CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

A suitable organization may achieve a good impact on project performance among worker. To achieve an effectiveness of high project performance, the project may set their objective that want to achieve in the end of each project. To achieve a better result the organization have their own goals. Then, there are few type of organizational structure that have been design to form at least two people make up an organization. Organization can be the group of people that been formed which with purpose to achieve effect and cannot be formed by one person to make it by their self without others. According to (Hatch, 1997), stated that organizational structure also refer as building’s physical layout or the social relationships that presented among people, positions, and organizational units. Furthermore, (Hatch 1997) also argued that “structure refers to the relationships among the parts of an organized whole”. Although, the organizational structure is normally describe as the way that have responsibilities and power that allocated and work procedures that are carried out by organizational member (Nahm et al, 2003). Organizations form the most efficient and rational social groupings in society. Therefore, modern society is dependent upon organizations. Organizations exist as social tools in that they coordinate human actions. While combining personnel, resources, and materials, the organization is able to evaluate its performance and adjust accordingly in order to be successful in reaching its goals (Etzioni, 1964). This study attempts to investigate some issues related to organizational structure and project performance in oil and gas industry.
1.2 RESEARCH BACKGROUND

Malaysia is the country that have a larger area of natural resources on the agriculture, forestry and minerals. According to the Petronas, oil and gas asset that have by Malaysia equivalent to 20.18 billion and the government estimation on the production rate, the supply of the petroleum will last for 18 years, meanwhile that natural gasses will last for 35 years. This industry actually are big industry that provided the important substantial sources to Malaysia. Generally, oil and gas industry is a biggest industry with larger people that work in the organization. The huge number of worker in the organization that can generate much ability in the organization and no organization today’s competitive world can be perform at peak level if unless each of the employee is giving the committing to their organization in order to achieve their objective and work as effectiveness team member in the organization.

Organization structure is how people in the organization distributed and control the line communication of people in the organization. According to the, (Mahmoudsalehi et al., 2012) the result show that the company can adopt flexible, increasing the level hierarchical of organization which allow everybody easily to interact among the staff with communication and teamwork. This makes employees take better advantages which can contributed their work in the organization and feel freedom of action that they are doing. In the organization structure, there are several type which can classified which organization structure that generate the most effective among worker in oil and gas industry.

In this study, by using the organization structure it will show that technical expertise and good support, type of flexibility, established the line communication among worker with clearly defined responsibility and authority within departments. Also can identifies relationships between various parties, lines and authority of people to communicate. It also considers as project team, project interfaces, matrix organization structure and responsibility matrix. According to the Miller, stated organization structure can influences the flows of information.
1.3 PROBLEM STATEMENT

Nowadays, organizing becoming continues issues because it is now very common in many type and sizes of organization structure. Organizational structure is a system of hierarchy that been used within an organization of the company. It is to use to identify of each job, its functions and where it have to report within of the organization. The project are performance by people and organizational structure reflect the people’s needs, the team need’s and the individual’s need. (Bhagat,2002) stated that knowledge originates from the unique of the experience and organizational learning and not only from written documents but also in our routine, task, process, practice, rules and values of organizations. For the problem facing by the industry is on how they manage their structure in ways that contribute to the project performance and how far it is been effective to organizational structure and their impact. The ability of organization structure may be can give a good impact and effect to the project performance.

A company with a strong structure are benefits on their improvement of communication, a well-defined hierarchy, the flexibility and also the ability on how their managing their organizational structure. Actually, efficient organizational structure can be as well as the organization make a problem as lead the productivity also conflict. The company should need and able to identify the problems within an organization structure and deal with it. Mintzberg 1979 stated that organizational structure is combination of all the work that can be divide. The flexibility is need by people in the organization in which to become more innovation and also to seem appropriate. This organization structure also to establish on how an organization’s operates and assists it in provide and maintaining its goals to allow for future growth. Furthermore, project failure always been a hot issues as in oil and gas industry itself which there are also some weakness in their organizational structure. According to (Dinsmore, 1993; Forsberg et al., 2005; Kerzner, 2003) when there are a two-boss syndrome and dual reporting, management co-operation is required, the balance of power between the functional and project organization, and a conflict of priorities amongst different projects. While (Duncan, 1979) stated dual to authority, which can be frustrating and confusing to employees. From the above statement, many of literature agree that the criteria or factors that