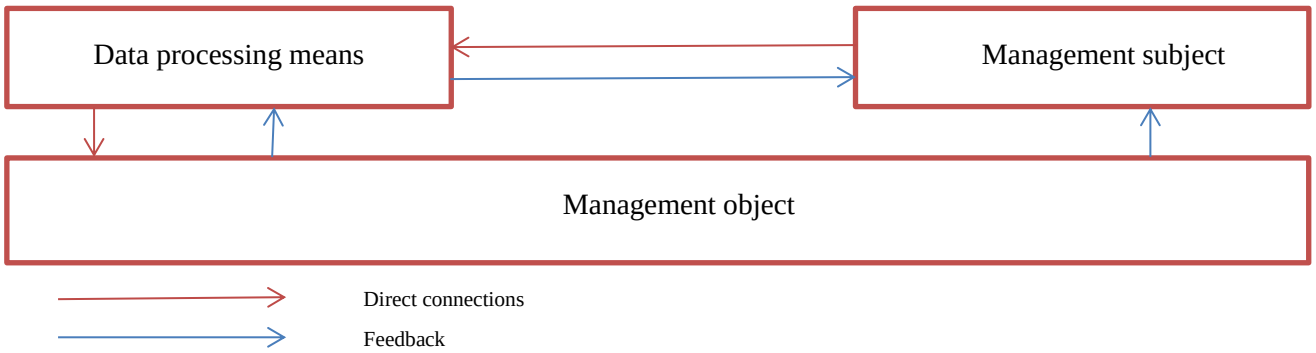


Fig. 6.1. A generalized scheme of connections in the modern management system, which uses information technologies

Source: [22-25]

As a rule, the management apparatus uses the received data as a basis to produce its most important products — solutions. These solutions can be: (a) local and of an operational nature, such as decisions related to procurement, hiring, and firing of employees, raising or lowering prices; (b) long-term, strategic nature — decisions related to the expansion of the organization, investments. Thus, the management apparatus is "factories of processed information", with output of two products types: information (data, documents, oral information) and rezolutions/solutions (short-term and long-term). In some cases, the management apparatus specializes in one of these spheres. The units of the apparatus that produce products of the first

type (information) include: units engaged in the preparation of technical instructions; accounting and financial divisions; units that prepare information for the public. The units of the apparatus, the main product of which is the production of rezolutions/solutions, include: production management subdivisions; units with management sales; top management apparatus. Apparatus links, that produce products of two types include: technical subdivisions; units dealing with personnel issues; marketing units. The management of the organization should deal with issues of productivity of "information factories" in the same way as divisions for the production of material products. In the production of information, increasing productivity means increasing the cost of information per unit of costs. It may be a larger amount of information (for example, more letters or technical instructions); higher quality of information (more readable texts, with fewer errors); more timely information (technical instructions are being prepared simultaneously with product modification). Regarding solutions - this is an increase in the cost of decisions per unit of costs. Practically, this means: a greater number of solutions (for example, based on a selection from a larger number of procurement options or labor supply); higher quality of decision (choice, which leads to an increase in profit or an improvement in the quality of the unit's work); more timely decisions (choice, which reacts more quickly to changing conditions).

Assessment of the performance of the control apparatus is difficult. Careful analysis and accurate measurement are often replaced with expert assessments and observations. The ranking of information used in organizations in a market economy is of some interest. One of the typical options for such assessments is based on the materials of sociological surveys, presented in Table. 6.1. The basis of the information and communication subsystem constitutes management information and communications arising during its receipt, processing, and storage.

Management information is a part of social information that is selected from the general array according to criteria of serviceability of processes of formation and implementation of management actions.

Table 6.1

Ranking of the manager's interest in business information

#	Business information	#	Business information
1	Reliability of business partners	12	Commercial offers
2	Sources of business information	13	State of goods market, services market
3	Prices, pricing	14	Foreign participation in the Ukrainian economy
4	business contracts and disputes, arbitration	15	Legislation
5	Banks	16	Exhibitions and fairs
6	Investment companies	17	Association of entrepreneurs, associations
7	Foreign Economic Activity	18	Market research Results
8	State of the credit market	19	Reasons for transformations, rehabilitation, liquidation of firms
9	State of the stock market	20	Advertising agencies
10	Enterprises, firms (addresses, performance indicators)	21	Audit firms
11	State of the real estate market	22	Insurance companies, pension funds

Source: [22-25]

We can single out the following sources that objectively generate management information: (a) legislative norms and other acts; (b) appeal of citizens to state bodies on realization of their legitimate interests and subjective rights; (c) mandatory instructions of authorities (directive management information); (d) management information about feedback in the management process; (e) problematic, conflict, extreme and other difficult situations.

2. Technologies of information activity in an organization

The evolution of the management apparatus from the point of view of information support can be traced back to ancient civilizations. For example, the ancient Assyrians used cuneiform writing to record the number of products spent, sold, and deposited, as well as amount of taxes. The types of activities and methods of operation of the management apparatus have undergone such a centuries-old evolution as from cuneiform writing to computers and telecommunications.

"Scribe's Office". The existence of such offices is evidenced by literary works created more than 150 years ago. In the descriptions of Charles Dickens, a picture of a London office of that time we can imagine like this: at a high desk a clerk sits on a stool and carefully enters accounts in an accounting book or writes letters with a quill pen, periodically dipping it into the inkwell. The main tools of an office worker of that time were a pen, an inkwell and an accounting book, the means of communication was a personal messenger or package service. By today's standards, the productivity of such an office looks extremely low: every letter was rewritten separately by hand. If an error was made, the entire letter was rewritten. Accounts were calculated manually. A single basis for decision-making was bills, there was no other information.

"Mechanized office". A significant change in technical equipment of the management apparatus took place in the 1880s with the emergence of the so-called "mechanized office". "Mechanization of the office" began with the invention of the typewriter and its appearance on the wide market. But it was widespread with the appearance of the telephone, telegraph, telex and teletype, as well as with the change of the state postal system and railways. All this replaced the "scribe's office", with "mechanized office": letters written mechanically under carbon copy (which reduced the time to write them); operational exchange of information between offices by means of postal communication, telegraph and telephone, which made it possible to make decisions on the basis of more complete information and in shorter terms; training of qualified personnel for clerks, accountants and other employees were not engaged in drawing up final documents.

As a result of these changes, the productivity of the management apparatus has significantly increased. With the change in technology changes in the management apparatus and its functions started. The management apparatus equipped with technology created the preconditions for the development of a modern bureaucratic organization, large corporations, and government agencies, as it provided them with vital information and document processing tools.

"Electrified office". The industrial revolution of the first half of the 20 century was characterized by the widespread development of industrial and household tools powered by electricity or electrical signals. The technology of the control apparatus was changing, especially in the 1940s and 1960s, when electric typewriters with replaceable heads were widely used, copying devices that work with plain paper, portable recorders, and facsimile devices. As a result, was the appearance of the so-called "electrified office". The main goal of this series of innovations was to improve the level of office work. It increased the productivity of the management and improved the quality of documents. The electric typewriter was faster and provided clearer, better-quality printing and allowed for variable fonts. The copying device, which works with any paper, produced high-quality copies of a wide variety of materials at low cost. At the same time the speed of information transfer significantly increased. However, in the process of preparing and analyzing management information, a lot of inconvenience is created by the use by organizations of various forms of storage and transmission of information

(especially outdated, in the form of text files of an arbitrary structure.

"Electronic office". The emergence of the microcomputer led to further changes in the technical equipment of management and the birth of its new type - the "electronic office", based on the widespread use of information technology, information networks, the Internet, computer equipment, office equipment and specialized software. By converting information according to a complex program, a microcomputer embodies a primitive form of intelligence. A distinctive feature of the transition to an "electronic office" is the ability to use technology to process the content of information. Typewriter, telephone, copy machine, dictaphone, and facsimile machine only allow you to change the form or location of information. They translate it from oral to written, to electrical and transmit it from sender to receiver at the speed of light. But these means of office equipment do not change the content of information (unless an error is introduced, or noise interferes). Thus, they complement the functions of the device control, which are mechanical in nature. The computer changes the content of the information coming into it according to a complex set of procedures. It can materialize some of the activities, practical skills, and methods of office workers - specialists, management staff and managers. This shifts office technology from the periphery of the management apparatus, where information is received and from where information comes and goes, to the center, where it is processed into new information and decisions. In general, the structure of information flows and mechanisms for its processing and analysis can be presented as follows (Fig. 6.2). In the "electronic office", technology is used in the activities of specialists and managers.

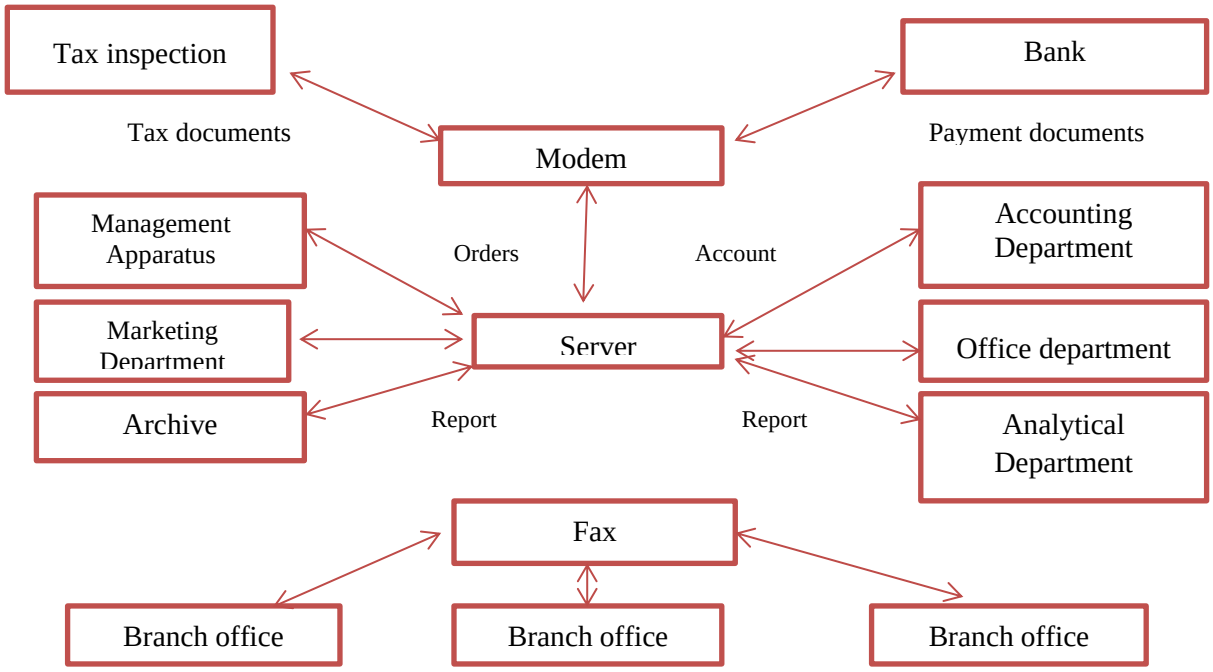


Fig. 6.2. Typical organization of an "electronic office"
Source: [22-25]

However, the success of a microcomputer in the office depends on its integration with other parts of the system: displays, printing equipment and devices, information storage and communications, and, most importantly, the programs that control them in the performance of functions of the control apparatus.

Analytical methods of obtaining information include:

- structural and morphological method, which is aimed at finding the information support

necessary to solve a particular management problem

- the method of publication activity, which allows to obtain information based on the study and systematization of materials presented in the media
- the method of accumulating primary information is based on the accumulation of documents that determine the current functioning of the organization in the field of financial, statistical reporting, and tax accounting
- the method of indicators allows obtaining information based on the analysis of information based on the analysis of indicators in different types of documents, which creates a certain picture of the trends of the organization's functioning
- the method of terminological and lexical analysis allows identifying innovative approaches in management activities and assess the possibility of their effective implementation.

Information support of management activities is based on the principles of the logistics approach. The main requirements for the organization of an information system are: (a) purpose orientation; (b) integrity; (c) dynamism; (d) flexibility; (e) actuality; (f) efficiency/ effectiveness; (g) completeness. Information support of organizations is a set of methods and means of designing and maintaining factual and full-text databases, databases of audio and video information. Information support includes means of non-machine and machine support. One of the most important factors that should ensure the increase in the efficiency of the organization is the introduction of information technologies in the sphere of its activity, designed to change the nature of their work by strengthening its analytical component in the management decision-making process. Information technology in an organization is a way and method of obtaining, collecting, searching, transmitting, processing, storing, saving, distributing, and disseminating of information, necessary for the management of the organization. In modern conditions, information technology is used in the implementation of all management tools of the organization. In strategic planning, information technologies are used in expert evaluation of competitive advantages, strengths and weaknesses of organizationdevelopment; in project management - in determining different options for the course of processes and phenomena occurring at the organizational level.

In the field of marketing, information technologies are used in marketing research by conducting electronic market surveys. Logistics is based on the use of information flows and special information and analytical programs for managing organizational resources, inventory, etc. Efficiency of human resources management is enhanced by computerized testing used in selection of personnel and their subsequent certification. Automation of document management, document flow and record keeping services in an organization is one of the determining factors in the effective performance of all management functions. The use of information technology is based on the following components:

- technical means
- personnel, capable of using them
- an organization that brings together the means and personnel in a single process
- information tools/means that generate and deliver information.

The basis of the information technology of data processing during management activities is the procedure of transformation of input information into output. Accordingly, each information technology ends with the creation of a certain information product. Different types of information technologies are used in the organization, which allows them to be classified according to different criteria, identify features and areas of application (Table 6.1). An innovative means of implementing information technologies in an organization is the Internet. This technology is entering the market of corporate systems of different levels with great speed.

The forecasts of various groups engaged in market research indicate that the volume of investments in corporate projects of Internet networks will exceed the cost of Internet servers within the next 1-2 years and will continue to grow steadily thereafter. This is due to the dynamic processes taking place in the economic and social development of socio-economic systems, and the urgent need to replace paper document flows that accompany management with the latest with the latest information and software.

Thus, the availability of many information types and the diversity of its sources requires the use of new information technologies. Information technologies, combining the technical capabilities of computing technology, communications, informatics, are aimed at collecting, accumulating, processing, analysis, and delivery of information to consumers. With the help of information technologies management automate routine operations, preparation of analytical information for making management decisions, and provision of new types of information services are done.

Table 6.1

Classification of information technologies in the organization

Criterion for classification of information technologies	Features and areas of application
by the way of using the use of computing equipment during information processing	- information technologies in centralized automated information systems - information technologies in decentralized data processing systems
by the degree of coverage of management tasks	- information technologies for electronic data processing - technologies for automation of management functions - information technologies for management decision-making support - information technologies of electronic office - information technologies of expert evaluation
by the models of computing process	- host-oriented information technologies - technologies that implement the process model of management with distributed resources - "client-server" technologies

Source: [22]

3. Information system of an organization

Modern organizations use information technologies to improve their working methods. As a result, the organizational structure of organizations changes, new organizational relationships are developed that were economically impossible before. That is why information technologies are a very promising and effective area for investment. A schematic diagram of the structure and interaction of the main elements of the modern organization's information system is shown in Fig. 6.3.

It is advisable to consider the information system of organizations in the context of the following subsystems:

- subsystem of current information (electronic mail, operational accounting, selective reporting)
- subsystem of administrative information (laws, regulations, methodological material)
- subsystem of data accumulation and storage (computer data bank)

● accounting subsystem (accounting, tax accounting, statistics, monitoring)

● operational subsystem (development of targeted programs, project services, human resources management, publishing activities)

● computer subsystem (Internet, internal computer subsystem).

Changes in organization and management techniques under the influence of information technology and automated offices occur in the following areas. First, the organization and technique of information support of the manager changed drastically. Of particular importance is the widespread introduction of mini- and microcomputers, personal computers as components of information systems connected to the network of data banks. At the same time, the work on collection, processing and dissemination of information is carried out with convenient "human-computer" interfaces that do not require special training (dialogues in natural language, language input and output of information). The technology of information storage and processing is also changing significantly. Systems for acceptance, organization, storage, and transmission of information are being automated, which maintain the purity of information channels and prevent incomplete information, duplication, and input of information intended for other levels of management. Secondly, the automation of certain functions of the manager is carried out. The number of effective automated systems covering production, business activities, organizational and technological processes has increased.

Most of the work in the preparation of plans is transferred to a computer. The quality of plans developed with the use of microcomputers at a lower level of management is being significantly improved. In addition, plans for individual subsystems of the management system are clearly coordinated. Control systems are being improved, that make it possible to detect deviations from the planned level and the reasons for such deviations. Third, the means of communication are also changing significantly, not except for the exchange of messages through a network of microprocessors. Of particular importance is the telecommunication system, which makes it possible to hold meetings in absentia, teleconferences (whose participants may be located from each other at considerable distances), and prompt information transfer. Accordingly, the methods and techniques of communication relations between managers and their subordinates and higher-level management bodies are changing. The automated office puts forward new requirements for the business qualities of a manager, including the ability to use complex management techniques, determine the strategy of system development, manage the team, motivate, and direct its activities. A special place is occupied by the ability to resolve conflicts, to respond promptly to problematic situations, clearly justify the decisions made, and communicate them to the executors in a timely manner. Creative approach to solving managerial tasks and developing strategic thinking of managers involves the use of new information technologies and the capabilities of automated offices. When training managers in modern information technologies, the focus is on management itself, rather than machine languages and mathematical methods. In the systems of professional development that operate in organizations, great importance is attached to the basic course - "the ability to manage", improving the manager's work style, and developing strategic thinking. A set of methods of teaching new information technologies, which involves the use of special training modular programs, networks for the transfer of information about new management methods, tools and techniques is being developed. At the same time, classes are held via the telecommunication system (analysis of situations, business games, discussions), and media (mainly television) are used to motivate the self-development of managers and specialists, to solve some information tasks of training, advertising new methods, tools, and techniques of management. When training personnel, much attention is currently paid to the so-called corporate systems, i.e., complex

information systems for managing organizations. In this case, electronic data processing provides all aspects of organizational management. Being at their workplace, managers receive the necessary information they need. The emergence of personal computers that can be connected to other computers has significantly expanded the possibilities of databases use by specific users to quickly obtain the necessary information from large arrays.

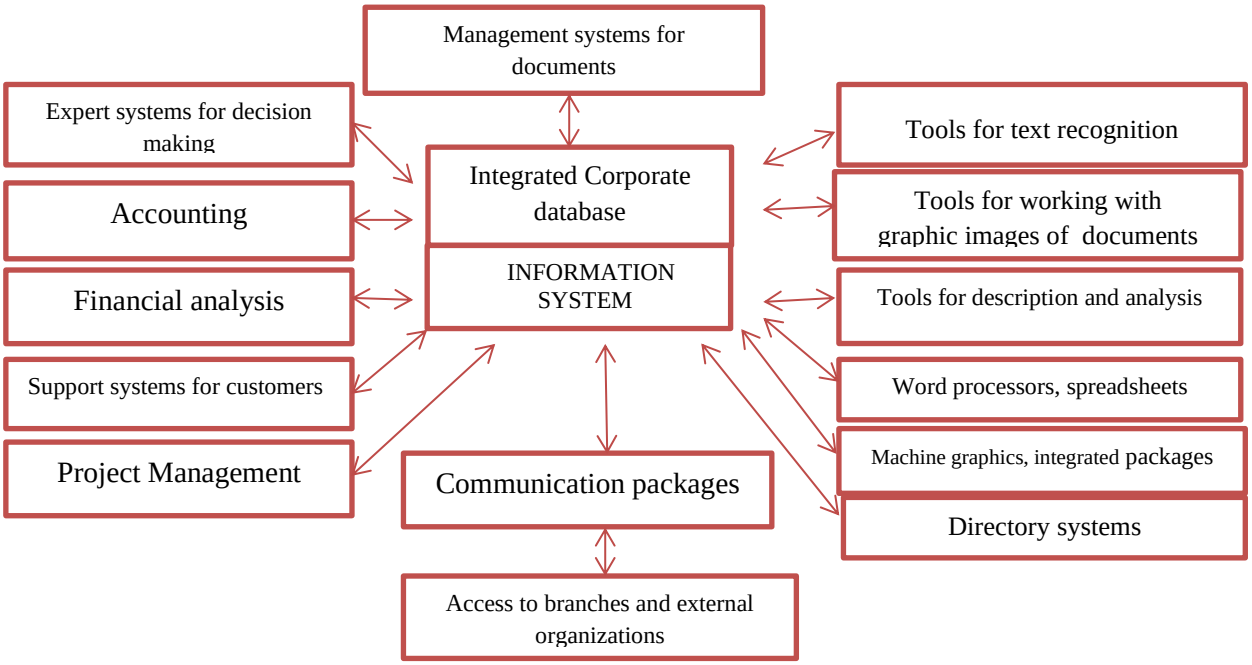


Fig. 6.3. Modern information system of the organization
Source: [22-25]

Personal computers make it possible to obtain comparative data, track the dynamics of changes in indicators, including in graphical form. Information networks create real prerequisites for the formation of several new management principles, which correspond to changes in the external and internal environments of the organization. The essence of these principles is as follows:

- contacts between managers and subordinates are made like equal employees
- each employee should have access to any information about the organization, to the knowledge of any employee of the organization
- there should be teams working either on a particular project, or with a particular customer or class of customers
- the integrity of the organization is maintained by creating a network of teams
- work is carried out in real time, including "parallelization" of work and its iterative and communicative organization (instead of sequential and cooperative)
- technical and organizational conditions are created for the formation of "virtual" links, members of which may be in different geographical locations.

The use of information technology, the Internet and all types of network organization, countless computer programs not only allow quickly obtaining information and making decisions, but also leads to many fundamental organizational changes. The bureaucratic apparatus is being reduced, traditional views on the role and mechanism of effective communication between corporations are being revised, unlimited opportunities for financial markets and investment are being opened up, and staff cohesion is being strengthened. The Internet is associated with a real diffusion of knowledge, its availability in any corner of the

world, and the general involvement of people in cultural values. The pace of physical and mental labor productivity is significantly increasing. The information economy is most strongly embodied in innovations and knowledge. The economic and managerial potential of an organization depends on the ability of managers to control information, manipulate it, and direct staff to the most efficient use of resources. Particularly important components of the management information system are:

- information that reflects the material, social, technical, and technological parameters of the objects under management
- data on norms, standards, incentives that regulate production, social, service, spiritual, cultural and other activities that have a consumer nature
- materials that determine the organization's activities in the field of management (legislative and other regulatory legal acts, contractual obligations and planed tasks, tasks of higher-level bodies, results of control acts)
- data on the quantitative and qualitative composition, level of training and qualification growth of the staff of the organization (a set of all data that characterize the human potential of the management entity).

The information support system of organizations should meet the following basic requirements: (a) to store information in the amount necessary and sufficient to solve the organization's tasks; (b) to copy and storage of information arrays in accordance with the requirements for information storage; (c) to ensure the minimum amount of manual maintenance of input data; (d) guarantee the possibility of expanding information arrays taking into account the prospects of the system development.

4. Modern information technologies of organizational culture

Information is one of the factors shaping organizational culture. Different approaches to the use of information resources are one of the main signs of difference of organizational cultures. The fundamentally better option of using information is its public accessibility when making decisions, performing necessary calculations, and preparing scientifically based forecasts. Since organizational culture is one of the constituent elements of the internal environment of an organization, it is formed by managers to a large extent depending on how effective the exchange of information between employees is. The level of information technologies used depends on the solution of issues related to maintaining and developing organizational culture. Free access to information characterizes a strong organizational culture, which is different from a weak culture in that employees feel that they are an integral part of a powerful single team that has common aspirations and values and are well informed of each other's activities. The organization can use the following modern instrumental information technologies: hypertext technologies, machine graphics, telecommunication access methods, structural and object-oriented technologies, multimedia.

Hypertext. This technology allows working with a wide range of semantic (conceptual) information. The relevance and significance of hypertext is growing in the era of qualitative transformations. The methodology of hypertext information modeling and the corresponding tools allow formalizing textual descriptions of systems being reformed, design and process information models of various economic objects and processes in their interdependence. The usefulness of this technology is especially useful when a new holistic socio-economic concept is being created and there is a need to be sure that a huge number of regulatory and legal documents will comply with the basic principles of development.

Graphics. The accumulation of knowledge about the world, the solution of the problems faced by specialists is possible in two ways: algebraic and geometric. Algebraic - allows putting into practice algebraic models based on the idea of symbolic transformations. Geometric - generates certain associations in a person, with the help of which intellectual clues are formed. It is important for decision makers when the choice is made by them based on the information offered to them, their experience and knowledge. In the market, much attention is paid to scientific data visualization to demonstrate scientific and commercial results. Demonstration machine graphics allows solving 3 main types of tasks: (a) working with charts; (b) image editing; (c) preparation and planning of demonstration material. The intensive development of technology in this area demonstrates the relevance of the tasks they can solve.

Telecommunications. Recently, computer systems of public access have been actively introduced: (a) commercial databases of a thematic nature; (b) systems of electronic exchanges and advertising boards; (c) systems of remote processing of information; (d) means of providing information and other types of services. The main forms of implementation of these systems are local computer networks and telecommunication systems. The capabilities of local area networks are severely limited geographically. The means of telecommunication systems possess the greatest flexibility and breadth of possibilities. Existing telecommunication environments differ both in nomenclature and nature of the functionality provided (e-mail, faxes, economic data bank services), and the cost of their services.

CASE technologies. Since the design of economic information systems is labor-intensive, complex and time-consuming, there is a need to develop special class software and technology tools - CASE systems. The primary meaning of the term CASE is computer-aided software engineering. Most existing CASE systems are focused on automating software design and based on the methodologies of structural design and programming methodologies. These methodologies use specifications in the form of diagrams or texts to describe system requirements, relationships between system models, system behavior dynamics, and software architecture. The strategy of choosing a CASE system for a particular application depends on: (a) the goals and needs of the project itself; (b) the qualifications of the specialists involved in the design process.

Multimedia. This is an interactive system that provides work with texts, still moving images, animated computer graphics, speech, and high-quality sound. To implement multimedia, a new type of personal computer - NEXT - was developed. Organization of work with NEXT is a special form of communication between a person and a computer. If earlier interaction was carried out using the WIMP interface (window, image, menu, pointer), then the NEXT-type computer makes it possible to work with the SILK interface (spoken word, image, language, knowledge). The emergence of multimedia systems has led to dramatic changes in such areas as business, computer training, and education. This, in turn, has made it possible to dynamically track individual requests of the global market, to create video catalogs of products, commercial databases, reference books, and business video conferences.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

QUESTIONS FOR SEMINAR CLASSES PREPARATION
SECTION 2. ORGANIZATION AS A MANAGEMENT SYSTEM, PROCESS AND OBJECT

Topic 3. General characteristics of an organization

1. Common and specific features between the concepts of "organization" and "system".
2. The essence of the system approach to an organization.
3. Organization as a system.
4. System properties of an organization.
5. Basic structural elements of the social system.
6. Levels of social systems.
7. Organization as a social system. Social organizations.
8. The main goals of social organizations.
9. The essence of social organizations.
10. Goals of an organization.
11. The relationship between the structure of an organization and the division of labor in an organization.
12. Sphere of control of an organization.
13. Structure of an organization.
14. Division of labor in an organization.
15. Specialization of tasks in an organization.
16. "Diamond" by H. Leavitt.
17. "7-S" approach.
18. Subsystems of an organization's internal environment.
19. Management subsystem.
20. Four types of learning organizations.
21. The main characteristics of organizations' models: classical, bureaucratic, neoclassical, institutional, and systemic.
22. Basic provisions of the classical model of organization.
23. Features of the neoclassical model of organization.
24. Features of the institutional model of organization.
25. Origin of the system model of an organization.
26. Factors of the external environment of direct and indirect influence, which affect modern organizations.
27. The relationship between internal and external factors of an organization.
28. Approaches to the classification of organizations.
29. The essence of specific laws of an organization.
30. The essence of the law of awareness-orderliness.
31. Formal and informal organizations.
32. Features of business organizations.
33. Private, communal, and state organizations.
34. PEST analysis.
35. SWOT analysis.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 4. Organizational culture

1. Reasons that contributed to the development of the concept of organizational culture by researchers (economic, cross-cultural, rational/scientific).
2. Basic approaches to the problem of organizational culture formation.
3. Systematic approach to the study of organizational culture.
4. Structure of organizational culture.
5. Factors affecting the formation of organizational culture.
6. Factors determining the changes in organizational culture.
7. Factors affecting the characteristics of organizational culture.
8. Main sources and stages of organizational culture formation.
9. Basic elements of organizational culture.
10. Principles and methods of forming, supporting, and strengthening of organizational culture.
11. Norms as an element of organizational culture.
12. Organizational values as the core of organizational culture.
13. Methods of changing organizational culture.
14. Mechanisms of organizational culture change.
15. Staff appearance and work ethics and morals.
16. Informational and historical background and socio-psychological climate.
17. Communication systems.
18. The impact of organizational culture on organizational effectiveness.
19. Models of influence of organizational culture on organizational effectiveness.
20. Evaluation of the effectiveness of organizational culture.
21. Concept and types of subculture.
22. Strong and weak organizational cultures.
23. Types of organizational cultures.
24. Characteristics of the main types of organizational cultures.
25. Relationship between culture and strategy of an organization.
26. Indicators that are under direct influence of the culture of an organization.
27. Characteristics and parameters of organizational culture.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 5. Life cycle of an organization

1. Theories of the life cycle of socio-economic systems.
2. Factors determining the development of organizations.
3. Stages of an organization's life cycle.
4. Traditional model of an organization's life cycle.
5. L. Greiner's model and issues of management practices.
6. I.Adizes's model and corporate culture and organizational climate.
7. Age of an organization.
8. Size of an organization.
9. Changes in an organization.
10. Progressive and regressive development of an organization.

11. The phases of a product life cycle and their content.
12. Management at different stages of "life cycle of an organization".
13. The interrelationship of an organization's life cycle with a functioning business model.
14. The strategic dimension of the life cycle of an organization.
15. Methodology for analysing an organization's life cycle.
16. Mergers, takeovers, creation of financial-industrial and financial-monopoly groups.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 6. Information and analytical technologies in an organization

1. Information in an organization as a factor in ensuring its effectiveness.
2. Management information.
3. Technologies of information activity in an organization.
4. The main stages of the evolution of technologies of information activity in an organization.
5. Types of information technologies.
6. Classification features of information technologies.
7. The evolution of technologies of information activity in an organization.
8. Information technologies of a "clerk's office", "mechanized office", "electrified office", "electronic office".
9. Analytical methods of obtaining information.
10. Classification of information technology in an organization.
11. Information systems of an organization.
12. Subsystems of an organization's information system.
13. Network technologies.
14. Peculiarities of building information systems of an organization based on the application of network technologies.
15. Use of information technologies in organizational culture.
16. Reference and legal software products and information and search systems.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

QUESTIONS FOR SELF-STUDY

SECTION 2. ORGANIZATION AS A MANAGEMENT SYSTEM, PROCESS AND OBJECT

Topic 3. General characteristics of an organization

1. Determine what is common and how the concepts "organization" and "system" differ.
2. Analyze the essence of the system approach to organization.
3. Determine the expediency of considering an organization as a system.
3. Describe the system properties of an organization.
4. Explain the concept of "social system", "organization as a social system", "social organization".
5. Describe the main structural elements of social system.
6. Describe the levels of social systems.
7. Prove that a car *can/cannot* be called a social organization.
8. Describe the main goals of social organizations.

9. Outline the dependence that characterises the essence of social organization.
10. Prove that it is *possible/not possible* to identify a social organization and staff of an organization.
11. Analyze the goals of an organization in terms of the sequence of their achievement.
12. Describe the goals of an organization according to the SMART principle.
13. Identify the critical space from the eight key goal-setting spaces: profitability, people, innovation, productivity, managerial aspects, resources, market position, and social responsibility.
14. Determine which goals include construction or purchase of new stores and warehouses, reconstruction or modernisation of existing stores, and formation of an effective portfolio of financial instruments.
15. Find out what the relationship between organizational structure and distribution of work in it is.
16. Determine the reasons for the significant influence of the sphere of control on the structure of an organization.
17. Prove that tasks are developed according to the division of labor in an organization.
18. Find out what effect specialization of tasks has on the productivity of an organization.
19. Describe the "diamond" of Leavitt.
20. Describe the internal variables in the "7-S" approach.
21. Describe the subsystems of an organization's internal environment.
22. Define the role played by the management subsystem in the functioning of the subsystems of an organization's internal environment.
23. Find out what factors of the external environment affect modern organizations.
24. Reveal the causes and manifestations of a closed organizational system.
25. Distinguish between direct and indirect factors.
26. Describe the main approaches to the classification of organizations.
27. Prove that there is a relationship between internal and external factors of an organization.
28. Reveal the leading needs of an organization that uses PEST analysis to assess the factors of the organization's macro environment.
29. Define the approaches used in the analysis of an organization's external environment.
30. Describe the essence of PEST analysis for assessing the factors of an organization's macro environment.
31. Differentiate the concepts of "private", "communal", and "state" organizations.
32. Find out the relationship between "private", "communal" and "public organizations".
33. Explain the concepts of "formal organizations" and "informal organizations".
34. Describe the content and features of business organizations.
35. Describe the features of the evolution of socio-economic systems.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 4. Organizational culture

1. Reveal the importance and difficulties of taking into account and using the "human factor" in modern management science.
2. Describe the phenomenon of organizational culture and describe the period of its emergence.
3. Prove that organizational culture is the strongest motivator, regulator and indicator of

personnel activity in an organization.
4. Correlate the features of the concepts of "culture" and "culture at the level of the organization".
5. Describe the functions of organizational culture.
6. Analyze the elements of culture and their components.
7. Reveal the mechanisms of organizational culture research.
8. Describe the impact of organizational culture on various aspects of an organization's activities.
9. Determine the actions of a change manager when managing personalities at the stage of "youth 17-23 years" and the stage of maturity "heyday 30-40 years".
10. Justify the appropriateness of the aspiration of an organization's staff to common values.
11. Analyze different types of organizational cultures at different times depending on socio-economic conditions.
12. Describe the main components of organizational culture.
13. Continue M. Hetchinson's periodisation of human culture, based on modern socio-economic conditions of human development.
14. Outline the consequences of influence of social culture on the behavior acceptable in society and on human actions.
15. Edgar Shane cited in his work the factors that influence organizational culture. Identify these factors.
16. Reveal the mechanisms of assimilation of values and norms of an organization.
17. Reveal the determinants of the formation of the motivation system in a clan organizational culture.
18. Describe the external and internal factors of organizational culture.
19. Prove the impact of organizational culture on personnel adaptation processes.
20. Describe the reasons, manifestations and ways of managing motivation within the framework of a hierarchical organizational culture.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 5. Life cycle of an organization

1. Define the life cycle of an organization using any organization as an example.
2. Analyze the stages of an organization's life cycle.
3. Reveal the conditions that change the characteristics of the stages of an organization's life cycle.
4. Consider whether the stages of organization formation are clearly tied to specific age periods of an organization.
5. Analyze the stages of the life cycle at which the strategic model of an organization's development "accelerated growth" is used.
6. Reveal the main causes of crises in each cycle of organizational development.
7. Think about what determines the possibility of long-term existence of an organization at the stage of "innovation organization".
8. Analyze the dependence of organizational structures on the stages of an organization's life cycle.
9. Reveal the connection of personnel management methods with the life cycle of an organization.

10. Differentiate the tasks facing an organization at different stages of its life cycle.
11. Determine which stage of an organization's life cycle is characterized by entrenchment in the market or its individual segments.
12. Describe the stage of an organization's life cycle, which corresponds to "significant expansion of target market segments, ensuring high rates of profit growth, investing in development on the basis of self-financing".
13. Confirm the idea that the authoritarian leadership style is used at the "birth" stage of an organization's life cycle.
14. Justify the elimination of the autonomy crisis through internal organizational changes at the stage of an organization's life cycle "development through directive leadership" according to L. Greiner.
15. Prove that the management of intra-organizational changes at the stage of an organization's life cycle "development due to the delegation of authority" according to L. Greiner is associated with a crisis of control.
16. Determine the reasons for the emergence of a crisis of control at the stage of an organization's life cycle "development through coordination" according to L. Greiner.
17. Analyze the causes and consequences of a crisis that can occur at the stage of an organization's life cycle "development through cooperation" according to L. Greiner.
18. Illustrate the manifestations of the synergy crisis at the stage of an organization's life cycle according to L. Greiner.
19. Confirm or reject the statement that in order to determine the stage of the life cycle of an organization, it is important to analyze the nature of current activities and viability of the organization.
20. Identify the steps necessary for an organization to successfully pass the "birth" stage of the life cycle.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 6. Information and analytical technologies in an organization

1. Describe information in an organization as a factor in ensuring its effectiveness.
2. Describe the technologies of information activity in an organization.
3. Define the concept of "management information".
4. Describe the main stages of the evolution of information technologies in an organization.
5. Describe the information technologies used in the "clerk's office".
6. Describe the main features of the "electronic office".
7. Analyze methods of obtaining information in an organization.
8. Describe the classification of information technologies in an organization.
9. Give examples of subsystems of an organization's information system.
10. Describe the features of building an organization's information systems based on the use of network technologies.
11. Define an organization's information system.
12. Reveal the necessity of using information technologies in organizational culture.
13. Describe modern information technologies of organizational culture.
14. Describe the most common types of information technologies used in a strong

organizational culture.

15. Choose the stages of development of information technology, distinguished by the advantages provided by computer technology.
16. Analyze the common features of world-famous IT startups Grammarly, PetCube, Preply, Ecoisme, IBlazr.
17. Describe the supporting components of information technologies.
18. Analyze the validity of the opinion that as a general criterion for the effectiveness of any type of technology, it is possible to use the saving of social time, which is achieved because of their practical use.
19. Compare the types of technology tools: "manual", "mechanical", "electric" and "electronic" information technologies.
20. Give examples of professions in the IT sphere today.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

SECTION 3. EFFECTIVE ORGANIZATIONS DESIGN

Topic 7. Organizational design

1.The essence of organizational design

Radical changes taking place in the sphere of functioning of organizational systems and having led to significant growth of the organizational factor, determine a special importance of organizational design as a method of formal organization of integral systems. In this regard, we note that none of the new (modernized) forms of all-in-one formations in various spheres of the social existence of mankind: in economy, politics, education, culture, science, military business, and others, will not be able to achieve its final implementation without organizational design. In other words, any organizational innovations of a structural and process nature are, first, products of organizational design. The design of the organization, which ensures the establishment of interaction between the members of the organization considering the work performed by them, appears in a static form as the structure of the organization and in a dynamic form as processes occurring in the organization. Ukrainian and foreign economists define organizational design in different ways. However, different points of view not only do not contradict each other, but on the contrary, complement the creative and innovative nature of this type of activity. The concept of "design" is much more capacious than the concepts of "construction" and "planning". Projecting (from the Latin projectus — "thrown forward ") — the process of creating a project, prototype, prototype of an intended or possible object, state. Unlike construction, it consists not only of description of technical aspects of the future object, its composition, and properties, but also economic, social, and organizational aspects of simulated systems.

According to scientists, organizational design is

- the process of finding correspondence between the key elements of the organization (structure, people, tasks, system’s decisions, and incentives, as well as informal organization and culture) and its strategy, which leads to success
- the process that is discrete in nature and has many alternative directions of development.
- a constant search for the most effective combination of organizational variables. Factors that affect this process are situational.
- a function of organization that includes development of such organizational elements and relations in the created (simulated) system, by implementing which, organizational whole that

appeared would have the properties of high reliability, stability and economy".

Some scientists note that organizational design should consider not only the change in internal factors, but also the state and development of the organization's external environment. Thus, organizational structure has a situational nature and is modified when the situation changes.

Goals of organizational design:

- creation of a new system
- partial improvement of the existing organizational systems
- radical transformation of the existing organizational systems.

The organizational system is a combination of two parts:

1) mechanism of internal functioning, which includes elements necessary for the process of management and production activities (functional and organizational structures, regulations on departments and services, job descriptions, production equipment, computer and organizational equipment, office furniture, communication networks and document management system)

2) mechanism of relations with the external environment, which contains the elements necessary for formation of favorable business field of external relations of the organization (legislative acts, agreements, contracts).

Systems, acting as design objects, give it features of complexity and system integrity. From the point of view of determining the place of this stage in the system of organizational activity, design can be considered as the preparation of an action or product, that is, a preparatory action that is an understanding of what is being prepared. In this regard, in the design process the necessary proportions between the elements of the system should be determined; their spatial placement should be carried out and functioning in time should be regulated, the most rational options for connections and relationships should be established.

Structurally, organizational design differs depending on the object in orientation: on the creation of a new system; on partial improvement or on its radical transformations.

Designing an organizational system as a process of creation of a prototype of the future organization should include not only a description of the organization at the beginning of its existence, but also the forecast of its further development. A special place in this process is given to the formation of the organizational structure. The organization design process should be based on the following principles: correct formulation of goals and sub-goals of the organization being designed, taking into account their relevance, novelty and possibilities of practical implementation; mandatory definition of tasks, without resolution of which goals of the organization cannot be realized; justified distribution of functions, rights and responsibilities by management vertical; identifying all necessary horizontal connections and relations for the purpose of coordinating activities of functional units and auxiliary services; optimal ratio of centralization and decentralization of management.

In the process of designing the organization, sometimes there is a need to adjust the existing structures of the organization. In most cases, the decision to adjust the structure of the organization is made by the top management. It should be noted that the significant in scale transformations in the organization should not begin until serious reasons for this (change in external economic and political situation, unsatisfactory functioning of the organization, overloading of the management, change of management technologies, the need to redistribute rights and functions, lack of development prospects) appear. Making corrections in the organizational structure should be accompanied by a systematic analysis of the functioning of the organization and a study of the environment surrounding it, to identify problem areas. Depending on specific circumstances, changes in the structure of the organization can be partial or radical. One of the forms of adjusting the organizational system is *reorganization*.

The direct mechanism for the implementation of the project of the organizational system is ***organizing (організування)***, which involves the formation of the structure of the organization. In the process of organizing there is an evaluation of the organizational structure according to the series of criteria: economy, optimality, efficiency (оперативності) and reliability.

2. Characteristics and conditions of the effective use of mechanistic and organic approaches to organization design

There are two approaches to designing an organization: bureaucratic (mechanistic) and behavioral (organic). These approaches occupy an important place not only in the theory and practice of management, but also in the theory of organization. The names ehemselves — mechanistic and organic—reflect main features of these approaches. The application of the term "mechanistic" to the organization is used in order to show that the system is designed like a machinea mechanism designed for productive operations. The term "organic" adds to the organization the quality of a living organism, free from the shortcomings of a mechanistic structure.

Bureaucratic (mechanistic) model. According to it, the structure of the organization is based on the system of formal power. The following features of a bureaucratic organization are distinguished: the organization should have a clear division of levels and positions, appointments to which should be made on the basis of expert conclusion; the basis of the organization is a logical scheme of development, which ensures unity in the performance of tasks; organization has an established hierarchy of positions; managers keep certain distance with subordinates; recruitment and career in the organization relies on professional training. With such characteristics, the organization can act effectively in conditions where routine technology is used (low uncertainty of when, where, and how to perform work) and there is a simple and non-dynamic external environment. The bureaucratic model has the potential for manifestation in a certain situation of such negative phenomena as rigidity, incompetence, red tape, ineffectiveness and senselessness of rules.The bureaucratic system can realize its advantages (versatility, predictability and productivity) under the following conditions: known general goals and objectives of organizations; work in the organization can be divided into separate operations; the overall purpose of the organization should be simple enough to enable it to be executed on the basis of centralized planning; the individual's performance can be reliably measured; monetary reward motivates the employee; the head's power is recognized as legitimate.

Behavioral (organic, behavioral) model. This model appeared in the context of the functioning of the school of interpersonal relations. It emphasizes the development of groups in the organization and processes of human relationships. The process of determining goals is **decentralized** and consists of group responsibility. The process of communication involves free movement of information in the organization. The decision-making process is made at all levels of the organization through group discussion. The term "organic approach" was first introduced by T. Barnes and D. Staker in the book "Innovation Management" (1961). According to their definition, an organic structure is one that is more based on teamwork, has flexibility and is less bound by the rule’s characteristic of traditional hierarchical structure of management. In later works, the organic structure began to be considered as a model, which can have a significant impact on the development of the economy. An organic approach to organization design is characterized by weak or moderate use of formal rules and procedures, decentralization, flexibility of power structure and a small number of levels of hierarchy. This approach demonstrates its effectiveness in conditions where non-routine technology is used (high

uncertainty of when, where, and how to perform work) and there is a complex and dynamic external environment. Characteristics and conditions of effective use of mechanistic and organic approaches in the design of the organization are presented in Table 7.1. The organic approach allows the organization to better interact with the new environment, to adapt to changes more quickly. A mechanistic approach orients the organization to highly structured roles, while a job description of an organic approach can consist of just one phrase: "Do what you think is necessary to get the job done". With an organic approach due to the lack of clear evaluations and standards the employee is driven more by self-motivation and intrinsic reward than a clearly developed system of formal control.

Table 7.1

Characteristics and conditions of effective use of mechanistic and organic approaches for the design of the organization

Indicator	Mechanistic type of organization	Organic type of organization
Feature	Narrow specialization in work Working according to the rules Clear rights and responsibilities Clarity in hierarchy levels Objective reward system Objective criteria of personnel selection The relationship is formal and has official character	Broad specialization in work Few rules and procedures Ambitious responsibility Management levels are unclear Subjective reward system Subjective criteria of personnel selection The relationship is informal and has personal character
Conditions	Uncomplicated, stable environment Goals and objectives are known Tasks are clear and dividable Tasks are simple and understandable Work can be measured Paying for labor motivates The existing power is recognized	Complex, unstable environment Uncertainty of goals and objectives Tasks do not have clear boundaries Tasks are complex Work is difficult to measure Motivation of higher level needs The authority of the power is won

Source: [24]

3. Stages and methods of organizational design

The design process consists of functionally related stages of project creation:

- pre-project works
- technical design
- working design

At the *pre-project stage*, it is envisaged to conduct applied research, analyze possible options for solving project tasks, and carry out preparation of initial data, i.e., setting goals, tasks, objects, and volumes of work, carrying out calculations of needs in resources for their implementation, determination of the composition of performers, preparation of the technical task, conducting the preliminary evaluation of the effectiveness of project solutions.

At the *stage of technical design*, it is assumed to justify the final set of organizational solutions, which gives a complete picture of the organizational innovations that are foreseen in the modeled or redesigned system.

At the *stage of working design*, release of a complete set of working documentation is carried out; organizational projects expertise completes the whole set of works on the design.

In the most general case, in relation to production systems organizational project includes the following sections:

1. System-wide description of the design object: general characteristics; production and

organizational structures; number of personnel; assessment of the effectiveness of project solutions.

2. Organizational decisions related to the production subsystem: production process in space; production process in time; division of labor in the main, auxiliary, and service industries; forms of organization labor; organization of workplace maintenance; level of mechanization and automation of work; security measures.

3. Organizational decisions related to the management subsystem as a whole: structure; management methods; management technologies; communications; number and composition of personnel; functional division of labor.

4. Organizational decisions related to individual management functions: technical and economic, operational and production planning and management; linear control; financial support; marketing; accounting; service.

5. Organizational decisions related to production preparation: technical, economic, organizational, social aspects at various stages of creation and development innovations.

6. Organizational decisions according to clauses 1-5, which are related to structural divisions of a lower level.

Sections and composition of the organizational project presented can be detailed by individual tasks and procedures in accordance with specific design conditions.

For example, organizational decisions related to the construction of the production process in space and time, with further specification, include the design of buildings, industrial premises, placement of equipment, and construction schemes of production and information flows. At the design of organizational solutions for individual management functions, the description of each function subsystems is detailed; provisions on subdivisions, their structure and staff list are developed, recommendations on decision-making technologies, information processing methods.

The content of the organizational project given as an example is not mandatory. It can be changed depending on the specification of the design goals, system operation conditions, complexity, novelty, branch affiliation of the design objects. But the main principled approach and its content will remain; its essence comes down to the fact that the objective necessity of organizational design exists in much larger volumes than it is done today, and this type of organizational activity should be carried out comprehensively, systematically, covering a wide range of targeted measures, and not scattered, local measures.

In the process of designing the structure of the organization, three stages are distinguished.

1. Analysis of the current organizational structure. It is designed to establish to what extent it meets the requirements that are put forward to the organization, i.e., to what extent the organizational structure is rational from the point of view of the established assessment criteria.

Evaluation criteria usually include management principles:

● the relationship between centralization and decentralization

● scope of control functions established for each level of management; analysis and evaluation of the management apparatus (number of employees, availability

elements of duplication, distribution of powers and responsibility)

● analysis of management functions (methods and technology of making management decisions, principles, and methods of motivating employees)

● activity assessment (change of technology, deepening of organizational cooperation, implementation of innovations).

As a result of the analysis, shortcomings are revealed, the reasons for the very slow increase in management efficiency are revealed.

2. Designing organizational structures. Social organization is a very complex system that includes several subsystems: production (technological), economic, social, informational, administrative. Some subsystems are amenable to rational design, while others (for example, socio-psychological) due to large numbers of variables that cannot be described only by rationally quantities, require a dialectical approach to the qualitative and quantitative description of their functions and tasks. This explains the specifics of designing organizational structures of management. Its essence is a quantitative-qualitative approach to evaluation of organizational structures, a combination of formalized methods with the subjective activity of managers, specialists and experts in the selection and evaluation of the best possible options of organizational projects.

3. Evaluation of the effectiveness of organizational structures based on the level of task implementation, reliability and organization of the management system, speed and optimality decisions that are made.

Organizational design methods. Improving management and increasing the efficiency of the organization depends on the development of methods of organizational structures design. This is due to the following points:

- in the new conditions, it is not possible to operate with old organizational forms that do not meet the requirements of market relations
- it is impossible to transfer the regularities of management of technical systems to the sphere of management
- the creation of a structure should be based not only on experience, analogy, intuition, but also on scientific methods of organizational design
- designing a complex mechanism — a mechanism of management - should rely on specialists, possessing the methodology of formation of organizational systems.

The specifics of the organizational management structure design problem are that it cannot be adequately presented in the form of a task of formally choosing the best possible variant of the organizational structure according to a clearly formulated criterion of optimality.

This problem is multi-criteria in nature. Therefore, it can be solved based on a combination of scientific methods of analysis, assessment, modeling of organizational systems with the subjective activity of responsible managers, specialists and experts in the selection and assessment of the best options for organizational solutions.

Designing of organizational management structures is carried out based on the following main methods: analogies, expert, goal structuring and organizational modeling. **The method of analogies** involves the use of experience of management structures designing in similar organizations and developing typical management structures in different types of organizations, defining different frameworks, conditions, and application mechanism. It should be emphasized that typical organizational structures should be variable in nature, which provides for the possibility of correction, deviation in case of changes in the conditions in which the organization operates. **The expert method** is based on the study of the recommendations and suggestions of experts and experienced managers and practitioners. The purpose of this method is to identify specific features of the control apparatus, possible shortcomings in activities of various links of organizational structures, substantiated recommendations for their improvement. Diagnostic analysis of the organizational structures of operating organizations and their assessment are carried out based on expert surveys. The main scientific principles of organizational structures formation are formulated considering specific situations and operating conditions. **The method of structuring goals** involves developing a system of organizational goals, including their quantitative and qualitative formulation, further analysis of organizational structures from the

point of view of their compliance with the system of goals. At its use the following stages are: development of goal systems; expert analysis of proposed organizational structure options; drawing up tables of powers and responsibilities for achieving the goal both by every subdivision, and by complex multifunctional types of activities, where the limits of responsibility are specified (material resources, production, information processes), determination of specific results, for the achievement of which responsibility and authority are established, which are assigned to the relevant management bodies. **The organizational modeling method** is a development of formalized mathematical, graphic, machine and other reflections of the distribution of powers and responsibilities in the organization, which are the basis for building, analyzing, and evaluating various options for organizational structures according to the relationship of their variables. The following types of organizational models are highlighted:

- mathematical and cybernetic hierarchical models of management structures that describe organizational connections and relationships in the form of mathematical equations and inequalities (models of multi-stage optimization)
- graph-analytical models of organizational systems that are network, matrix, and other tabular and graphic displays of the distribution of functions, powers, responsibilities, and organizational relationships (matrices of distribution of powers and responsibilities)
- full-scale models of organizational structures and processes, which consist in evaluating their functioning in real organizational conditions (experiments)
- mathematical and statistical models of dependencies between initial factors of organizational systems and characteristics of organizational structures (regressive

models of dependence of indicators of specialization, centralization, standardization of managerial work by type of organizational tasks and other characteristics). The process of organizational design should be based on a system of methods that are used considering the stages of design and the emerging organizational situation. In the process of designing organizational management structures of the organization, the following tasks are solved:

- determination of the type of management structure
- clarification of the composition and number of divisions by management levels
- determining the number of management personnel
- determination of the nature of subordination between organizational units
- calculation of costs for maintaining the control apparatus.

The choice of a method for solving a certain organizational problem depends on its nature, as well as on the possibilities to conduct the relevant research.

Organization design factors. In the new conditions, it is necessary to widely use a systemic approach to the design of organizational structures. It involves considering external and internal factors of the organization environment. As research shows, these factors are situational in nature and are divided into five groups (Fig. 7.1): state of the external environment; technologies of activity in the organization; strategic choice of the organization's management regarding its goals; employee behavior; size.

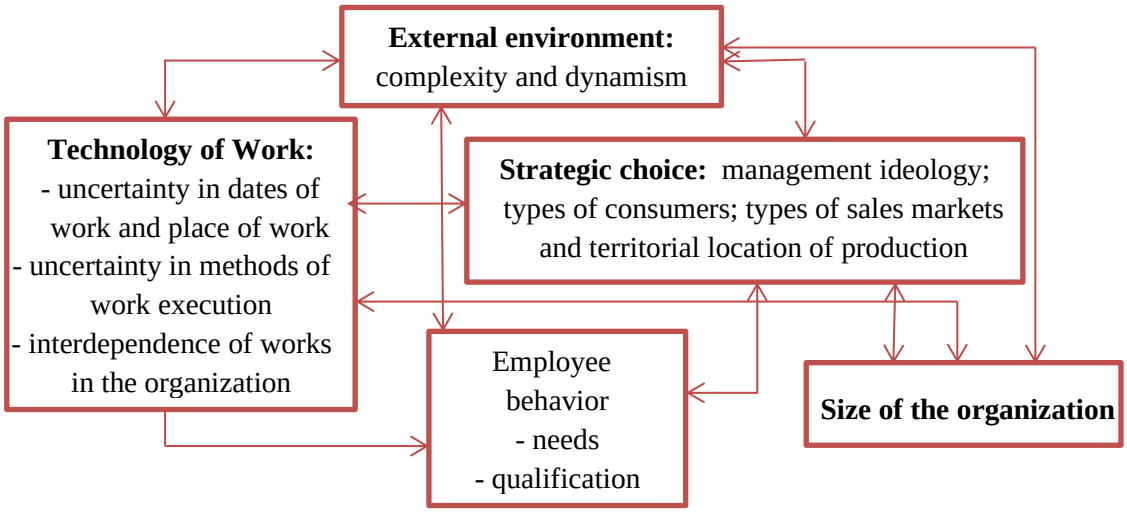


Fig. 7.1. Situational factors of organization design
Source: [22-24]

The external environment is characterized by complexity and dynamism. The complexity of the external environment is determined by how many factors affect the design of the organization. The dynamism of the external environment is characterized by how quickly the factors affect organization design.

The two-dimensional classification of factors of the external environment allows identifying four types of situations, each of which correlates with one or another type of business (Fig. 7.2).

Quadrant 1. The situation is characterized by low uncertainty and is favorable for the management of the organization. The external environment will not present many surprises, and employees will certainly adhere to the accepted organization policies and procedures. Managers are not required to have a high level of training, long-term training, or extensive experience.

Quadrant 2. The situation is characterized by moderate uncertainty. It is more stressful for management of organizations. The high degree of complexity of the external environment introduces an element of significant risk into the decision-making process. Managers in this situation need serious training and experience.

Quadrant 3. The situation is characterized by moderately high uncertainty. It demands sufficient flexibility from the management and the organization itself. This is necessary because of frequent changes in interaction with factors of external environment. However, consideration and analysis of factors allow managers to cope with the situation.

Quadrant 4. The situation is characterized by high uncertainty. It is the biggest difficulty for managing an organization. This situation requires a high level of training, analytical skills, and intuition from leaders. According to experts, only 20% of external factors in business can be considered and controlled by a manager, and the other 80% are uncontrollable.

Each of the situations discussed above requires its own specific approach to designing both the organization as a whole and its parts.

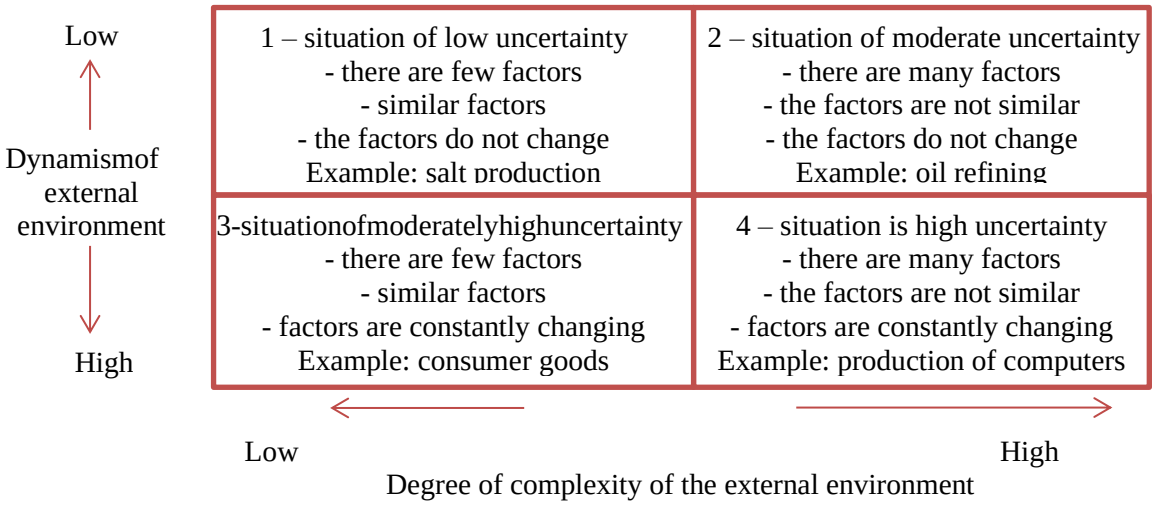


Fig.7.2. The main types of situations when designing an organization
Source: [3; 22]

4. Relationship between strategy and organizational design

Technology means employee's actions, materials, and equipment, as well as the methods the employee uses for transformation of the object of actions. Organization design is related to work technology in two directions: division of labor; grouping of works, i.e., creation of subdivisions. The Englishwoman D. Woodworth was one of the first to establish the relationship between technology and organizational design. Depending on the type of technology, organizational structures are divided into several types. With the increase of technological complexity, the number of management levels and the organizational pyramid increases, and the control interval of the higher management level increases. With technology of medium-level the complexity the control interval of lower-level managers becomes the largest. Organizations characterized by the greatest complexity and the least complexity of technologies have a tendency towards organic projects, and organizations that use technologies of medium complexity, prefer more mechanistic projects.

In 1962, A. Chandler formulated the principle according to which the design of the organization should correspond to the chosen strategies. He concluded that with the change of strategy, the organization faces new problems, the solution of which is directly related to the design of a new organizational system for the organization. Failure to redesign the organization leads to the fact that it is unable to achieve its goals. Later, in 1977, J. Galbrate identified the elements of modern organizational design, as well as the impact of strategy on the organization's design and the impact of design on the organization's strategy (Fig. 7.3). Choice by top management of a certain strategy influences directly on many decisions regarding the design of the organization. Let us consider three possible areas of strategic choice. The first refers to the management ideology that is followed by leadership. The values and principles underlying it can decisively influence such elements of the organization's design as the development of horizontal connections, scale of control, number of hierarchy levels, linkage of organizational system, centralization, and decentralization. The second is related to which consumers will be served by the organization. If the organization has individual and "organized" consumers, then this duality should find reflection during its design in all elements.

The third area of strategic choice is sales markets and territorial location of production. Going beyond national borders by the organization for the purpose of placing the production or sale of

products requires consideration of the factors of internationalization and globalization when designing its organizational system.

When designing, it is necessary to consider the needs, interests, attitudes, level of qualification, motivation, and discipline of employees. The size of the organization affects the organizational structure. It affects its project in the following way: when organizations become larger, they need more complex projects. According to some research groups, organization size has a much greater influence than technology on the nature of organizational design. Thus, the situational view of the organization's project is based on the thesis that the optimal project for a specific organization depends on several factors that determine the situation in which the organization functions in every moment of time. These factors include technologies, external environment, and scale of the organization, organization's life cycle and the organization's development strategy.

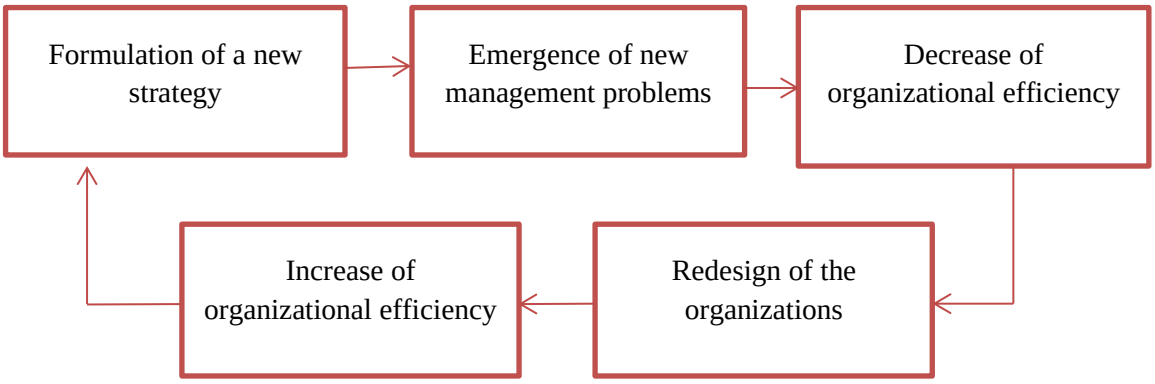


Fig. 7.3. Relationship between strategy and organizational design
Source: [22 -25]

Topic 8. Effectiveness of an organization

Topic 8.1.Economic and social aspects of the effectiveness of an organization

1. The concept of organizational efficiency

The concept of "efficiency" is interpreted ambiguously in economic literature. It is used in different ways: (a) efficiency of capital investments; (b) efficiency of technological process improvement; (c) efficiency of production rationalization. There are several main approaches to determining the efficiency of organizations:

1. Understanding efficiency as the degree of achievement of the organization's goals. In this case, it is important to recognize the dynamism of goals and the difference between official and operational goals of the organization. This approach is correct if organizational goals are specific, cover a wide range of the organization's activities and are measurable.

2. Understanding efficiency as the ability of organizations to use the environment to acquire rare resources. One of the main aspects of this concept is interdependence between the organization and the external environment of the organization as a form of exchange of certain resources. Unlike the requirement of "maximization" put forward in other approaches, this methodology suggests "optimizing" the use of the external environment.

3. Understanding of efficiency as the ability of organizations to achieve maximum results at fixed costs or the ability to minimize costs while achieving the required results.

4. Understanding of efficiency as the ability to achieve goals based on "good" internal characteristics. According to the proponents of this approach, an effective organizational structure enhances the satisfaction, sense of security and control of the staff over the organization's activities. The main disadvantage of this concept is excessive attention to the

means of achieving the goal to the detriment of the assessment of results.

5. Understanding efficiency as the degree of satisfaction of the population with the organization and its product. This approach can be applied to a situation when powerful groups outside the organization are able to have a significant impact on its functioning.

The effectiveness of an organization is viewed through the system of social values that meet the needs of social development and is interpreted as the ability of the system to (a) perform the functions of goal setting (formulation of goals in accordance with the needs), (b) goal-setting (use of socially approved goals), (c) goal achievement, (d) efficiency (achievement of a certain ratio between results and costs), (e) factor conditionality (taking into account external and internal factors of the functioning of the organization). This definition is quite broad and covers both internal and external aspects of efficiency.

A well-known economist D. Sink understands the efficiency of an organizational system as the effectiveness of its functioning, which consists of the following 7 components:

- effectiveness (дієвість) - the level of achievement of the goal
- efficiency (економічність) - the level of resource use
- quality - the level of compliance with specifications and purpose
- profitability as a ratio between gross income and total expenses
- productivity - the ratio of the amount of output to the resources consumed
- quality of working life - the degree of satisfaction of personal needs and requests of employees in the process of the labor activity
- introduction of innovations as a characteristic of the transformation of the organization's scientific and technical potential.

Based on this, the effectiveness (ефективність) of the system is assessed through a system of indicators that reflect each of the above features. This approach to understanding the essence and evaluation of the system's effectiveness is widespread in foreign systems for assessing the effectiveness of an organization. Comparison of the proposed approaches with the understanding of the essence of efficiency shows the ambiguity of this concept. Common to all definitions is the notion of *efficiency as the ability of a system to achieve a goal, which is to satisfy the interests of consumers, make optimal use of the external environment, increase efficiency (економічності) and effectiveness (результативності) of the organization.* The realization of goals is the main content of organizational efficiency. If the goals of a given period are not achieved, the organization's activities cannot be recognized as effective. At the same time the mere fact of obtaining a result does not make it possible to determine whether the goal was achieved effectively or ineffectively if the ratio of costs and results of this activity is not established. The requirement of efficiency of the organization's activities implies establishing a certain correspondence between the results obtained and the costs of their achievement. If we use the above provisions as a starting point in determining the essence of efficiency, we can conclude that the organization's activities can be recognized as effective if the following conditions are met:

- goals at any given time are considered as temporary, moving, derived from the requirements of both society and the organization itself
- the content of the goals corresponds to the essential characteristics of the organization and reflects the external and internal conditions of the organization's functioning
- the defined goals have been successfully achieved: the achievement of the goals is justified by the means spent on it, the required ratio of costs and performance results is met
- to achieve the goals, accepted means approved by the society are used; the necessity of this condition is determined by the socio-economic nature of the organization's system; its

implementation allows avoiding additional costs associated with social rehabilitation of the work performed.

Based on these provisions, the following definition can be formulated. The effectiveness of an organization's activities is its property associated with the ability of the organization to formulate its goals, taking into account external and internal conditions and to achieve its goals by using socially approved means at the established cost-benefit ratio. This definition reflects both the "internal" and "external" sides of organizational efficiency, namely the rational use of organizational resources and achievement of results, taking into account external factors - conditions of the organizations' functioning.

As can be seen from the model of organizational effectiveness presented in Fig. 8.1, increasing organizational efficiency is possible provided that the organization's activities are carried out in the direction of achieving the goal set in the the upper right corner of the diagram, i.e., if costs are reduced and conditions that meet the needs of social development are met.

In order to have a targeted impact on improving the efficiency of the organization, it is necessary to have a clear understanding of the factors that determine its level.

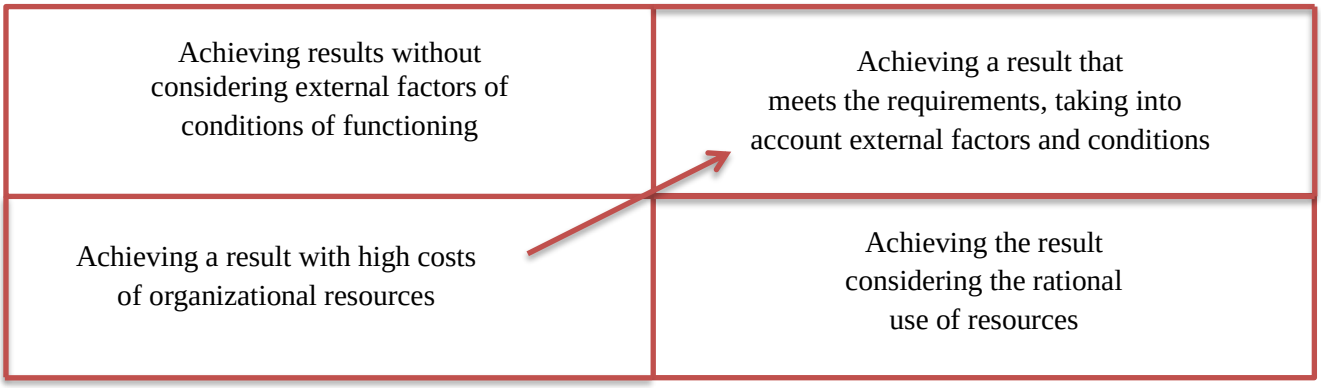


Fig. 8.1. Model of effective organizational performance

Source: [3; 22; 25]

2. Organizational efficiency factors

Three groups of interrelated factors of organizational efficiency can be distinguished:

1) system-wide factors that determine the prerequisites for the effective functioning of the organization, which include the degree of implementation of the *principles* of the organization, organizational *culture*, validity of the system of selection and evaluation of organizational decisions, the availability of an organizational *mechanism* that coordinates and ensures interconnection of partial processes

2) external factors limiting the organization's activities due to the *requirements of the external environment*, *limitation of investment resources*

3) factors of organization development management - availability of the organization *development program*, *provision of organizational resources*.

According to the importance and strength of the influence of individual factors we can distinguish those that have the most significant impact on the effectiveness of the organization. These factors are called *critical.* The effectiveness of an organization is mainly determined by critical factors, which require their substantive analysis.

The **principles** of the organization are the basis for building the organization's practical work. Their implementation allows increasing efficiency by coordinating and streamlining the links between the main elements and processes of the organization, as well as links with the external environment. By means of timely revision of the principles the development of the organization, adequate to the state of the internal and external environment, was achieved.

Organizational **culture** is a factor that allows an organization to indirectly influence the effectiveness of management decisions. There is a close relationship between the culture of an organization and the success of its activities. All successful organizations, along with a clear idea of their development strategy, a flexible organizational structure, and highly qualified employees, have a strong culture and a special style that together contribute to high efficiency of the organization. When problems arise in organizations with a developed culture, its employees can quickly make the necessary organizational decisions, as the organization's fundamental values are defined, understood, and accepted by all employees.

The existence of an organizational **mechanism** that coordinates and ensures coordination and interconnection of partial processes is another factor. The organizational mechanism characterizes the units of the organization and the relations that are established and maintained between them during its activities, as well as the forms of these relations, the system of organizational norms and procedures. The presence of an organizational mechanism allows for targeted work to streamline relationships and increase the degree of consistency of processes and works. If, as the requirements of the external environment change, the number and nature of interrelationships of the organization's elements changes while maintaining or increasing organization, then we can speak of high efficiency of the organization's functioning.

The requirements of the **external environment** characterize the social needs specified in the product properties of the organization, as well as the limitations associated with the impact on the environment. These requirements should be considered when setting organizational goals and choosing ways to achieve them. If this does not happen, the organization loses its social orientation and acts as a closed system that realizes its own goals.

Limitations of **investment resources** as a factor of organizational efficiency determine the possibility of achieving the result, adequate to the set goals, using available financial resources. If organizational projects and concepts do not have the necessary financial support, the likelihood of their practical implementation and effect (and this is a defining condition for effectiveness) are negligible/small.

Availability of **organizational resources**. The resources of an organization characterize the means of organizational activity. These means include employees, as well as information used in practical activities, technical means, and investments. High efficiency of an organization's functioning is possible if it has the necessary resources and reduces the costs of obtaining the required results.

The organization's **development program** performs the functions of planning, controlling, and regulating its activities. Solution to the problem of increasing organizational effectiveness depends on how perfect the methods of planning and managing the organization's development process are, how well the directions of organizational activities formulated, how clearly development goals are defined.

3. Criteria of organizational efficiency and types of effects

The criterion is the most significant feature that is a measure for assessing the degree of perfection of the system. The extreme value of the selected criterion expresses the optimality of the system in question according to the selected characteristic.

There are several types of optimality criteria: 1) global - local; 2) external - internal; 3) maximizing result - minimizing costs. The global optimality criterion evaluates the effectiveness of the organization's activities from the standpoint of its agreed emergency interests and the interests of individual elements that form the system. Local optimality criterion characterizes

the efficiency of the functioning of individual sub systems of the organization. The external criterion allows evaluating the effectiveness of the organization in terms of compliance of the goals and means of their achievement to the normative system of social values and compliance with resource constraints based on the goals of the production system of which it is a part. Internal criterion characterizes the interests inherent in each organization and can be expressed through the expenditure of system resources under the restrictions imposed by social needs. The organizational system achieves maximum results only when all the requirements to it are met. The degree of their satisfaction may vary depending on the specific conditions and the sophistication of the proposals being developed to address certain issues. Therefore, the task of developing options for alternative measures and choosing the best one arises. The task of choice in a multicriteria analysis can be solved only with the help of a group of criteria that characterize different aspects of effectiveness.

The effect of an organization can be in three forms: economic, social, and organizational. The *economic* form of the effect is the most studied, for its appropriate quantitative assessment methods have been developed, common to determining the economic efficiency of any costs (for the reorganization of production, creation of new organizational structures, introduction of new equipment, etc.) Uniformity of indicators used to characterize the return on expenditures for various purposes and some commonality in approaches to their determination are determined by the practical goals of the objects where these expenditures are planned to be made. Thus, all industrial enterprises, despite the autonomy of their goals, subordinate them to the solution of the main socio-economic tasks: increasing profitability (табельності) and (or) productivity, meeting the changing requirements of consumers, the market, and employees. The *social* form of the effect of the organization's activities has its own specific assessment, although it cannot be expressed by a single synthetic indicator such as economic efficiency. As an organization improves, working and production conditions change significantly. For example, the development of quality groups and the combination of two organizational forms of production quality assurance - administrative and public - contribute, according to foreign experts, to improvement of the professional training of employees and the acquisition of decision-making skills in difficult situations. Social results include an increase in the prestige of labor, technological discipline, and increased responsibility for the results of their activities. The *organizational* effect of the organization is expressed in the strengthening of interconnection and interaction of the elements of the production system and the emergence of qualitatively new properties in the system, which its elements do not have. The manifestation of the organizational effect at the level of organizational units is an increase in the coherence and orderliness of individual processes and works, the quality of the production system functioning. At the macro level, the organizational effect is associated with the following phenomena as possibility of implementation of large-scale production reorganization measures, diversification, integration of production stages and processes, which lead to an increase in the integrity of the system and the development of its emergent properties. Thus, the cumulative effect of the organizational system includes not only the results in the form of an increase in the volume of works or services, but also certain social and organizational results. Considering the above requirements, prerequisites, and factors of the organization's efficiency, the following two groups of criteria are established (Table 8.1).

Table 8.1

Criteria of organization efficiency

Group of criteria	Criteria of effectiveness	Content of the criterion
Criteria of effectiveness of functioning of organization system	Cost-effectiveness	Economic results assessment
	Efficiency (дієвість)	Economic results assessment
	Quality of working life	Social results assessment
	Flexibility	Organizational results assessment
	Quality of the production system	Organizational results assessment
	Alignment with organization's strategy and goals	Organizational results assessment
	Compliance with market development trends	Organizational results assessment
Criteria of effective organizational performance	Orderliness of the organizational activity	Organizational results assessment
	Efficiency in decision-making	Organizational results assessment
	Appropriateness of actions taken	Organizational results assessment

Source: [22-25]

Let's look at how some of the most important criteria for organizational effectiveness are applied. **Efficiency** characterizes the degree of use of organizational resources and makes it possible to assess the effectiveness of the system in relation to costs. It can be expressed as the ratio of actual costs associated with an activity to its standard or planned value. Actual costs are determined based on accounting and reporting data. To determine the planned amount of expenses, forecasts and expert estimates and standards can be used. If actual expenses do not exceed the standard value, we can talk about the efficiency of the organization's activities. Effectiveness characterizes the degree to which an organization achieves its goals. For example, the main goal and purpose of an organizational system is to ensure high economic and social efficiency of the organization's functioning by optimizing the interaction of elements and increasing the system's organization. Efficiency can be measured by assessing the degree to which its main goals are achieved. The orderliness of organizational activities is understood as the degree of regulation and settlement of processes that take place in the organization. In general, orderliness is a manifestation of an organized system. However, the application of rules alone does not guarantee high efficiency. Sometimes it is advisable to provide more freedom of action and independence. In addition, there may be rules that lead to inefficiencies and have a negative impact on productivity. Therefore, the orderliness of organizational activities should combine a certain amount of freedom in decision-making with a clear regulation of the time for performing certain tasks and standardization of typical situations to ensure the functioning and improvement of the organization of the system. The following indicators can be used to assess the orderliness of organizational activities: specific weight of organizational rules and regulations in the total amount of regulatory documentation; share of standard design solutions in the number of situations to be solved; quality of communication processes, sources of information and document flow between the participants of the organization process; the level of balance of the organization's functions. Efficiency (оперативність) characterizes the ability of the organization's units identify deviations that arise in the process of activity and eliminate them in a timely manner. Assessment of efficiency involves identifying the effect of the organization, obtained because of timely implementation of necessary organizational measures and actions on the course of the organization. The main measures of the efficiency of organizational activities may include: the share of timely processed documentation in its total volume; the share of violations eliminated in a short time in total; level of performance of organizational functions;

the relative decrease in the volume of the organization's product due to unsatisfactory use of working time and irregular work of departments. Increasing efficiency allows avoiding losses associated with disruption of the business continuity of the business process, and a decrease in product quality.

When assessing the effectiveness of a business organization system it is important to evaluate all sides and aspects of efficiency. This is possible by using the specified criteria and relevant indicators.

Topic 8.2. Evaluation of organization effectiveness

1.Evaluation of the effectiveness of organizational systems

One of the ways to assess the effectiveness of an organization is the method of consistent comparison using standardized assessments, when performance is measured by expert calculation of the values of individual indicators by groups of criteria and determination of their relative importance on an interval scale. In generalized form the scheme of efficiency assessment using this method is shown in Fig. 8.2. At the first stage of this approach, the identification of the organizational system occurs, which consists in identifying the peculiarities of the organization's functioning. At this stage, the functions, goals and organizational resources of the system, the requirements, and possibilities of their satisfaction in specific conditions are established. The second stage is the formation of criteria and measures of efficiency - includes the definition of the main areas of assessment and performance criteria. The criteria act as a prerequisite for making a judgment on the level of efficiency of the organization, each of them is characterized by several indicators. The selection of indicators is based on the following requirements: the measures used should capture the actual level of efficiency and simultaneously consider the tasks of analyzing and managing economic processes by identifying various cause and effect relationships. The final procedure of forming a system of criteria is their ranking by the degree of influence on the organization's efficiency. The ranking is carried out on a quantitative scale ranging from 0 to 10. The maximum score is given to the characteristic that has the greatest advantage. If we denote the expert's assessment of the characteristic *i* by a_{ij}, then the relative weight of the indicator is calculated by the formula:

$$V_i = \sum_j a_{ij} / \sum_i \sum_j a_{ij} , \quad (8.1)$$

The indicator with the highest weight is assigned rank 1. For each most important criterion, a usefulness scale is developed with an interval of 0 - 1.0. The main purpose of the scale is to convert heterogeneous dimensions into equivalent scores. An example of building such a scale is shown in Fig. 8.3. In our case, 0 means the lowest level of performance for a given criterion; 0.1 - very poor level; 0.2 - poor level; 0.3 - satisfactory level; 0.5 - good level; 0.7 - very good level and 1.0 - the highest level of performance. At the third stage - assessment of the organizational system efficiency - the actual values of the indicators are calculated, and the obtained numerical estimates are converted into points using a usefulness scale. Scores are used to build a performance profile, which should include an opinion on each characteristic based on its quantitative assessment and a comparison with the idea of what corresponds to the concepts of "good" and "satisfactory". The fourth stage is the analysis of the organization's efficiency. It includes the calculation of efficiency change reserves, a relative assessment of the importance of criteria for improving the system's performance, and the establishment of directions for its reorganization. The efficiency reserve (K_{ri}) characterizes the number of unused opportunities and

improvements by a specific criterion and shows the need to improve the system in this direction:

$$К_{ri} = (1-S_{ai} * S_{opti}), \quad (8.2)$$

where S_{ai} is the score equivalent to the actual value of the indicator on the usefulness scale; S_{opti} is the optimal score of the indicator. The closer S_{ai} is to S_{opti}, the higher the level of efficiency for a given characteristic. Since the criteria have different weights for efficiency, there is a need for a relative assessment of their importance. The most rational approach to relative assessment is synthesis of performance reserve indicators and criterion weights:

$$Q_{ki} = K_{ri} * V_i, \quad (8.3)$$

where Q_{ki} is the relative assessment of the importance of the *i-th* criterion. The criterion with the maximum Q_{ki} score determines the "bottleneck" of efficiency. Therefore, the order of priority of measures to reorganize the system is set in accordance with the value of Q_{ki}.

2. Model of the efficiency of an organization

Evaluation of the effectiveness of organizational systems is carried out to choose the most rational option structure or method of improvement. The effectiveness of the organizational structure should be assessed at the stage of design, when analyzing the management structures of existing organizations for planning and implementing measures to improve management. A comprehensive set of criteria for the efficiency of the management system is formed considering two areas of assessment of its functioning:

- by the degree of compliance of the results achieved with the established goals of the organization
- by the degree of compliance of the system functioning process with objective requirements to its content, organization, and results.

The criterion of effectiveness when comparing different variants of organizational structure is the possibility of achieving as fully and sustainably as possible the ultimate goal of the management system at lower costs for its operation. The criterion for the effectiveness of measures to improve the organizational structure is the possibility of more complete and stable achievement of the established goal or reduction of management costs, the effect of which should exceed production costs within the standard timeframe. The choice of the basis for comparison or determination of the level of efficiency, which is taken as the normative one, is of fundamental importance for assessing the efficiency of the management system. When assessing the effectiveness of the organizational structure the following groups of indicators can be used:

- characterizing the effectiveness of the management system, which is expressed through the results of the organization's activities and management costs. The following may be considered as an effect: output, output, profit, cost, capital investments, and product quality
- characterizing the content and organization of the process of management, including direct results and costs of management labor. Management costs include current expenses for the maintenance of the management apparatus, operation of technical facilities, training and retraining of personnel
- characterizing the rationality of the organizational structure and its technical and organizational level. They can be used as normative ones when analyzing the effectiveness of the designed options of organizational structures. These include: the linkage of the management system, the accepted norms of manageability, the level of centralization of management functions. In the theory of organization, quantitative methods have been developed to study the relationship between the result achieved by the organization and the productivity of the

management apparatus, which can be defined as the number of final products produced by the organization per employee of the management apparatus. The following coefficients are used for this purpose:

1. The efficiency coefficient of the management organizational structure:

$$\mathbf{C_e} = \frac{Ro}{Em}, \quad (8.4)$$

where R_o is the result (effect) obtained from the functioning of the organizational of the organizational structure of management; E_m - expendituresfor management (payroll, maintenance costs, purchase and repair of office equipment, reception, and transmission of management information).

2. The coefficient of linkage:

$$\mathbf{C_L} = \frac{Ola}{Oloptim}, \quad (8.5)$$

where O_{la} is the actual number of links in the existing organizational structure; O_{loptim} - the optimal number of links in the organizational structure.

3. Coefficient of territorial concentration:

$$\mathbf{C_{tc}} = \frac{Or}{A}, \quad (8.6)$$

where O_r is the number of organizations of a given type in the region of the researched organization; A is the area of the region.

4. Coefficient of duplication of functions:

$$C_d = \frac{\text{Nju}}{\text{Njs}}, \quad (8.7)$$

where N_{ju} is the number of jobs assigned to several units; N_{js} is the standard number of jobs.

5. Coefficient of reliability of the management system:

$$\mathbf{C_r = 1 - \frac{Nud}{Ntotal}}, \quad (8.8)$$

where N_{ud} is the number of unimplemented decisions; N_{total} is the total number of decisions made in the unit.

6. Coefficient (degree) of centralization of functions:

$$\mathbf{C_c} = \frac{Nac}{Na}, \quad (8.9)$$

where N_{ac} is the actual number of decisions made when performing this function at the upper levels of management; N_a - the total number of decisions made at all levels of management.

7. Coefficient of efficiency of information used:

$$\mathbf{C_{ei}} = \frac{Ieu}{Iin}, \quad (8.10)$$

where I_{eu} is the number of cases of effective use of the document; I_{in} is the input information.

All work on the design of organizational structures of management involves the adoption of non-standard organizational decisions, considering the external and internal internal environment.

3.Algorithm for evaluating organization effectiveness

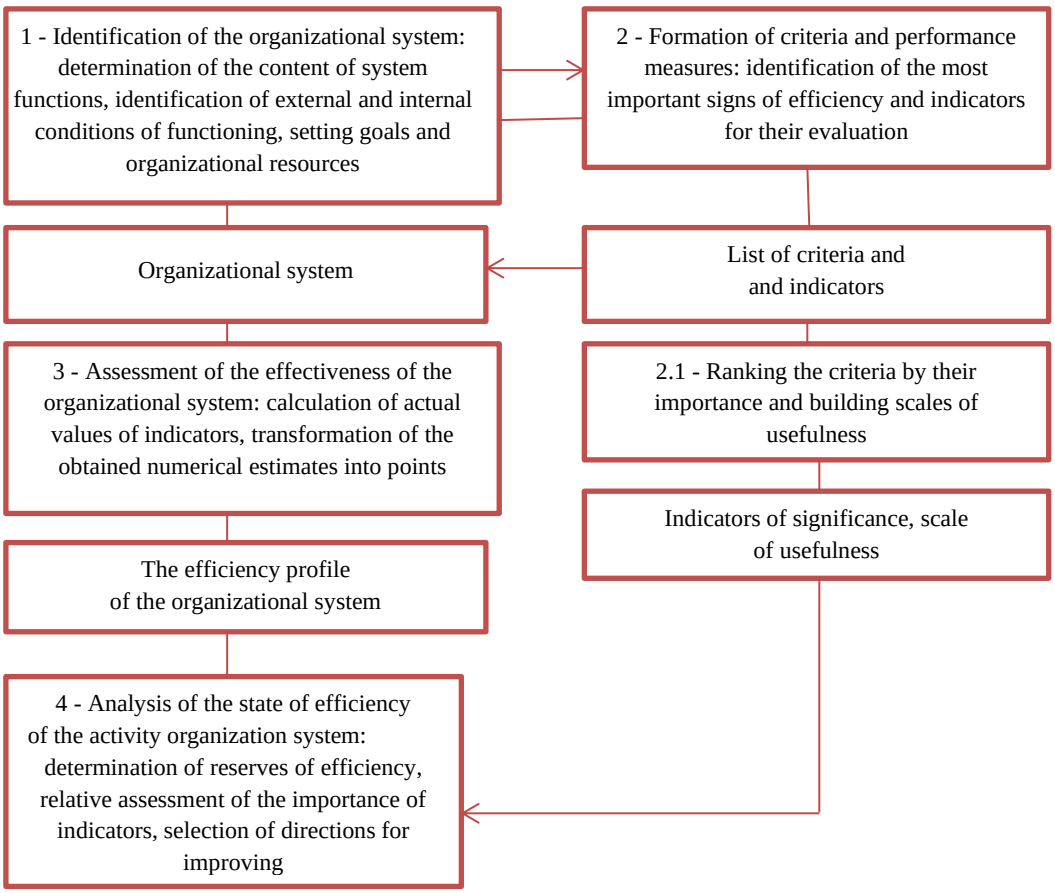


Fig. 8.2. Algorithm for evaluating the effectiveness of the organization
Source: [22; 23; 24]

4. Usefulness scale for evaluating effectiveness of an organization

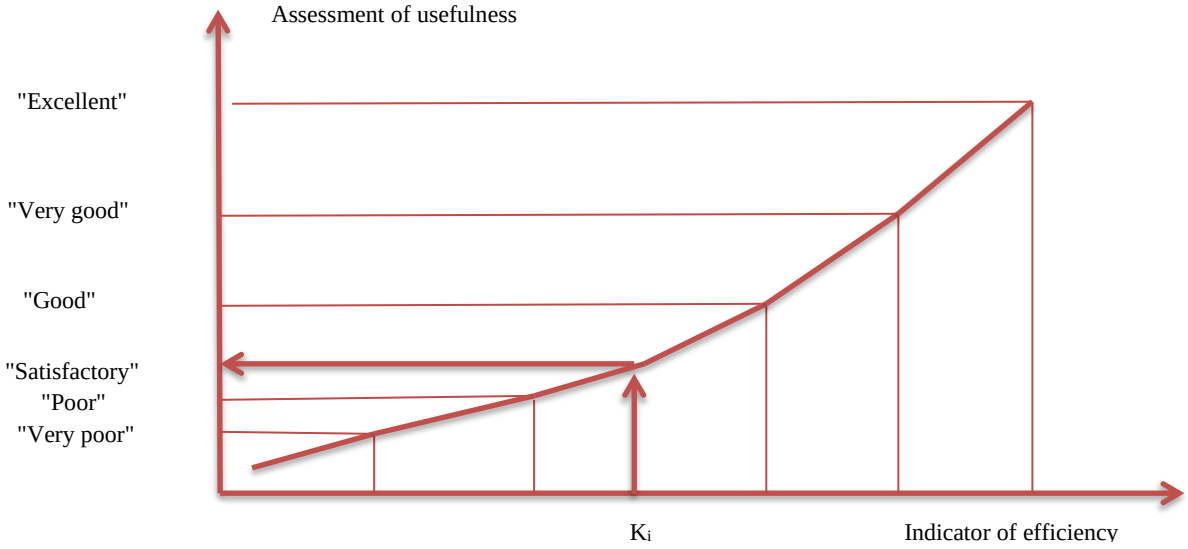


Fig.8.3 Usefulness scale for evaluating effectiveness of an organization
Source: [22; 23]

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

QUESTIONS FOR SEMINAR CLASSES PREPARATION
SECTION 3. EFFECTIVE ORGANIZATIONS DESIGN

Topic 7. Organizational design

1. The concept of "organizational design".
2. Approaches to understanding the essence of organizational design.
3. Principles on which the organizational design process is based.
4. Goals of organizational design.
5. A systematic approach to organizational design.
6. The concept of "organization".
7. The concept of "organizational design".
8. The mechanistic approach to the design of organizational structures.
9. The effective application of the mechanistic approach to the design of organizational structures.
10. An organic approach to the design of organizational structures.
11. The effective application of an organic approach to the design of organizational structures.
12. The process of organizational design and its stages.
13. Methods of organizational design.
14. Organizational modeling method.
15. Situational factors of organizational design.
16. Situations that may arise when designing an organization.
17. Organizational strategy and organizational design.
18. Concepts of "design", "construction", "planning".
19. Management functions in the formation of various organizational management structures.
20. Classical and modern organizational structures.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 8. Effectiveness of an organization

1. The concept of efficiency in management.
2. Task specialization and its impact on productivity.
3. Internal variables of the "7-S" approach.
4. Factors of the internal environment affecting modern organizations.
5. The relationship between the structure of an organization and the division of labor in it.
6. The relationship of tasks and division of labor in an organization.
7. The concept of "effectiveness of an organization's activity".
8. Factors determining the effectiveness of an organization.
9. Model of the efficiency of an organization.
10. Criteria of organizational efficiency and types of effects.
11. Evaluation of the effectiveness of an organization.
12. Methods of evaluating the effectiveness of organizational systems.
13. Criteria for evaluating the effectiveness of organizational systems.

14. Performance evaluation indicators of an organizational structure.
15. Scale of usefulness for evaluating the effectiveness of an organization.
16. Organizational excellence according to D. Harrington.
17. Development of an organization as a system.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

QUESTIONS FOR SELF-STUDY

SECTION 3. EFFECTIVE ORGANIZATIONS DESIGN

Topic 7. Organizational design

1. Define the concept of "organizational design".
2. Describe existing approaches to understanding the essence of organizational design.
3. Analyze the principles underlying the organizational design process.
4. Describe the goals of organizational design.
5. Define what a systematic approach to organizational design is.
6. Define the concept of "organising".
7. Correlate the features of the concepts of "organization" and "organizational design".
8. Define the essence of the mechanistic approach to the design of organizational structures.
9. Describe the conditions for effective application of the mechanistic approach to the design of organizational structures.
10. Define the essence of the organic approach to the design of organizational structures.
11. Describe the conditions for effective application of the organic approach to the design of organizational structures.
12. Distinguish the stages of the organizational design process and explain their content.
13. Analyze the main methods of organizational design.
14. Describe the essence of the organizational modeling method.
15. Describe the situational factors of organization design.
16. Consider the types of situations that may arise when designing an organization.
17. Describe the relationship between organizational strategy and organizational design.
18. Correlate the concepts of "design" and "planning".
19. Describe the functions of management in the formation of various organizational management structures.
20. Describe the classical and modern organizational structures you know.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

Topic 8. Effectiveness of an organization

1. Define the concept of "organizational efficiency".
2. Analyze the factors that determine when an organization can be called effective.
3. Describe an organization's performance model.
4. Give arguments in favor of the fact that an economically efficient organization can be socially efficient.
5. Name the criteria of organizational effectiveness and types of effects.
6. Describe the algorithm for evaluating an organization's performance.
7. Describe the methodology for evaluating the effectiveness of organizational systems.

8. Describe the criteria for evaluating the effectiveness of organizational systems.
9. Analyze the indicators that can be used to evaluate the effectiveness of organizational structure.
10. Describe the utility scale for evaluating the effectiveness of an organization.
11. Analyze the evaluation involved in the implementation of a systems approach in the study and design of changes.
12. Define the theory, where the main statement is that during the lifetime of an organization, its organizational management structure should change in accordance with tasks and goals for the future.
13. Analyze the main components of organizational excellence according to D. Harrington.
14. Describe the concept of efficiency in management.
15. Analyze task specialization and its impact on productivity.
16. Analyze the internal variables of the "7-S" approach.
17. Identify the factors of the internal environment affecting modern organizations.
18. Reveal the relationship between the structure of an organization and the division of labor in it.
19. Describe the relationship between tasks and division of labor in an organization.
20. Determine the expediency of the development of an organization as a system.

Recommended literature: [1; 2; 3; 4; 5; 6; 7; 8; 9; 35; 36].

TASKS FOR PRACTICAL WORK OF STUDENTS

Organization theory definitions

1. Adaptation of the system and its elements to the changing conditions of the external environment is….

2. Small organizations operating in science-intensive sectors of the economy; conducting scientific research, engineering development, create and implement innovations - this is ...

3. Influence of the state in the form of state bodies on economic objects, processes that they have. It is carried out in order to give the processes an organised character, to regulate the actions of economic subjects, to ensure compliance with laws, to defend state and public interests - this is...

4. Procedure of system analysis, which involves breaking the whole into parts for the purpose of their detailed study, is...

5. Transfer of powers to another person, used as a means of decentralisation of management is….

6. Setting and solving economic problems in which the conditions of the latter are formulated with complete certainty is...

7. Transfer of management functions from central authorities to local ones, the expansion of the range of powers of lower management bodies at the expense of higher ones is...

8. Expansion of the assortment, nomenclature of products, goods and services produced by the enterprise; mastering new types of production in order to increase its efficiency is...

9. The process of movement of documents in an organization, which includes compilation,

processing, systematisation, and submission of documents to the archive, is...

10. Time of economically justified release of a certain product, during which it is in demand. The cycle has a number of stages: introduction of the product to the market, growth in sales volume, maturity (maximum production) of the product, decline in sales volume and cessation of production - this is...

11. A common idea about the nature and features of an organization is….

12. New equipment, technology, organizational and management solutions that ensure a significant increase in the efficiency of production of products, goods and services are...

13. The process of mutual adaptation and unification of organizations, industries, regions, countries; unification of economic subjects, deepening of their interactions, development of connections between them is...

14. Significant transformation, change of conditions, replacement of some production facilities or securities by others. For example, ... of the defense complex means the transfer of enterprises that produce military products to the production of civilian, peaceful products, goods and services - this is ....

15. A system of continuous assessment of all aspects of an organization, its divisions, managers and employees from the point of view of timely and high-quality execution of planned tasks, as well as the detection of deviations and the adoption of urgent measures, so that the intended goals and objectives are achieved in the event of any changes in the economic situation and external environment is …..

16. An association, a joint-stock company, a society that is distinguished by a developed organizational culture is...

17. The leading position of an individual or social group is….

18. The type of professional activity of people in organising achieving goals processes is...

19. A set of methods and means of organizational and managerial influence to achieve certain goals is....

20. Conditional image of the management object is...

21. Creating internal and external motivation to act is…..

22. The process combining science, technology, economics, organization, and management. It includes obtaining (creating) an innovation and covers the entire life cycle from the birth of an idea to its full, effective implementation - this is...

23. Appearance of a new quality of the system, brought about because of the integration of individual elements (subsystems) is....

24. Obligation to transfer on a commercial basis to another organization scientific and technical knowledge, experience, engineering services expressed in the form of documentation (or to preserve this commercial secret within the company) is....

25. Basic concept of management; it is known that any socio-economic ... (enterprise, firm, corporation) represents a group of people whose activities are coordinated to achieve its common goal. An enterprise as a complex ... has, as a rule, not one, but a whole set of interrelated goals (tree of goals) - this is...

26. System of material and spiritual values, rules and norms of activity, characteristics of personnel behavior inherent in an organization; contributes to the maintenance of its image - this is….

27. Building organizational projects of production and economic systems is...

28. Complex socio-economic organizations, which are characterised by the following main common features: (a) presence of an organizational structure; (b) availability and effective use of all types of resources (people, capital, information, material, energy, and other types of resources); (c) functioning of ... in a certain external environment that affects them (economic and other operating conditions, markets and market relations with consumers, suppliers, intermediaries, etc.); (d) division, specialization and cooperation of labor with the appropriate organization, coordination of activities of all production units, services and departments ... is...

29. Established and generally accepted rules of organizational, production and economic activity, which should be guided by management subjects in the process of organizational and managerial work, are...

30. The process of analysing, forecasting, and assessing the situation, choosing, and agreeing on the best option for achieving the goal is...

31. Providing components for the organization's activities (including performers, materials, energy, equipment, technological equipment, information, financial funds) is ....

32. The probability of achieving a positive or negative result depending on the influence of external and internal factors that determine the degree of uncertainty of the object and subject of risk is....

33. The direction of the methodology of scientific knowledge and practice, which is based on the study of objects as systems (based on the theory of systems and system analysis), is....

34 A normative-technical or organizational document according to accepted parameters, which establishes a complex of norms, rules, requirements for the object of standardisation and is approved by the competent authorities, is...

35. A set of rules (management decision model) by which the organization is guided in its activities is….

36. The internal structure, a set of interconnected links and stages that make up a system (subsystem, block, many elements) is...

37. Methods for achieving strategic goals are….

38. The reason, the driving force of any process that determines its character or individual features is ....

39. A specialised type of activity for the transformation, change, preservation and reproduction of the object of influence aimed at achieving the relevant goals of an organization is...

40. The future state of the control object (system) is ….

41. The appearance of properties in a system that are not inherent in its elements is...

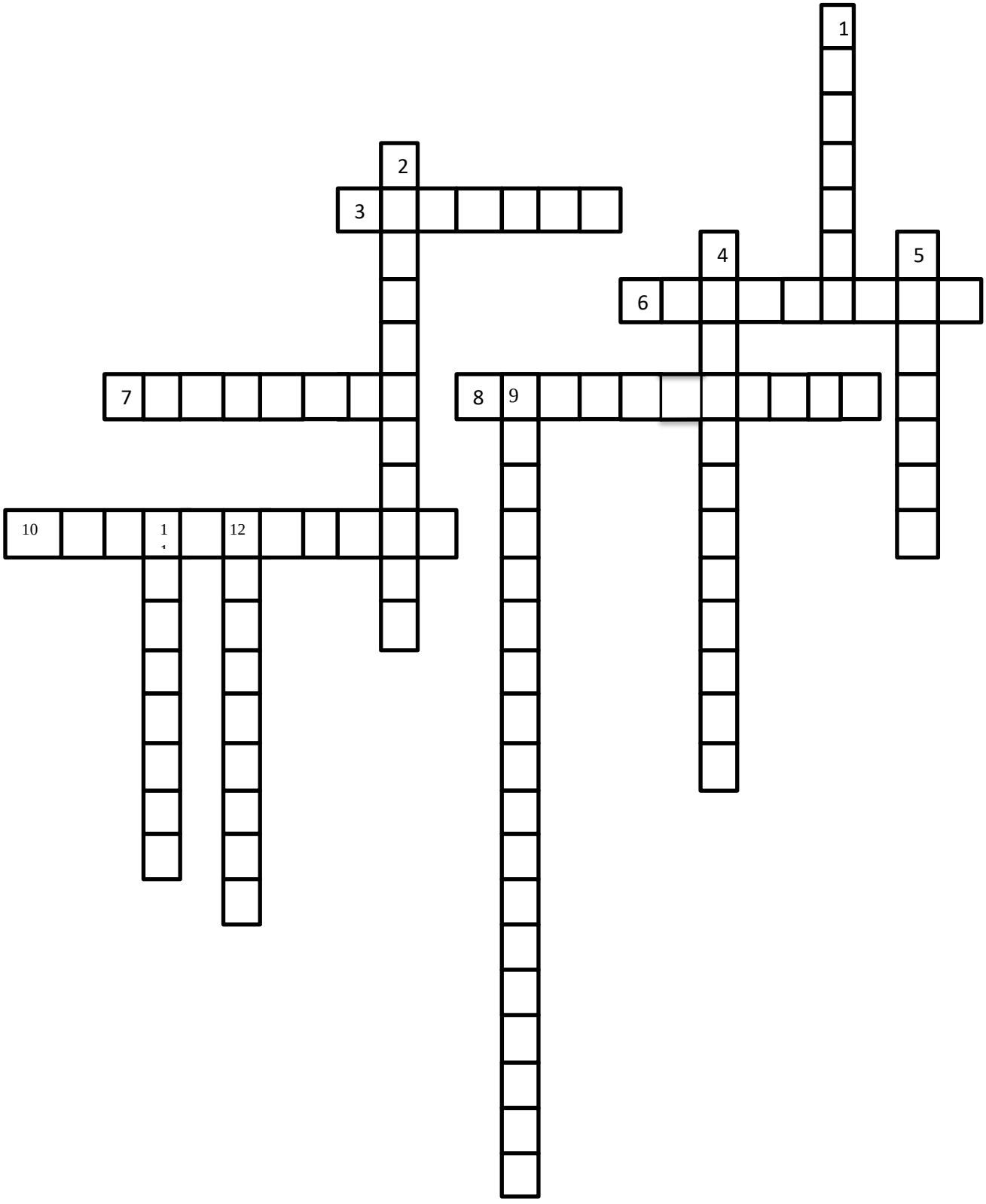
42. Degree of uncertainty of the state or behavior of the system under certain conditions is...

43. An indicator (result) that characterises the value of the profitability of a particular measure is...

44. The comparison of indicators of the effect (result) of the implementation of the measure with the number of resources spent on its achievement (or an indicator of the degree to which an organization has achieved its goals).

45. An organization that owns, manages or manages separate property and is responsible for its obligations with this property; has the right to act in property turnover on its own behalf; has the opportunity to file lawsuits and act as a defendant in court. ... pursuing profit extraction as the main purpose of its activity, is recognised by commercial organizations as ...

Organization theory crossword puzzle



Across:

3. The main feature of social organisations.

6. The number, composition of organisational divisions, levels of management in a single interconnected system.

7. People are grouped together in ……based on the product or service they provide, not the work they do.

8. A business ….agreement happens when two or more entities combine together. In the

process, one entity acquires another entity that helps them to grow in size, expand the market, expand the customer base and diversify.

10. Structures that resemble a bureaucracy; are highly formalised and centralized; communication tends to follow formal channels and employees are given specific job descriptions delineating their roles and responsibilities.

Down:

1. Organisational relations are ... of organisation theory.
2. The science of general patterns of management and information transfer processes in various systems.
4. A group of people whose activities are consciously regulated to achieve a common goal.
5. A series of actions or steps taken in order to achieve a particular end.
9. The discipline that studies the structures and operations of organisations (2 words).
11. E. Mayo. conducted …. experiment.
12. Organisation, organized for purposes other than generating profit and in which no part of the organisation's income is distributed to its members, directors, or officers.

COMPREHENSIVE TESTS TO TEST KNOWLEDGE OF THE COURSE

MIDTERM TEST

Variant I

Measure the efficiency of the process if: a company is making 1000 products per shift. 1000 products are the maximum products that the company can manufacture. Out of that 20 products get rejected.

Variant II

Measure the effectiveness of the process if: a company is making 990 products per shift. 1000 products are the maximum products that the company can manufacture. Out of those 990 products, all are OK products.

FINAL TEST

Variant I

Theoretical tasks

1. Analyze the relationship between the concepts of "mechanistic bureaucracy" and "professional bureaucracy".
2. Analyze the conditions for effective use of mechanistic and organic approaches to organizational design.

Practical tasks

1. Describe methods of supporting the culture of an organization.
2. Develop a mechanism for forming organizational culture of a joint-stock company using cluster management technology.
3. Reveal the importance of developing methods of designing organizational structures for improving management and increasing the effectiveness of the organization's activities.

4. What indicators can be used to evaluate the effectiveness of an organizational structure:

a) indicators of the state of organizational culture

b) indicators characterising the level of management efficiency

c) indicators characterising the rationality of organizational structure and its technical and organizational level

d) indicators characterising the specifics of managerial work.

Situations

Task 7

Scenario

In "Alfa" organization, there is a constant turnover of personnel. The reason for this is low wages, many duties of employees, a significant number of subordinates to functional managers for an individual employee. Many employees leave the organization after the probation period. However, taking into account the economic situation on the labor market, "Alfa" organization does not feel a shortage of labor, especially since this situation results in significant savings in the wage fund (the salary of an intern is significantly lower than the basic salary).

Problem

4. Define the current principles of building the organization structure and propose an optimised model of the organization structure.

Task 8

Scenario

You are a manager of a large joint-stock company. As part of the implementation of the organization's development strategy, the management decided to improve the organizational culture in terms of its following components: the image of the organization in the external environment, the appearance of personnel and work premises, corporate design, the development and distribution of internal organizational mass media, the use of hotlines for solving personnel problems, etc.

Problem

1. Formulate a list of values that should be shared by the staff of the company.

2. Offer your vision of the main components of the organizational culture of the joint-stock company.

Variant II

Theoretical tasks

1. Analyze the relationship between the concepts of "clerk's office", "mechanised office", "electrified office", and "electronic office".

2. Analyze the development of subsystems of an organization.

Practical tasks

1. Describe information in an organization as a factor in ensuring the effectiveness of an organization.

2. Reveal the content of Hall's alphabet of corporate culture.

3. Prove the appropriateness of using the expansion of the front of work, alternation of activities, enrichment of activities while eliminating the negative results of specialization

and rationalisation of routine work.

4. Information technologies in the organization are:

a) ways and methods of obtaining, collecting, searching, transmitting, processing, storing, accumulating, distributing and duplicating information necessary for managing an organization

b) a set of methods and means of building and maintaining factual and full-text databases, databases of audio and video information

c) formation of information links between an organization and the external environment

d) creation of an electronic database.

Situations

Task 7

Scenario

You are a personnel manager of a private organization. The owner of the organization instructed you to develop a system of measures to attract young people to work in the organization and increase the educational and qualification level of its employees. As of January 1, 2021, the share of employees under the age of 35 in the total number of employees of the organization was 7%. According to the personnel department of the organization, specialists under the age of 35, on average, work in a certain division of the organization for no more than 5 years, leave the job and go to work in other organizations.

Problem

1. Using the algorithm for the formation of an effective socio-psychological subsystem of an organization, substantiate the system of measures to attract young people to work in the organization and increase the educational and qualification level of the organization's employees.

2. Summarize the proposals in the form of a report addressed to the general director of the organization.

Task 8

Scenario

Examples of fundamental theories of organizations	Principles of design
1. F. Taylor's theory	success of the organization depends on the degree of satisfaction of its employees
2. A. Fayol's theory	objective conditions of satisfaction in the decision-making process
3. Bureaucracy of M.Weber	obligation of a single center of subordination of all structural links
4. E. Mayo's theory	combination of direct application of power and integration of workers' efforts
5. Barnard's theory	organization can acquire resources only in exchange for the products produced
6. D. Mc Gregor's theory	management of an organization based on formal impersonality and a strict system of subordination
7. A. Chandler's theory	a clear division and rationing of labor does not always lead to increased productivity
8. J. Thomson's theory	a decentralised form and complex management systems are necessary for dynamic production and development
9. P. Lawrence and J. Losch theory	planning function is attached to the manager, the execution function to the employee
10. R. Saiert and J. March theory	changing the organization's strategy requires changing its organizational structure

Problem

1. Specify the number of the corresponding fundamental organization theory based on the characteristic principles of their construction.
2. Give examples of organizations in which the main features of the specified theories are most evident.

Variant III

Theoretical tasks

1. Analyze the relationship between the concepts "network structure of an organization" and "virtual organization".
2. Analyze the relationship between types of organization training: first-order "single-loop" and second-order "double-loop".

Practical tasks

1. Describe the concepts of organizational structures.
2. Justify advantages and disadvantages of wide scale management.
3. Prove that it is the "dark green throat effect" that can lead to a loss of control over subordinates.
4. Which of the listed functions of organizational culture belongs to the group of functions determined by the internal state of the formal mechanism of the organization:

a) consumer orientation
b) the function of regulating partnership relations
c) adaptation of the economic organization to the needs of society
d) regulatory

Situations

Task 7

Scenario

Operational actions of a certain organization:

hiring; procurement of raw materials and materials; public relations; search for suppliers; issuance of shares; development and adoption of current activity plans; attestation and assessment of personnel; development of internal labor regulations; creation of the brand of the organization; conducting marketing campaigns.

Problem

1. Determine which of them require a predominantly centralised approach, and which require a decentralised approach.
2. Give examples of organizations in which the main features of the specified approaches are most evident.

Task 8

Scenario

Three of the corporation's seven subsidiaries are on the verge of bankruptcy. This affects the efficiency of the corporation and its image.

Problem

1. Using the procedure for creating an effective organization, suggest ways to improve the health of the corporation's subsidiaries.
2. Prepare a report "On ways to improve the efficiency of the corporation's subsidiaries".

QUESTIONS FOR MIDTERM EXAMS

1. Object, subject, and sources of "Organization theory and organizational development".
2. Structure, functions, and tasks of "Organization theory and organizational development".
3. Place of organization theory and organizational development in the system of management sciences.
4. Theoretical and methodological foundations of "Organization theory and organizational development".
5. Contribution of the scientific discipline "Psychology" to "Organization theory and organizational development".
6. Contribution of economic sciences to "Organization theory and organizational development".
7. Internal environment of an organization.
8. External environment of an organization.
9. Reorganization.
10. Inductive method of organization theory.
11. Statistical method of organization theory.
12. Abstract-analytical method of organization theory.
13. Comparative method of organization theory.
14. Methods of complex and functional analysis, system and historical approach.
15. "Organization theory and organizational development" functions.
16. Organization as a system.
17. Organization as a process.
18. Quantitative measurement of organizational parameters.
19. F.Taylor and the scientific foundations of organization theory.
20. Principles of organization by A. Fayol.
21. Bureaucracy of M. Weber.
22. E. Mayo and the Hawthorne experiment.
23. Purposeful organizations by C. Barnard.
24. D. McGregor and "X-Y" theory.
25. A. Chandler, J. Thomson, P. Lawrence, J. Lorsch and the study of the influence of the external environment on an organization.
26. R. Sayert, J. March, G. Simon and the model of the "garbage can theory".
27. Situational approach.
28. Ecological approach.
29. Organizational learning approach.
30. Types of learning organizations.
31. Classical organization models.
32. Bureaucratic model of an organization.
33. Neoclassical model of an organization.
34. Institutional model of an organization.
35. System model of an organization.
36. The concept of "an organization".
37. Provisions of the genesis of an organization.
38. Properties of an organization.
39. Synergistic properties of an organization.

40. Mission of an organization.
41. Principles of an organization.
42. General principles of an organization and their characteristics.
43. Partial and situational principles of an organization.
44. System of organization laws.
45. Law of synergy.
46. Law of development.
47. Law of correspondence between the diversity of a controlling system and the diversity of a managed object.
48. Law of priority of the whole over the part.
49. Law of consideration of the system of needs.
50. Partial laws of organizations.
51. Specific laws of organizations.
52. Interrelationship of organization laws.
53. Structure of an organization.
54. Life cycle of an organization.
55. Social organizations.
56. Approaches to the concept of "social organization".
57. Goals of social organizations.
58. Objective (natural) and subjective (artificial) processes in an organization.
59. Subsystems of an organization.
60. Factors of an organization's internal environment.
61. Approaches to identifying the parameters of the internal environment of organizations.
62. Goals of an organization.
63. "Diamond" by H. Leavitt.
64. D. Boddy and R. Peyton's integral model of organization.
65. The external environment of the organizational system.
66. Viscosity of the external environment.
67. Complexity of the external environment.
68. Factors of the external environment.
69. I. Ansoff's scale for assessing the level of instability of the external environment.
70. Analysis of the external environment.
71. PEST analysis.
72. M. Porter's five-factor model.
73. Classification of organizations.
74. Types of business organizations.
75. Evolution of social organizations.
76. Evolutionary principles.
77. Statics and dynamics of organizational systems.
78. Dynamic organizations.
79. Principles of the static state of an organization.
80. Principles of the dynamic state of an organization.
81. Signs of an organization operating on a dynamic principle.
82. Types of analysis of an organization's management system.
83. Organization as a system of processes.
84. Organization and management.

85. Basic processes implemented by organizations.
86. Internal organizational processes.
87. Technologies and personnel of an organization.
88. Functional processes of an organization.
89. General external environment of an organization.
90. The immediate business environment of an organization.
91. Mechanistic type of organization management.
92. Organic type of organization management.
93. Organization management system.
94. Adoption of management decisions.
95. Management of an organization.
96. The role of managers in an organization.
97. Technologies of organization management.
98. Special economic tools of organization management.
99. Situational management of an organization.
100. Resource analysis of an organization.
101. Organizational development strategy.
102. Organizational design.
103. Goals of organizational design.
104. Approaches to organization design.
105. Bureaucratic (mechanistic) model.
106. Behavioral (organic) model.
107. Stages of organizational design.
108. Organization design methods.
109. Organization design factors.
110. The main types of situations when designing an organization.
111. Relationship between strategy and organizational design.
112. Structure of an organization.
113. Organizational chart (organigram).
114. Elements of structure and connections in an organization.
115. Formal and informal structure of an organization.
116. Concepts of organizational structures.
117. Modern theory of organizational systems.
118. The human factor as the main structural characteristic.
119. Approaches to the formation of an organizational structure.
120. Simple structure.
121. Machine bureaucracy.
122. Professional bureaucracy.
123. Divisional structure.
124. Adhocracy.
125. Project structure.
126. Matrix structure.
127. Network structure.
128. Virtual structure.
129. Characteristics of the organizational structure.
130. Linear organizational structure.
131. Line-staff organizational structure.

132. Formalisation.
133. Centralisation of the organizational structure.
134. Decentralisation of the organizational structure.
135. Organizational culture.
136. Formation of organizational culture.
137. Properties of organizational culture.
138. Functions of organizational culture.
139. Signs of organizational cultures.
140. Elements of culture.
141. Material culture.
142. Spiritual culture.
143. Elite culture.
144. Folk culture.
145. Mass culture.
146. Subjective organizational culture.
147. Objective organizational culture.
148. Undisputed culture.
149. Strong culture.
150. Corporate culture at U-Haul.
151. Typology of management cultures by C.Handy.
152. Types of organizational culture by W.Ouchi.
153. Bureaucratic culture.
154. Guardian culture.
155. Praxiological culture.
156. Entrepreneurial culture.
157. Methods of supporting the culture of an organization.
158. Change of organizational culture.
159. Information in an organization.
160. Management information.
161. Technologies of information activity in an organization.
162. Information system of an organization.
163. Modern information technologies of organizational culture.
164. Hypertext. Telecommunications. Graphics. Multimedia.
165. CASE technologies.
166. The concept of the efficiency of an organization's performance.
167. Model of the organization's efficiency.
168. Organization efficiency factors.
169. Criteria of organizational efficiency and types of effects.
170. Evaluation of the efficiency of an organization.
171.Evaluation of the effectiveness of organizational systems.

QUESTIONS FOR FINAL EXAM

1. "Organization theory and organizational development" as a management discipline.
2. The subject and tasks of "Organization theory and organizational development".
3. Interdisciplinary connections with other sciences.

4. System of categories.
5. Categorical and conceptual apparatus of organization theory.
6. The concept of "the evolution of organizational theory".
7. Methodological principles.
8. Methods of "Organization theory and organizational development".
9. Organizational models.
10. The content and essence of the organization as a universal category.
11. Genesis of an organization.
12. The main properties of an organization.
13. Principles of an organization.
14. System of organization laws.
15. Concept of organizational systems.
16. Organization as an open system.
17. Life cycle of an organization.
18. Internal environment of an organizational system.
19. External environment of an organizational system.
20. Subsystems of an organization.
21. Classification of organizations.
22. Social organizations and their evolution.
23. Organization as a system.
24. Organization as a process.
25. Statics and dynamics of organizational systems.
26. Principles of the static and dynamic state of an organization.
27. Dynamic organizations.
28. Principles of dynamic organizations.
29. Principles of the operation of static organizations.
30. Organizations as an object of management.
31. Organization and management.
32. Organization management system.
33. Technologies of organization management.
34. Organizational design.
35. Universal views on organizational design.
36. Stages of organizational design.
37. Organization design methods.
38. Organization design factors.
39. Ensuring the effectiveness of an organization.
40. Structure of an organization.
41. Principles of building the structure of an organization.
42. Formal organizational structure.
43. Informal organizational structure.
44. Structure of an organization and connections in an organization.
45. Concepts of organizational structures.
46. Approaches to forming an organizational structure.
47. Characteristics of an organizational structure.
48. Concepts, structural elements of organizational culture.
49. Properties of organizational culture.

50. Functions of organizational culture.
51. Classification of organizational culture.
52. A system of methods for supporting an organization's culture.
53. Change of organizational culture.
54. Information and analytical technologies in an organization.
55. Information in an organization as a factor in ensuring its effectiveness.
56. Technologies of information activity in an organization.
57. Information system of an organization.
58. Modern information technologies of organizational culture.
59. Stages of evolution of technologies of information activity in an organization.
60. The concept of the effectiveness of an organization's performance.
61. Approaches to determining the effectiveness of organizations.
62. Economic and social aspects of an organization's effectiveness.
63. Organizational efficiency factors.
64. Criteria of organizational efficiency and types of effects.
65. Economic form of the effect of an organization.
66. Social form of the effect of an organization.
67. Organizational effect of an organization.
68. Evaluation of the effectiveness of an organization's performance.
69. Evaluation of the effectiveness of organizational systems.
70. Algorithm for evaluating the effectiveness of an organization's performance.
71. Scale of usefulness for evaluating the effectiveness of an organization.
72. Criteria for the effectiveness of a management system.
73. Performance indicators of organizational structure.
74. Quantitative methods in organization theory.
75. Effectiveness of an organizational system according to D. Sink.
76. "Internal" and "external" aspects of organizational effectiveness.
77. Principles of organization management.
78. Management of newly formed organizations in market conditions.
79. Methods of rationalisation of organizational performance.
80. Learning process in learning organizations.
81. Types of strategies and goals of organizations.
82. Horizontal and vertical information connections in organizations.
83. Organization management styles.
84. Criteria of the organization's readiness for change.
85. Approaches to developing modern organizational thinking.
86. SWOT-analysis.

FINAL ASSESSMENT CRITERIA

The implementation of the main tasks of students' knowledge monitoring at "KROK" University is achieved by systematic approaches to assessment and comprehensive application of various types of monitoring. According to the system of comprehensive diagnostics of students' knowledge operating at the university, in order to stimulate planned and systematic educational work, the assessment of students' knowledge is carried out according to a 100-point system.

Forms of students' knowledge monitoring:

a. Midterm tests
b. Final (semester) exam

Assessment of the knowledge of students of "KROK" University is carried out on a 100-point scale, which is translated accordingly into the national scale ("excellent", "good", "satisfactory", "failed"). ***Midterm tests*** are conducted at seminars/practical classes and based on the results of assignments. Assessment is conducted according to theoretical knowledge and practical skills of students on the specified topic (including self-studied material) acquired during seminar classes and by doing practical tasks.

Interval for cumulative scale of the University	**Evaluation on a four-point national scale**
90 and more	excellent
70–89	good
50–69	satisfactory
1–49	failed

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APPENDICES

Appendix 1

Answers to questions on organization theory definitions

1. Adaptation
2. Venture organizations
3. State regulation
4. Decomposition
5. Delegation of powers
6. Determinism
7. Decentralisation
8. Diversification
9. Document circulation
10. Product life cycle
11. Image
12. Innovation
13. Integration
14. Conversion
15. Controlling
16. Corporation
17. Leadership
18. Management
19. Methods
20. Model
21. Motivation
22. Scientific and technical progress
23. Non-additivity
24. Know-how
25. Organization
26. Organizational culture
27. Organizational design
28. Enterprises
29. Principles
30. Making a decision
31. Resources
32. Risk
33. Systematic approach
34. Standard
35. Structure
36. Tactics

37. Factor
38. Function
39. Purpose
40. Emergency
41. Entropy
42. Effect
43. Efficiency
44. Legal entity

Answers to crossword questions

Across:

3. synergy
6. structure
7. division
8. combination
10. mechanistic

Down:

1. subject
2. cybernetics
4. organisation
5. process
9. organization theory
11. Hawthorn
12. nonprofit

Appendix 2.
Short terminological dictionary

Adaptation is adjusting a system and its elements to changing conditions of the external environment.

Business game is a simulation, simplified reproduction of a real economic situation in a game form. It is used as a method of practical training in economics and business organizations.

Corporation is an association, a joint-stock company, a society characterised by a developed organizational culture. *Corporate* means closed within a corporation.

Controlling is a system of constant assessment of all aspects of an organization's activities, its divisions, managers and employees from the point of view of a timely and high-quality execution of planned tasks, as well as detection of deviations and adoption of urgent measures, so that the intended goals and objectives are achieved in case of any changes in the economic situation and external environment.

Conversion is a significant transformation, change of conditions, replacement of some objects of production or securities with others. For example, *conversion* of a defense complex means the transfer of enterprises producing military products to the production of civilian, peaceful products, goods, and services.

Decentralisation is the transfer of management functions from central authorities to local ones, expansion of the range of powers of lower management bodies at the expense of higher ones.

Decomposition is a system analysis procedure that involves breaking the whole into parts for the purpose of their detailed study.

Decision-making is the process of analysing, forecasting and assessing the situation, choosing and agreeing on the best option for achieving the goal.

Delegation of authority is the transfer of authority to another person. It is used as a means of decentralising management.

Determinism is the formulation and solution of economic problems, in which the conditions of the latter are formulated with complete certainty.

Diversification (from Latin "Diversus" – different and "facere" – to make) is expansion of the assortment, nomenclature of products, goods and services produced by an enterprise; development of new types of production in order to increase its efficiency.

Document circulation is the process of document movement in an organization, which includes compilation, processing, systematisation, and submission of documents to an archive.

Economic laws are established rules on the basis of experience, practical activities, and the identification of stable connections and relationships between economic phenomena, processes, and relationships through scientific research. *Economic laws* reveal the general properties and signs of the processes of production, exchange and consumption.

Effect is an indicator (result) that characterises the value of the profitability of a particular measure.

Effectiveness is a comparison of indicators of the effect (result) of the implementation of the measure with the amount of resources spent on its achievement (or an indicator of the degree to which an organization has achieved its goals).

Emergence is the appearance of properties in a system that are not inherent to its constituent elements.

Enterprises are complex socio-economic organizations, which are characterised by the following main common features (characteristics): (a) presence of an organizational structure; (b) availability and effective use of all types of resources (people, capital, information, material, energy, and other types of resources); (c) functioning of enterprises in a certain external environment that affects them (economic and other operating conditions, markets and market

relations with consumers, suppliers, intermediaries, etc.); (d) division, specialization , and cooperation of labor at relevant organization, coordination of activities of all production divisions, services and departments of the enterprise.

Entropy is a measure of uncertainty of state or behavior of a system under certain conditions.

Factor is a cause, a driving force of any process, which determines its character or individual features.

Function is a specialised type of activity for transformation, change, preservation and reproduction of an object of influence aimed at achieving the relevant goals of an organization.

Goal is a future state of a management object (system).

Harmony (from the Greek, "harmonia" - harmony, conformity) - conformity of parts, fusion of various components of an object into a single whole.

Image is a common idea about the nature and features of an organization.

Innovation is a new technique, technology, organizational, or management solution that provides a significant increase in the efficiency of production of products, goods, and services.

Integration is the process of mutual adaptation and unification of organizations, industries, regions, countries; unification of economic entities, deepening of their interactions, development of connections between them.

Know-how is an obligation to transfer on a commercial basis to another organization scientific and technical knowledge, experience, engineering services expressed in the form of documentation (or to preserve a commercial secret within an organization).

Leadership is a leading position of an individual or a social group.

Legal entity is an organization that owns, manages or manages separate property and is responsible for its obligations with this property; has the right to act in property turnover on his own behalf; has the opportunity to file lawsuits and act as a defendant in court. *Legal entities* pursuing profit extraction as the main purpose of their activity are recognised as commercial organizations.

Life cycle of a product is the time of economically justified production of a certain product, during which it is in demand. *The cycle* has a number of stages: introduction of a product to the market, growth in sales volume, maturity (maximum production) of a product, decline in sales volume, and cessation of production.

Management is a type of professional activity of people to organise processes for achieving goals.

Methods are a set of means of organizational and managerial influence to achieve certain goals.

Model is a conventional image of a control object.

Motivation is the creation of an internal and external incentive to act.

Non-additivity is the appearance of a new quality of a system that arises as a result of integration of individual elements (subsystems).

Organization is essentially a basic concept of management. It is known that any socio-economic organization (enterprise, firm, corporation) represents a group of people whose activities are coordinated to achieve its common goal. An enterprise is a complex organization that has, as a rule, not one, but a whole set of interrelated goals (tree of goals).

Organizational culture is a system of material and spiritual values, rules and norms of activity, characteristics of personnel behavior inherent in this organization; *organizational culture* contributes to maintaining its image.

Organizational design is construction of organizational projects of production and economic systems.

Principles are established, generally accepted rules of organizational, industrial, and

economic activity, which should be guided by management subjects in the process of organizational and managerial work.

Resources provide components for an organization's activities (including performers, materials, energy, equipment, technological equipment, information, and financial funds).

Risk is a probability of achieving a positive or negative result depending on the influence of external and internal factors that determine the degree of uncertainty of the object and subject of the risk.

Risk management is a special type of activity aimed at mitigating the impact of risk on an organization's performance.

Scientific and technological progress in the modern sense is a process that combines science, technology, economy, organization and management. It includes obtaining (creating) an innovation and covers the entire life cycle from the birth of an idea to its full, effective implementation.

Standard is a normative-technical or organizational document according to accepted parameters, which establishes a set of norms, rules, and requirements for the object of standardisation and is approved by the competent authorities.

State regulation is the influence of the state in the form of state bodies on economic objects and processes that they have. It is carried out in order to give the processes an organised character, to regulate the actions of economic entities, to ensure compliance with laws, to defend state and public interests.

State order - an order issued by state bodies and paid from the state budget for manufacturing of products, releasing goods, performing works and providing services in which the state is interested. *State order* is issued on a competitive basis and is a method of direct state regulation of economic relations in the country.

Strategy is a set of rules (management decision model) by which an organization is guided in its activities.

Structure is an internal arrangement, a set of interconnected links and steps that make up a system (subsystem, block, many elements).

System approach is the direction of the methodology of scientific knowledge and practice, which is based on the study of objects as systems (on the basis of systems theory and system analysis).

Tactics are methods for achieving strategic goals.

Venture organizations are small organizations operating in science-intensive sectors of the economy; conduct scientific research, engineering development, create and implement innovations.

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