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management

## MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS - CULTURAL ISSUES

Ho Chi Minh City, Vietnam | 18<sup>th</sup> - 20<sup>th</sup> March 2016



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Management**

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SUSTAINABLE GROWTH AND  
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University of Social Sciences and Humanities, Vietnam National  
University Ho Chi Minh City (USSH, VNU-HCM), Vietnam

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**MARKET INTEGRATION IN ASEAN:  
SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES**

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MANAGEMENT

51. REPUTATION ORGANIZATION DEVELOPMENT  
MODEL TO CREATE COMPETITIVE  
ADVANTAGE – A CASE STUDY IN TRANSMEDIA  
Indrianawati Usnan

52. PERFORMANACE MANAGEMENT APPROACH  
AS THE BEST CHOICE IN THE  
IMPLEMENTATION OF INDONESIAN  
NATIONAL QUALIFICATIONS FRAMEWORK  
Joseph L. Eko Nugroho

53. ORGANIZATIONAL HEALTH AS A CORPORATE  
CULTURE AND FOUNDATION OF  
ORGANIZATIONAL DEVELOPMENT  
L. Verina H. Secapramana

54. ANALYSIS OF JOB COMPETENCIES  
ADVERTISED IN NEWSPAPERS AND THE  
CURRICULUM OF MANAGEMENT  
DEPARTMENT OF A SCHOOL OF BUSINESS  
Laila Saleh Marta

55. EMPLOYER BRANDING AND THE MEANING OF  
WORKING THEIR EFFECTS ON WORK PLAVE  
PREFERENCE - A COMPARATIVE STUDY ON  
WORK PERCEPTION BETWEEN LOCAL  
WORKERS AND EXPATRIATES WORKING  
WITHIN LOCAL AND MULTINATIONAL FIRMS  
AREAS

# Organizational Health

## as A Corporate Culture and Foundation of Organizational Development.

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Culture is a field of many interacting forces, as a stream of human activities involving ideas, behaviors, norms, and manifestations of many kinds in which everyone is enmeshed day by day. Cultures involve norms and values, and they usually have quite long durations in time. Sudden change is possible but rare. An organization indeed can embrace joy and health, while overcoming the potentially conflicting experiences of work and joy as a corporate culture. Work need not be a burden, and the attainment of positive pleasure and a sense of daily vitality constitute reachable goals. Building a joyful organization, as worldwide experience shows, is a counterintuitive exercise. But having the experience of joy in the organizational context, organizational health is related to success, as well as being a strong foundation of organizational development.

This concept considers a balance among objectives and examines the numerous “diseases” of organizations. There are some criteria for organizational health and the diseases that arise when some functionality is consistently missing. These include customer exploitation, aggressive approaches to the environment, alienation, shortsightedness, and workaholism. Symptoms include self-centered leadership, isolation, and insensitivity—all of which frustrate organizational health. It builds on a sound theoretic base for understanding human behavior. The executives play a distinguished role in creating a healthy and joyful organization.

The following is a research on the organizational health in an institution, associated with organizational development efforts to meet the era of globalization in general and especially AEC. This is a survey research using observation and interviews as the method, and analyzed by quantitative and qualitative method. Guidelines interview derived from the criteria of diseases in organization. There were 8 participants from 4 sub division.

The results showed the tendency of several diseases such as bureaucracy, suboptimizing, risk avoidance, stagnation, and joylessness. It is concluded that the organization is relatively quite healthy, but there are still some potential diseases that need to be prevented from spreading. It is suggested that the organization should review the organizational structure, increasing the development and coaching of employees, and giving the product knowledge to the employees. Further research needs to be done for the review of item checklist, use of research methods that are more varied, and the increasing number of participants.

**Key words :** Organizational Health, Corporate Culture, Joyful Organization, Organizational Development, Diseases.

## 1. Introduction

Culture is a field of many interacting forces, as a stream of human activities involving ideas, behaviors, norms, and manifestations of many kinds in which everyone is enmeshed day by day. Cultures involve norms and values, and they usually have quite long durations in time. Sudden change is possible but rare.

According to Imre Lovey, Manohar S. Nadkarni, and Eszter Erdelyi (2007 ) people create organizations in order to facilitate the achievement of a set of objectives, objectives that can be achieved only by an organization. (If we could meet those objectives ourselves, why build an organization?) Once we have decided to create an organization, the following four fundamental issues need to be considered, consciously or unconsciously:

- a. Organizations aim to satisfy the specific needs of a select group of people, with the hope of receiving a reasonable reward for their activities. Customers—whether they pay or not—legitimize the existence of any organization.
- b. An organization is always a collection of people, not a collection of objectives. Not just those who establish the organization, but those who join it as well, have their own agendas—existential, social, and psychological—related to what they want to see accomplished within the context of the particular organization. Life for every human being inherently comprises numerous inseparable aspects. Being the member of an organization is only one of these aspects. By every act they engage in, individuals manage these multiple aspects simultaneously, and this requires that they develop purposes of their own. Members have to realize their own objectives in joining an organization, not only the objectives of the organization.
- c. Only when certain resources are available can an organization start to operate, and only if the organization uses resources efficiently will it be able to survive over time. The very concept of an organization is to bring order in the pursuit of its goals, to organize itself efficiently.
- d. Every organization has to exist, succeed, and survive in a given, although not unchangeable, environment.

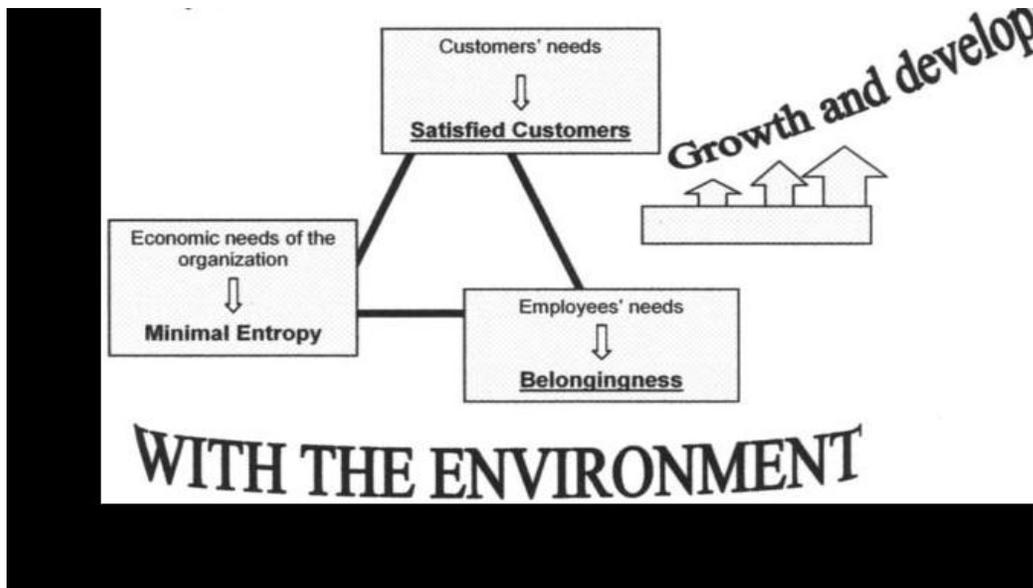
The analogy of individuals and organizations suggests that organizational health is a holistic condition, the coexistence of numerous aspects of organizational functionality. The nature of organizations implies several dimensions in which functionality should be considered in order to assess the state of organizational health. By this definition, an organization can be considered healthy if the following statements can characterize its functionality:

- a. A healthy organization satisfies customer needs by providing great value for the customer and thus earns legitimacy for its existence and the ability to maintain itself as a going concern via the continuous stream of revenues,
- b. A healthy organization satisfies the needs of its members by creating an environment where members develop (grow) and believe that they matter and so fulfill their individual objectives while they realize the objectives of the organization,
- c. A healthy organization satisfies economic requirements (financial benchmarks such as profitability imposed mainly by markets and regulators) by using resources most efficiently and effectively in its pursuit of objectives,
- d. A healthy organization maintains a balance between these three fundamental objectives by developing a structure and a culture that encourage, considering all three simultaneously when making decisions,
- e. A healthy organization grows and develops over time, increasing its reach and/or ability to handle complex situations, and
- f. A healthy organization lives in harmony with its natural social and economical environment

We define organizational health as the holistic condition of these six main criteria being satisfied to a high degree concurrently. We can extend our definition of organizational health to include the following abilities:

- a. to cope with events that have a negative impact whether occurring inside and/or outside the organization and
- b. to exploit opportunities sufficiently rapidly in such a way that diversion from pursuing the purposes of the organization and/or dissatisfaction of stakeholders is not persistent and recurrent.

Figure 1  
The Model of a Healthy Organization



Source : Imre Lovey and Manohar S. Nadkarni, Eszter Erdelyi, 2007

This means that if the organization can master internal and external resources to solve problems so that not only are they solved for the time being, but also so that they do not deepen or recur, we consider the organization healthy. In a healthy organization, problem-solving mechanisms work automatically, similarly to the immune system in physiology. When the problem-solving mechanisms are absent, weakened, or slow in response, problems occur, persist, or recur, wasting energy and resources in a preoccupation with short-term and partial remedies, not main purposes. We call this phenomenon organizational disease. We define organizational diseases as situations in which :

- a. part(s) of the organization do not fulfill their functions according to the requirements,
- b. some of the organization's processes persistently fail to meet requirements, and
- c. one or more of the fundamental objectives are repeatedly neglected in the decision making process.

Typology associates the organizational disease with the following :

- a. the part of the organization where the malfunction is located,

- b. the location where the effect of malfunction is mainly felt, or
- c. the structures and systems that tend to perpetuate the problem.

As problems become recurrent, typical behavior manifests in organizations. Symptoms of organizational diseases must appear together to constitute the disease. Diagnosis of organizational health entails a focused collection of data for the purpose of identifying and treating organizational diseases. To treat a disease, after ascertaining the nature of it, one must determine its cause. To be able to state that a cause renders an organizational disease, we should be able to see that whenever the cause happens, the disease happens. We found that causes of organizational diseases have three most typical origins. The first origin we call “genetic.” The second origin is “birth related.” The third origin of diseases is “environmental.” The description of several organizational diseases consisted of the definitions, symptoms, causes, and origins. For every disease it is also identify what other related diseases are likely to occur together with that particular primary disease. After each disease there is a table that summarizes systematically the possible causes by three categories and consequently a series of alternative actions to consider in treating the given disease. This framework, as both a diagnostic tool and a tool kit to improve organizational health, has been instrumental in bringing about positive change in the wide variety of organizations.

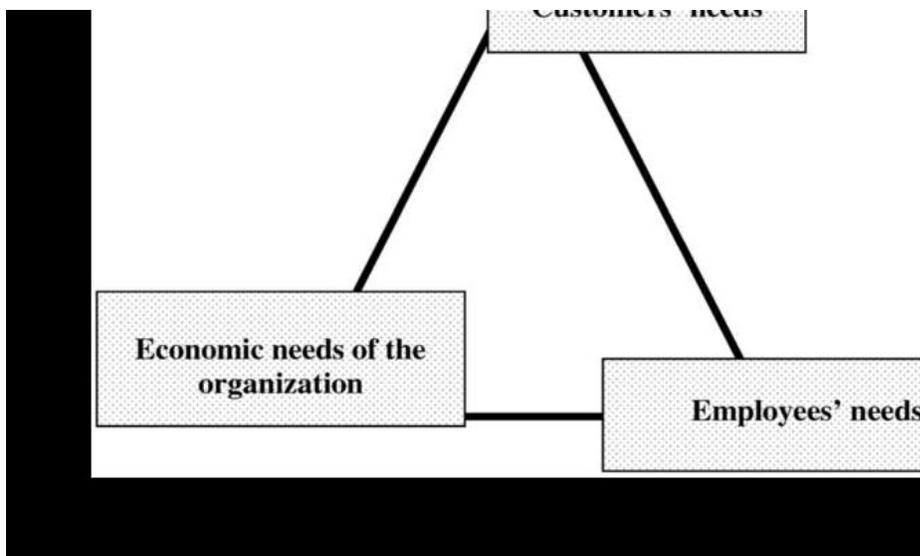
An organization indeed can embrace joy and health, while overcoming the potentially conflicting experiences of work and joy as a corporate culture. Work need not be a burden, and the attainment of positive pleasure and a sense of daily vitality constitute reachable goals. Building a joyful organization, as worldwide experience shows, is a counterintuitive exercise. But having the experience of joy in the organizational context, organizational health is related to success, as well as being a strong foundation of organizational development.

The following is a research on the organizational health in an institution , associated with organizational development efforts to meet the era of globalization in general and especially AEC. This study aim to obtain an overview of the organizational health in the X organization based on the framework described above using the diagnostic tool and a tool kit. With the description that will be obtained, it is expected to follow up in the form of organizational change to improve organizational health, joyfulness of employees, which in turn will result in increased productivity and organizational performance.

## 2. Literature review

There are three fundamental objectives of the organization. The three fundamental objectives of every organization can be depicted in a triangle. Each corner of the triangle stands for a fundamental objective. Customers have needs, and, having consumed goods or services, they evaluate their level of satisfaction. The market and its regulations in general, owners and shareholders in specific, define the standards of satisfying the economic needs of an organization. The social environment and the employees themselves define their expectations and the level of satisfaction they get from working in the organization. We define the first criterion of organizational health as satisfying the three fundamental objectives in a balanced way over time. No single objective has exclusive priority within an organization's goal hierarchy; therefore, the three fundamental objectives should be satisfied simultaneously.

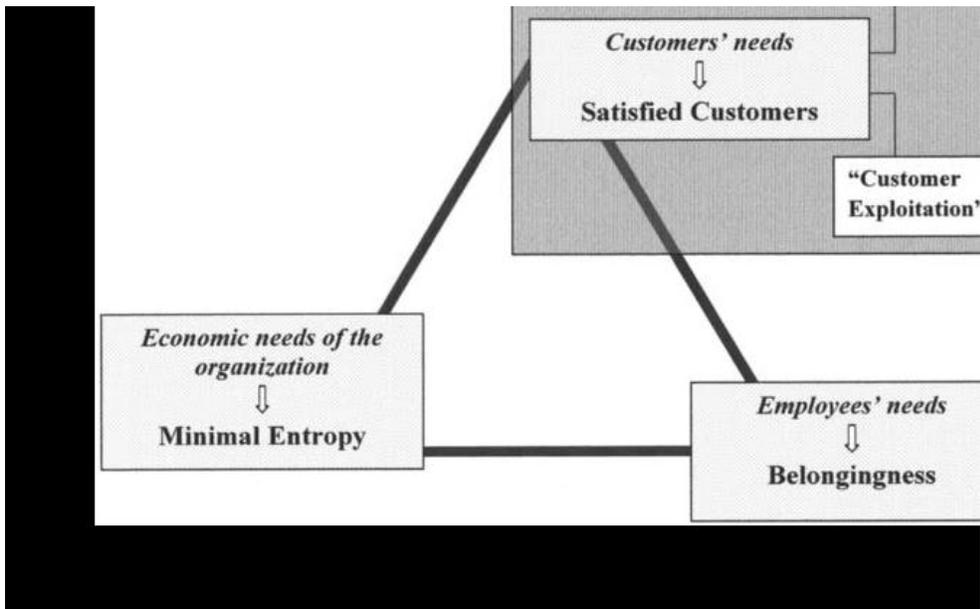
Figure 2  
Fundamental Needs



If the customers' needs are fulfilled, there are satisfied customer. If the employees needs are fulfilled, there are belongingness. If the economic needs of the organization are fulfilled, then the entropy would be minimized.

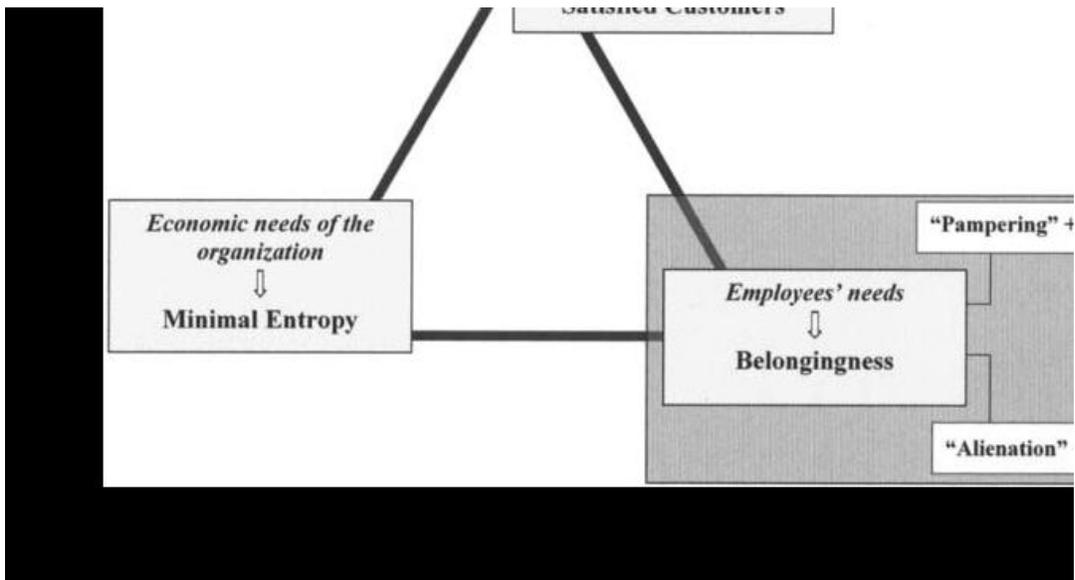
Figure 3

Satisfied customers



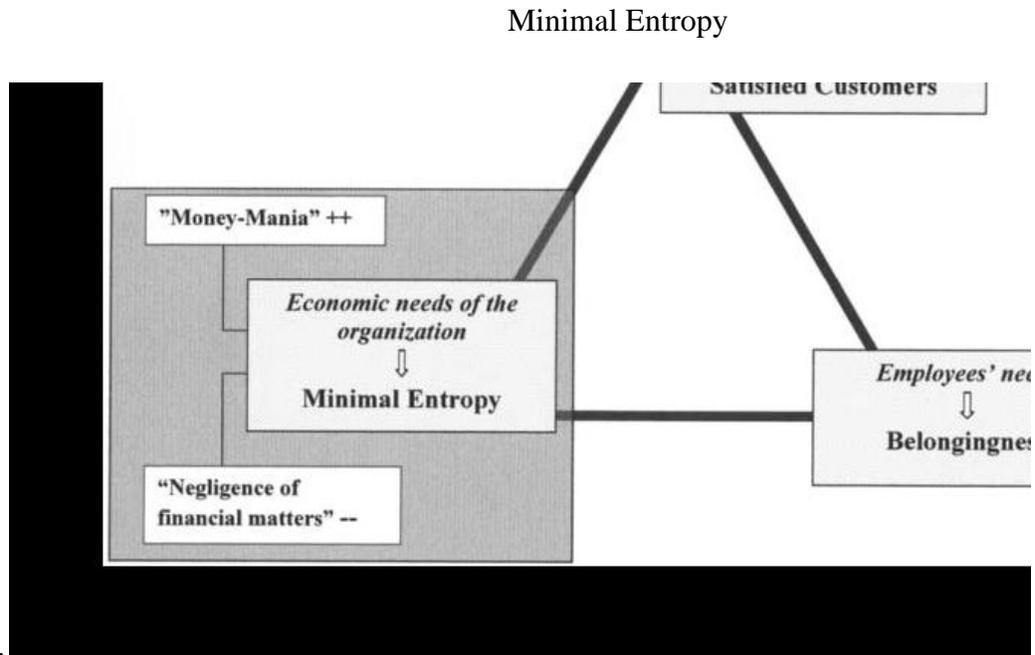
The diseases related to satisfied customers are servility and customer exploitation.

Figure 4  
Belongingness



The diseases related to employees' needs are alienation and pampering.

Figure 5



The diseases related to economic needs of the organization are money mania and negligence of financial matters.

### 3. Method

Participants were 8 employees of the divisions of the X organization. Data were collected by using interview techniques, checklists, and observation. All the data were analyzed quantitatively and qualitatively.

### 4. Results and discussion

The results showed that there is the tendency of several diseases, such as bureaucracy, suboptimizing, risk avoidance, stagnation, and joylessness. Entropy in the organization is a condition when the organization is run out of energy used to do the job before the job is completed. This resulted in the organization's performance to be low prior to achieve these goals. Internally the organization itself organize their employees in a way that is most efficient namely empowering few employees as resources to produce optimum output. However, the emergence of entropy can stifle it. Therefore, a healthy organization continues to strive to reduce the rate of entropy that appear in the organization.

The profitability of the company is an indicator that determines how to meet the needs of the economy. This profitability measure the efficiency of the operation and the results of the resulting product. Therefore, entropy can be determined through the profitability of an organization. Entropy organization can also be reduced with the presence of sufficient information from the environment. This makes the employees to work efficiently. Through the information the sensing is also required so that it can adapt well, and then entropy can be reduced.

Table 1  
Disease Bureaucracy

No	Dimensi	Disease	Skor Total	Kategori
1.	Balancing the Three Fundamental Objectives of Organization	Customer Exploitation	11	SR
1.		Servility	19	R
1.		Alienation	10	SR
1.		Pampering	5	SR
1.		Negligence	5	SR
1.		Money Mania	6	SR
1.	The Feeling of Belongingness	Organizational Paranoia	6	SR
1.	Balancing Professional and Private Life	Workaholic	2	SR
1.	Minimizing Entropy	Insensitivity to Problem	13	SR
1.		Bureaucracy	13	S
1.		Suboptimizing	16	R
1.		Decision Paralysis	2	SR
1.		Risk Avoidance	22	R
1.		Longsightedness	1	SR
1.		Shortsightedness	3	SR
1.		Self Center Leadership	5	SR
1.		Unsufficient Value for Customer	Satisfied Customer	7
1.	Growth and Development	Stagnansi	17	S
1.		Tunnel Vision	4	SR
1.	Living in Harmony	Aggressive Approach	5	SR
1.		Insufficient Approach	5	SR
1.	Joyful Organization	Joylessness	16	R

- a. The operational division is overemphasizing hierarchy that must be obeyed by employees, where some of their actions must be documented and approved by a very highlevel.
- b. It reduces the enthusiasm in work and raises entropy condition.
- c. As a result, employee performance becomes low, and organizational performance was decreased and hindered in achieving its objectives.

Some of the bureaucratic symptoms experienced by employees are:

- a. Attention is too focused on the process and rules for the approval of the reservation, where approval should only be performed by the director.
- b. Process and approval regulation for ordering materials is too long, and some customers had to queue for next month as a result.
- c. Employees tend to prefer to follow the old rules, despite knowing the condition of the needs of other divisions.
- d. As a result of the prolonged process and rules of material ordering approval, some employees suggest a shortcut to the another division to order their own materials and then the cost will be reimbursed.

Bureaucracy disease experienced by the employees caused by :

- a. Regularity and predictability as the tradition will have a higher value than the flexibility and results orientation perceived by the employees.
- b. Division tended to monopolize the situation by stressing procedures and policies as the director approval and not to emphasize the results.

Disease bureaucracy experienced by employees stems from:

- a. The seniors of this division have more belief in the process, the rules and regulations rather than employee initiative and results orientation perceived by the customer.
- b. Division formed at a stable time, so flexibility is a big deal.

c. Organizations require the division to perform administrative and long reporting systems.

Theoretically:

- a. bureaucratic disease coincided with decision paralysis disease, risk avoidance, insensitivity to problems and organizational paranoia.
- b. In addition to disease bureaucracy, decision paralysis, risk avoidance, and insensitivity to problems, there are several other diseases that can cause entropy, ie suboptimizing, longsightedness, shortsightedness, and self centered leadership.

According to Lovey & Nadkarni (2007) one of the disease, which is included in minimizing entropy category is suboptimizing. Suboptimizing, occurs when different parts of the organization optimally perform the operation, but only do so on the part of their specific objectives, in terms of employees work only to advance his own team. Organization X has some values like the value associated with co-opetition (cooperation and competition) and caring community as well as core values like cooperation. It indicates that there is hope for them to create the behavior of cooperation both internally and internally, either dealing with the departments in the organization or with the customers. Based on the assessment interview it is showed that the mean (average) for suboptimizing disease is in the low category (R) which has a tendency to develop into a risk of actual disease. If the employee in a department within an organization solely focused on its own department regardless of others, then the value and core value in achieving the goals of the organization will have obstacles to achieve the target.

Table 2  
Suboptimizing

Subjek	Suboptimizing
Subjek 1	1
Subjek 2	2
Subjek 3	1
Subjek 4	2
Subjek 5	3
Subjek 6	4
Subjek 7	3
Subjek 8	0
Jumlah	16
Persentase	29%
Kategori	R

Employees work only to support his own team

Table 3  
Risk avoidance

Disease	Total	Kategori
Risk Avoidance	22	R
Decision Paralysis	2	SR
Organizational Paranoia	6	SR
Bureaucracy	13	S
Tunnel Vision	4	SR

Employees tend to delay taking a decision that brings risks. Employees tend to do the work that is commonly practiced. This section shows the potential disease of risk avoidance, ie to avoid risks, rigid adherence to procedures, and decision making only on tasks that are operational and not the risky one.

Table 4  
Stagnation

	Growth and Development	
	Stagnansi	Tunnel Vision
<b>Jumlah aitem</b>	<b>5</b>	<b>7</b>
<b>Bashori</b>	2	0
<b>Dwiyana</b>	2	0
<b>Perta</b>	2	0
<b>Selamet</b>	3	2
<b>Endah</b>	2	0
<b>Bambang</b>	2	0
<b>Heri</b>	3	0
<b>Wadji</b>	1	2
<b>Total</b>	<b>17</b>	<b>4</b>
<b>Mean</b>	<b>0,425</b>	<b>0,071</b>
<b>Persentase</b>	<b>43%</b>	<b>7%</b>
<b>Kategori norma ideal</b>	S	SR

*Ideal norms of stagnation disease*

Mean <sub>ideal</sub>	SD <sub>ideal</sub>	Batas-batas			
		ST/SB	X ≥	32.00	
20.00	6.67	T/B	24.00	≤ X <	32.00
		S/C	16.00	≤ X <	24.00
		R/TB	8.00	≤ X <	16.00
		SR/STB	X <	8.00	

*Ideal norms of tunnel vision disease*

Mean <sub>ideal</sub>	SD <sub>ideal</sub>	Batas-batas			
		ST/SB	X ≥	44.80	
28.00	9.33	T/B	33.60	≤ X <	44.80
		S/C	22.40	≤ X <	33.60
		R/TB	11.20	≤ X <	22.40
		SR/STB	X <	11.20	

From the 5-item of stagnation disease, the sum of score 1 is 17, which means that 43% of the informants said that the organization experienced stagnation. If compared to the ideal norm, a score of 17 is in the moderate category. From the interview most of the employees respond that their work and activities are monotonous. There are decreasing order from the external customer.

Disease yang muncul bersamaan :

Disease	Jumlah AItem	F	%	Norma
Stagnation	5	17	43%	S
Shortsightedness	6	3	6%	SR
Unsufficient Value for Customer	7	7	13%	SR
Tunnel Vision	7	4	7%	SR
Risk Avoidance	11	22	25%	R

Risk avoidance → sejalan dengan hasil wawancara disease stagnation, dimana karyawan terbiasa melakukan rutinitas yang sama/monoton, sehingga hal tersebut membuat karyawan kurang berani untuk mengambil resiko atau tantangan baru.

Table 5  
Joylessness

Variabel	Batas-batas			
Joylessness 16	ST/SB	$X \geq$	64.00	
	T/B	48.00	$\leq X <$	64.00
	S/C	32.00	$\leq X <$	48.00
	R/TB	16.00	$\leq X \leq$	32.00
	SR/STB	$X <$	16.00	

Meaning that employees do not enjoy their job, but should be analyzed further about the cause of the unhappiness. Whether is it caused by organizations that do not support the employees or are there know other factors involved . In his book Lovey mentions aspects related to joylessness is Self centered leadership, organization paranoia, Alienation

## Conclusion and Recommendation

It was concluded that the organization is quite healthy, but there are some potential diseases that needs to be prevented.

- a. Bureaucracy disease if neglected might become an acute problem, causing lower employees performance, and decreasing the organizational achievement Organization should review its organizational structure, caring about the development of potential employees and coaching them, and given an understanding of product knowledge.
- b. Middle manager or supervisor is needed as mediator of employees and top management.
- c. Motivational training for employees so they get the motivation to develop their potential, not just go through the routine in accordance with procedures and regulations.
- d. Management training for the management to enrich the management methods that can be applied in accordance with the global conditions of employees.
- e. Review the system and the procedures, so that the procedure can be more flexible, but still can be justified.
- f. Further research should review the checklist item and adjust it with the actual condition of the organization so that the diseases can be measured more precisely
- g. Further research can also try to vary the data collection methods, such as the FGD, and increasing the number of participants.

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