

ORGANIZATION AS A SYSTEM

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Summary. Organizations are components of society that create or mediate the creation of goods and services necessary for human existence. An organization is therefore a group of people working together to achieve common goals in order to produce a product for the customer.

The concept of firm or enterprise is also defined in a narrower sense: these are organizations whose stated purpose is to make a profit from the sale of production.

The enterprise is characterized by a certain type of activity, functional and technological organization, the capacity to produce certain goods, and economic and financial self-management.

In a systemic approach, an organization can be considered as a system in which input quantities, state quantities and output quantities are distinguished. Input quantities are subject to a transformation process specific to each organization ("le savoir-faire" or "know-how" of the organization), based on methods by which the process is kept under control. The state margins characterize at any time the transformations or processes in the system. Output margins represent the realized product, which also includes added value (this is considered to be directly related to product quality).

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The organization is considered a self-regulating system, with information about output margins providing the feedback for correcting input margins, presented in figure 1.



Figure 1. General model of an organization - own elaboration

In various systemic approaches, different systems are identified in an organization, which are simultaneously found throughout the organization and are interconnected, the relationships between them being dynamic and changing.

Thus, the organization can be approached as different systems:

- **Complex system**, given the diversity of its resources - human, material, financial, informational - between which multiple and different links are established. The four categories of resources determine different subsystems within the organization, such as services, production departments, workshops, etc.
- **socio-economic system**, in which employees carry out work processes through which they create added value, an approach that gives human resources a central position in the organization.

- **technical-productive system** - more prominent in industrial firms - considering the technological relations through which raw materials, materials and labor force determine production activities.
- **dynamic system**, given the continuous changes that occur in the organization or in the environment with which it interacts.
- **organizational-administrative system**, defined by the object of activity, the location, the name of the organization, the organizational structure and operating regulations, etc.- probabilistic system, given the random nature of the internal and external factors influencing the organization's activity.
- **self-regulating, adaptive system** - given the organization's ability to adapt to environmental factors (internal and external), based on information obtained through a self-regulating loop.
- **open system**, when the organization is seen as a component of a more complex system, including the external environment.

Organizational culture consists of the totality of values, traditions, beliefs, objectives, goals, etc., which are perceived by employees as an abstract concept, but specific to their organization. It develops from the establishment of the organization and changes over time.

In an organization conceived as a system, inputs are resources, outputs are products (or services, also considered in a broader sense - as products), and the influence of the environment on the system is feedback, useful for the function of self-regulation or adaptation.

The organizational environment is made up of the external environment and the internal environment and it directly influences the organizational culture.

The internal environment is made up of factors and conditions within the organization.

The external environment is made up of all the elements outside the organization that influence it. It has two sides:

- **the general external environment**, which includes economic, socio-cultural, political conditions, etc;
- **the specific external environment** - the specific groups that influence the organization (competitors, suppliers, customers, partners, etc.), entire organization presentation.

The environment directly determines the safety (or insecurity) of an organization, as it influences its competitiveness. Thus, the more complex and less stable the environment, the more uncertain the organization becomes.

The work carried out by the organization is also approached in a processual way, processes being classified according to their complexity into: functions, activities, tasks and duties.

Organizational functions are those sets of activities directed towards the achievement of the organization's fundamental (or overall) objectives.

In large and industrial organizations, all five main functions are found: research and development, commercial, production, financial-accounting, human resources (personnel).

The totality of the firm's functions constitutes a dynamic system with interdependent links, figure 2. The organization is an open, adaptive system, considering that it is a component of larger systems with which it has harmonized links through the process of management. At the same time, the organization also has its own degree of autonomy, a self-sustaining functioning: The organization can only be understood by looking at it as an open system whose internal processes are in interrelation with the environment. The closed system is a hypothetical construct that does not and cannot exist in reality. The organization as a completely closed system will probably never exist, because its components are always influenced by forces outside the system. This means that the organization has to be analyzed contextually and, in this sense, we can speak of "degrees of permeability" to environmental influences, but not of a closed system.

The organization is a social system of activity that brings together people (human resources) and material resources through which it achieves the purpose for which it was created: products, works, services, in accordance with the social order. Whatever the organization is, it has been built consciously and deliberately by people to produce something that society needs. The objective (purpose) is the basis on which the organization came into being and at the same time the motivation

for its continued existence. Even if, over time, the purpose has changed and the present purpose no longer coincides with the purpose for which it was created, the organization is still maintained if it has a purpose, if it satisfies a need.

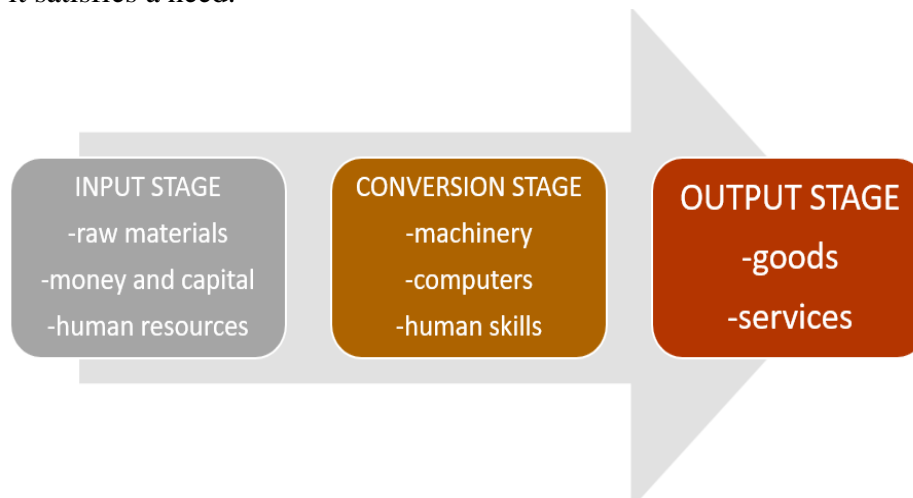


Figure 2. Organization as a system – own elaboration

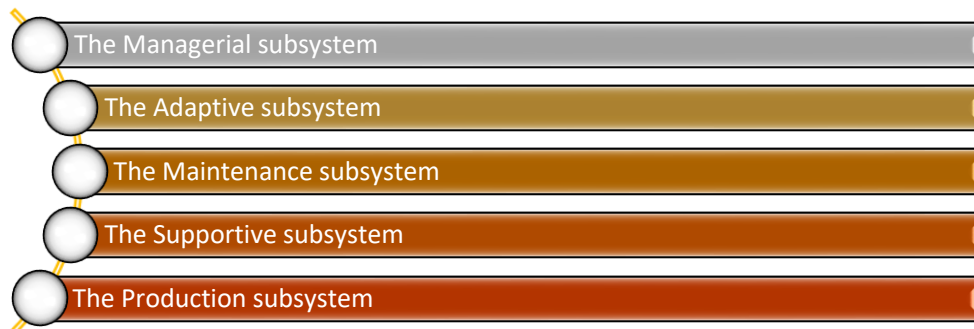


Figure 3. Organization as a system - own elaboration

The organization is a dynamic system, in the sense that its evolution and viability are determined by the changes that occur within the system, in its relationship with the environment. It is also a complex probabilistic and relatively stable system, because it is a meeting of components articulated by numerous links, subject to disruptive factors, but capable of maintaining its functioning within limits that define its behavior. At the same time, the organization is a self-regulating and self-organizing system because it has the capacity to cope with various influences from within and without, with the help of management, through decision-making. As a self-regulating system, the organization acts in accordance with a set of norms and values and self-regulates according to several elements. Self-organization expresses the ability of the organization to restore the balance of its behavior in relation to disturbances, and self-instruction reflects the ability to use previous experiences to optimize its own activity.

The organization is a hierarchical system in which a precise division of labor operates and individuals have clearly different statuses and roles. One of the basic characteristics of organizations is the existence of a hierarchical leadership structure, i.e. a collective or 'teams' that operate with leaders of various ranks at the top.

However, in order to have a more complete picture of the organization, it is necessary to emphasize that it must be seen both as a system and as a "super-system". As a system, it is included in the global society, and as a super-system it encompasses other systems. At the same time, the organization comprises several subsystems, each with a specific function. An operational classification of the systems (subsystems) participating in the internal "life" of the organization is provided by D. Katz and R. Kahn, who indicate five essential generic types, presented in figure 3.

- a. **The production subsystem**, which is the most important, because it is here that the transformations are carried out based on the processing of the "inputs" into the system.
- b. **The supportive subsystem** procures the "inputs" from the environment (people, materials, energies), places the "outputs" and realizes the institutional links of the organization with the external environment.
- c. **The maintenance subsystem** that equips the organization with what is necessary to carry out the activity in the best conditions. This includes mechanisms for recruiting and training the workforce, soliciting and motivating them according to the organization's rules, applying positive and negative sanctions for achieving the organization's goals.
- d. **The adaptive subsystem**, which develops corrective measures to adapt the system to the influences of the environment.
- e. **The managerial subsystem**, which comprises the activities organized to control, coordinate and direct the many subsystems of the organizational structure. This subsystem has regulatory mechanisms and is vested with structural authority at several levels. It is the one that produces the decisions needed to coordinate and direct all the other subsystems.

Remember: All organizations are perfectly designed to get the results they get.

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