Organization's Structure Based on Competing Value Approach and Merger Strategy

Abstract—**Organization is a collection of people who are formally united agreed to achieve the same goals. The organization effectiveness using the competing values approach are divided into 4 models / quadrant. To achieve goals the organization needs strategy. Merger strategy used to grow the organization. Strategies affecting the structure. This paper describes the structure (complexity, formalization and centralization) of the new organization (merger) based on competing values approach.**

Keywords- Competing Value Approach; Merger; Organization Structure

I. INTRODUCTION

Human designed to be social being. Human limitations in fulfilling the need to survive often means social relations. Organization is social united (entity) that consciously coordinated, with a limitation that can be identified, which works on the basis of continuously relative to achieve a common goal or group of goals [21]. From the organization definition there are 6 important things: unity, coordination, balance, change, participation and agreement. All of those 6 important things are useful to achieve organizational goals. The need to coordinate the people formal interaction within the organization fulfilled by organizational structure. Organizational structure dimensions are complexity, formalization and centralization [21]. Complexity is differentiation level, formalization is standardization and centralization is about decision making.

Organizational goals achievement must be effective and efficient. The organization effectiveness have two major approaches. Based on the goals and the way, both of these must be balanced with the right priorities; first have the right goals and achieve it by the right way. The organization effectiveness can be seen from the level of achievement which are short-term (goals) and long term (the way). Organizational effectiveness approach initiated organizational structure. Organizational effectiveness approach divided into 4 approaches: goals attainment approach, system resource approach, strategic constituencies approach and competing values approach. The approach which balances the goals and the way is competing values approach. Competing values approach can be divided into 4 major quadrants, each quadrant divided in 2 parts seen in figure 1 and 2 below.
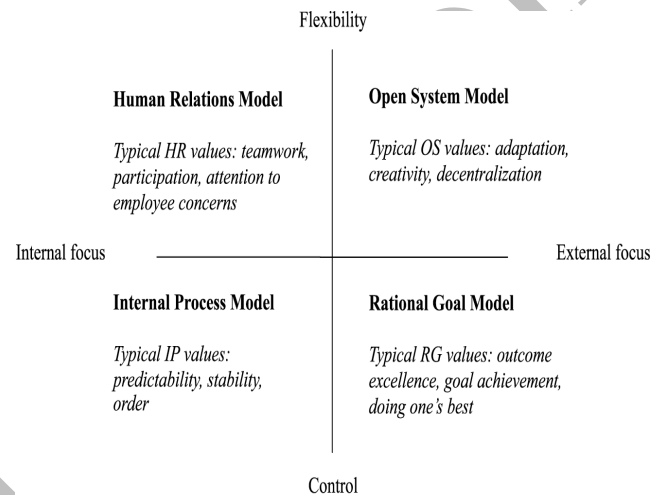
Sources: Based on Quinn *et al.* (1983), Kalliath *et al.* (1999)

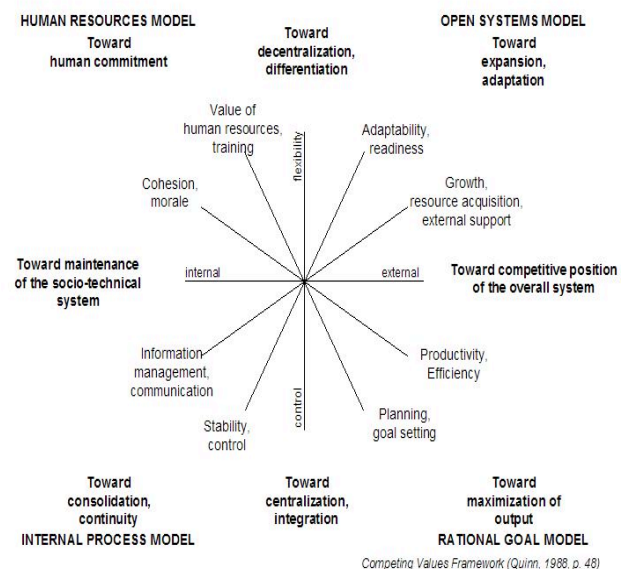Figure 1. 4 Quadrants of Competing Value Approach

Figure 2. 8 Quadrants of Competing Value Approach

By knowing the organization position spesifically in the competing values framework will facilitate the organization to make organization structure.

II. DISCUSSION

A. Integration

Organizational change is process of organization toward the ideal conditions. Organizations need a change as a response to environmental changes and the presence of progressive leaders [12]. Which cause organizational changes can be explained by teleological theory, life-cycle theory, and dialectical theory [24]. Which causes changes in the organization are because: an effort to achieve the ideal conditions (via continuous process of goal setting, implementation, evaluation, and restructuring); responses to environmental change (life cycle through the stages of birth, growth, maturation, and declination); the differences in cultural values of the organization's members. The things that changed in the organization include vision, strategy, culture, structure, systems, production technology, and leadership style [26]. This paper focus discusses of organizational change deeper from the perspective of strategy and structure.

Organizational strategy is the determination of the basic long-term goals and objectives of the organization, and the acceptance of a series of actions and the allocation of resources needed to carry out those goals [21]. Organizational strategy consists of a directional strategies, portfolio strategies and parenting strategies; directional strategies is consists of growth strategies, stability strategies and rentrechment strategies [25].

Organizations can grow through internal development to expand globally or domestically, or organizations can grow through external development by merger, aquisition and strategic alliances. From figure 3 can be seen easily the difference between merger, aquisition, joint ventures and alliances. Integration defined the process of combining two or more organizations into a single organization involves several organizational systems, such as people, resources, tasks and the supporting information technology [1]. In general, organizational integration is the unification of organizations entities that were previously separate. Although the main purpose of the organization integration is the effectiveness, the integration is also intended to gain efficiencies through integration of operations in horizontal or vertical or diversify business risk by operating conglomerate [2]. Merger is integration of two or more organizations that then there is only one organization that remains alive as a legal entity, while others stop their activities or disbanding [17].
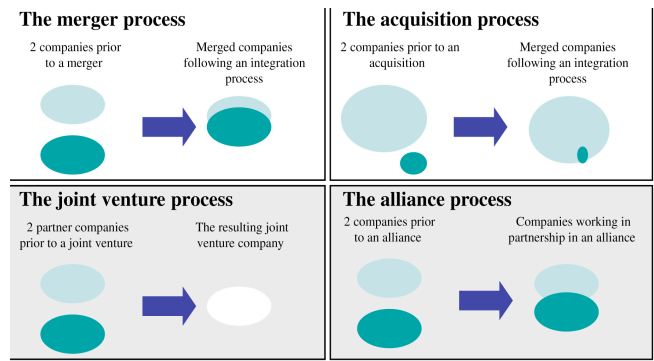

Figure 3. The process of Merger, Acquisition, Joint Venture and Alliance

B. Organization Life Cycle

Organizational life cycle is used to determine at which phase of a new organization formed as a merger integration process. The new organization formed by the merger integration process classified as entrepreneurial phase, the organization was in its infancy [4]. Goals tend ambiguous, high creativity. Organizational life cycle can be an important determinant in deciding which model of organizational effectiveness that should be emphasized by management [5] [18]. From figure 4 the entrepreneurial stage show that the organization is characterized by innovation, creativity and resources. Open system models emphasize these criteria [21]. Here seen the similarity between organizational lifecycle stage and characteristics of open system models. Figure 1 explains that the open system model of emphasis on adaptation, flexibility, creativity, differentiation and decentralization [19][13].
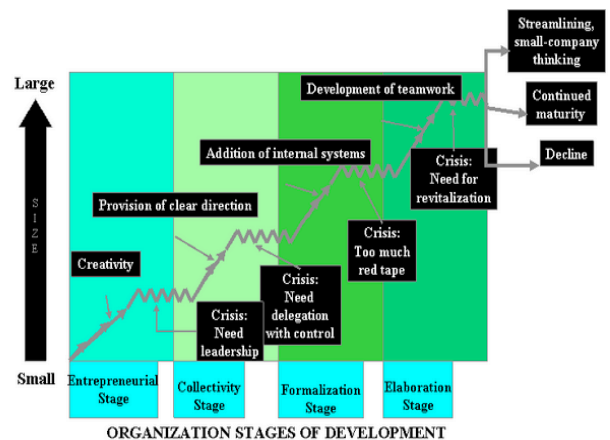
Sources: Adapted from (Robert E. Quinn and Kim Cameron, "Organizational Life Cycles and Shifting Criteria of Effectiveness: Some Preliminary Evidence," *Management Science* 29 (1983): 33-51; and Larry E. Greiner, "Evolution and Revolution as Organizations Grow," *Harvard Business Review* 50 (July-August 1972): 37-46.

Figure 4. Organizational Life Cycle

C. Organization Structure

Structure is the way to achieve the goals and objectives of an organization. Every action of the structure and therefore begins with goals and strategies [8]. If the goal of the organization has been established or specified, then the development of the structure, authority flows, as well as other relationships will clearly follow a logical pattern [22]. Strucutre

follows strategy (imperative strategy) [16], in terms of organizational effectiveness, appropriate strategies are likely to generate growth [6].

Organizational structure discusses complexity, formalization and centralization. The complexity show coordination, communication and control. Complexity differentiation level divided into 3 horizontal (functional specialization, social specialization, departmentalize), vertical and spatial. For a new growth organization formed by the merger integration process that requires creativity and flexibility, with social specialization requires professionals it can be categorized high complexity. If the horizontal complexity is high then the organization becomes more informal [21]. Similarly, if an organization complexity increases, will tend to decentralize [10][7]. Figure 1 states that organizations belonging to the entrepreneurial stage including open systems model for the effectiveness of the organization associated with the structure is decentralized. Table 1 also describes the related organizational structures and informal including one person show.

According to Miles and Snow strategic typology, for the new organization formed by the merger integration process categorized as prospector strategy with the aim of flexibility, dynamic environment, have structural characteristics separated structure, low formalization and decentralization [15].

Table 1. Organization Characteristics During Four Stage of Life Cycle

Characteristic	1. Entrepreneurial Nonbureaucratic	2. Collectivity Prebureaucratic	3. Formalization Bureaucratic	4. Elaboration Very Bureaucratic
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 lines
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
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: Adapted from Larry E. Greiner, "Evolution and Revolution as Organizations Grow," *Harvard Business Review* 50 (July–August 1972): 37–46; G. L. Lippitt and W. H. Schmidt, "Crises in a Developing Organization," *Harvard Business Review* 45 (November–December 1967): 102–12; B. R. Scott, "The Industrial State: Old Myths and New Realities," *Harvard Business Review* 51 (March–April 1973): 133–48; Robert E. Quinn and Kim Cameron, "Organizational Life Cycles and Shifting Criteria of Effectiveness," *Management Science* 29 (1983): 33–51.

III. CONCLUSION

New organization formed by the merger integration process has organization structure with high complexity, low formality (informal) and low centralization (decentralized).

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