Thinking about Organizations as “Open Systems”

I. Defining “Open Systems”

- Any organization can be described as a “system.”

- A system is a group of components (or parts) that interact with each other and are dependent on each other to serve a common goal.

- Organizations and other social systems can be “closed” or “open” systems.

- Closed systems have boundaries that cannot be penetrated by new information or ideas.

- Open systems have permeable boundaries (or boundaries which allow things to pass through them)

- Open systems interact with their environments and constantly let in new information and ideas so that they can continue to grow.

II. The “Environments” of Open Systems

Every organization exists within the surrounding environments. The organization’s environments consists of the following components:

- Political and Legal Environment -- The government processes, laws, regulations and political actions that have influence over what the organization can and cannot do.
- **Economic Environment** – The economic conditions that will affect the organization – e.g., whether there is money available in the country to invest in the organization, whether the organization is able to pay employees reasonable salaries, whether other countries or NGO’s are willing to contribute funds.

- **Technological Environment** – New developments in technology and the availability of new or current technology (e.g., computers, access to the Internet) that will change or support the work of the organization.

- **Social and Cultural Environment** – The demographic factors (e.g., the racial, religious or ethnic backgrounds of people living in a particular area, the numbers of people living there, educational levels, socio-economic levels, etc.) and cultural values that will have an effect on whether the organization can employ the kinds of people it needs and whether or not people will buy or be able to use the organization’s products or services.

- **Physical Environment** – The actual physical environment in which the organization is located and the effect that this environment has on the organization’s work (e.g., enough space in which to do the work, the necessary facilities, a location that employees can get to easily and safely).

- **Sector Trends and Stakeholder Requirements** – The standards and practices that are considered appropriate for the type of work that the organization performs; what other similar organizations are doing;
what customers or other stakeholders are requiring and how these standards and requirements affect the organization’s performance.

- Examples of different kinds of organization stakeholders:
  - Suppliers of products or services to the organization
  - Customers or users of the organization’s products or services
  - Organization managers
  - Organization employees
  - Regulators and auditors who oversee the organization’s performance
  - Investors and donors in the organization
  - Distributors of the organization’s products or services
  - Community members who live near the organization

### III. The Different Components of Organizations

Do you remember the definition of an organization as an “open system” on the first page? … “A group of components or parts that interact with and are dependent on each other to serve a common goal.” One of the ways to think about the different parts of the organization is as follows:

- **Core Work Processes** – The actual facilities and processes that the organization uses to do its work, including its buildings, equipment, information technology and work procedures.

- **Strategy** – The ways in which the organization defines and plans its work, including its mission, vision, values statements, the main products or services it offers and how it intends to grow in the future.
Leadership and Culture – The people who serve in the top positions of the organization and are responsible for planning and managing the organization’s strategy and for creating an organization culture that will foster employee commitment to, and support for, the organization’s work.

Human Resources – The people who are recruited, hired, trained, promoted and rewarded for performing the work of the organization.

Coordinating Processes – The processes used to plan and schedule work, manage information flow and communications, make decisions, solve problems and continuously improve the organization’s operations.

Structure – The way in which the work of the organization is organized in terms of functional divisions, job classifications, responsibilities and authorities, reporting relationships and whether work is centralized or decentralized.

Performance and Reward Systems – The standards and measurements used to evaluate work performance, and the formal and informal ways in which job performance is recognized and rewarded.