THE NATURE OF ORGANIZATION

LEARNING OBJECTIVES

After studying this chapter, you will be able to

- Know about concept, characteristics and types of organizations.
- Discuss the concept, purpose and types of organizational goals.
- Explain the features of effective organizational goals.
- Discuss the goal formulation process and approaches.
- Know about goal succession and displacement.
- Discuss problems of goal formulation.
- Explain the changing perspective on organization.

MEANING OF ORGANIZATION

Organization is an association of two or more individuals working together in a coordinated manner to achieve common goals. An organization is a collection of people working together in a division of labor to achieve a common purpose. When people decide to accomplish any work or job they need to form an organization. Organization is a social aspect and an essential part of human life. The concept of organization has been developed from the very beginning of human civilization when they started to live in groups. Therefore, family is the beginning form of organization. Nowadays, people form different types of organizations on the basis of their goals consisting of business, social, political, religious, clubs and so on.

In fact, a job that cannot be performed by a single person can be performed effectively in a group. People used to join organizations when they could not perform the job solely in an effective manner. Therefore, people form an organization on the basis of their common goals, make division of works on the basis of efficiency, delegate authority and responsibility, maintain communication among them and coordinate the activities among all the members. Organization promotes collaboration and negotiation among individuals in a group and improves the effectiveness and efficiency of communication among them.

"Organization is a system of consciously coordinated activities or forces of two or more persons".
➡ Chester. I. Barnard

"Organization is a group of two or more people who work together in a structured setting to achieve common goal."
➡ Gene Burton

"An organization is a collection of interacting and interdependent individuals who work toward common goals whose relationships are determined according to a certain structure."
➡ W. J. Duncan

"Organization is any group of individuals, large or small, that is operating under the direction of executive leadership in accomplishment of certain common objective."
➡ Keith Davis

"Organization is a systematic arrangement of people brought together to accomplish some specific purpose."
➡ Decenzo and Robbins

"An organization is a cooperative social system involving the coordinated efforts of two or more people pursuing a shared purpose."
➡ Robert R. Kreitner

From the above definitions we may conclude that organizations have a structured setting where people work together to achieve common goals. There should be a clear definition of authority and responsibility among the members. Depending upon the size, organizations have complexity in structure and in division of responsibility and authority. They work in dynamic environment and apply technology to convert inputs into output.

CHARACTERISTICS OF ORGANIZATION

The characteristics of organization are as follows:

Figure 1.1   Characteristics of Organization
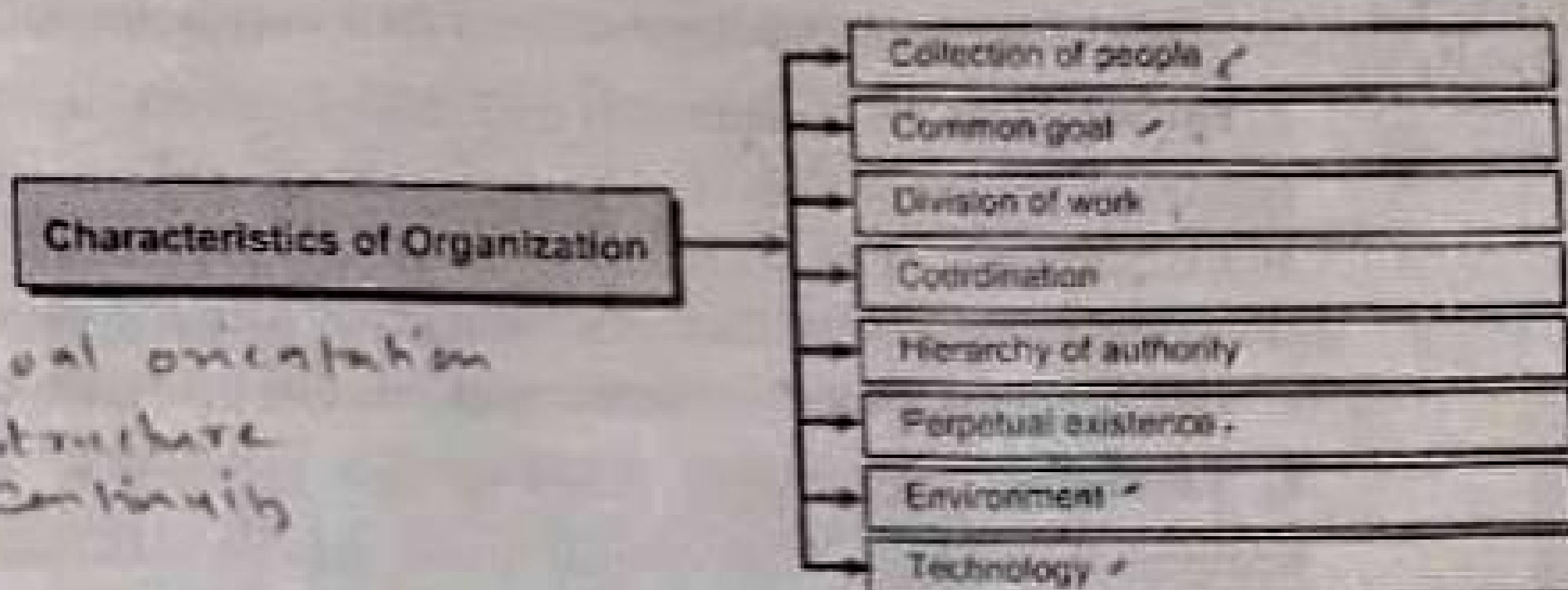
1. **Collection of people:** The concept of organization comes into existence when two or more people come together to accomplish a definite goal. Therefore, organization is a human association. In organization, people interact with each other to produce a synergic effect and develop a network to communicate information and to maintain unity in work.

2. **Common goal:** The basis of an organization is a specific goal. It serves as a reason of existence of an organization. All activities of members concentrate on the fulfillment of a common goal. It binds the members and motivates them to devote their effort in the best possible way.

3. **Division of work:** The total work is divided into small units on the basis of their nature in an organization. Each work is assigned to different individuals on the basis of their skills, ability and experience. This enables development of the concept of specialization among the individuals and also contributes to develop their working efficiency.

4. **Coordination:** Coordination is the process that integrates the functions of different units of an organization. In an organization, there should be good coordination among the departments and members through executive leadership. It is essential to achieve uniform progress of works in each unit. It helps minimize the duplication and overlap of effort.

5. **Hierarchy of authority:** Organization consists of a formal structure in which hierarchy of authority of each member is clearly defined. The hierarchy of authority is formed on the basis of degree of responsibility and accountability. It clarifies the role of each individual from top to the subordinate levels. Higher level job needs more skill, experience and responsibility. A chain of command is implemented to see the progress of work of respective subordinates.

6. Perpetual existence: An organization is formed for an indefinite period. It performs its business for a long period of time. An organization continues its existence and operation even while changing its structure, membership, objectives and management. For this, flexibility and adjustment in the line of business in accordance with changing dynamic environment is essential. However, a static and un-adjustable organization cannot exist for a long period of time.

7. Environment: An organization performs its activities in a dynamic environment. It consumes resources from environment and also exports output to it. The survival and continuance of an organization is assessed in terms of how well it serves in the changing environment. Basically, impact of external environments like political, economic, socio-cultural and technology must be taken into consideration.

8. Technology: Technology refers to new knowledge, skill, ideas, procedures, equipment and tools. It is essential to convert raw materials into finished products. In an organization people use new technology to perform their activities. The use of appropriate technology in a job helps develop working efficiency and also helps minimize the cost of output.

TYPES OF ORGANIZATIONS

On the basis of nature of works and objectives, organizations may be classified as business, government, and service, professional and international

There are various types of organizations. An exact classification of these organizations is rather difficult. However, on the basis of nature of works and objectives, organizations may be classified as follows:

Figure 1.2   Types of Organizations.
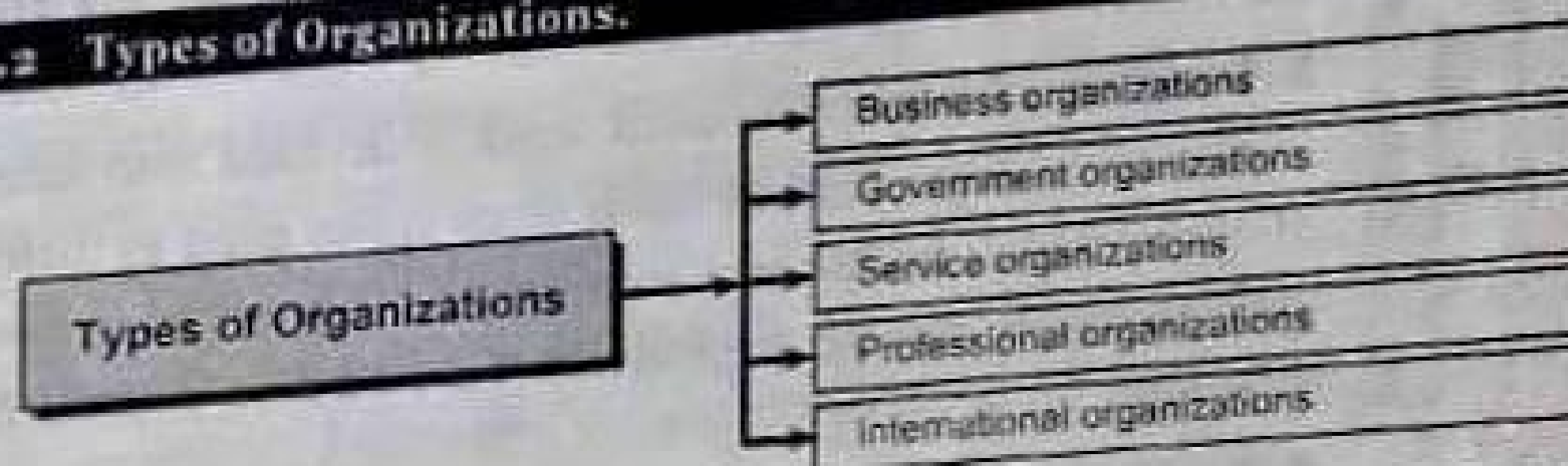
1. Business organizations: Business organizations are profit making concerns. They involve production and distribution of goods and services. While industries are involved in production of goods and services, commercial concerns perform distribution functions. Business organizations may be sole trading concerns, partnership firms, joint stock companies and multinational companies. The owners and shareholders are their primary beneficiaries.

2. Government organizatoins: Government organisations are autonomous institutions formed to perform public welfare activities. They consist of council of ministers, departments, operating level offices, constitutional bodies, development board, army, police etc. The general public is their primary beneficiary. Public welfare activities consist of administrative and infrastructure development work.

Adminstrative works involve peace and security, justice, senitation and general administrative works. Similarly, infrastructure development works consist of construction of bridges, expansion of roads, water sypply, communication network, electricity etc.

3. Service orgnizations: Service organizations are non-proft service oriented institutions. They are mainly involved in providing services to a specific segment or group of society. The clients are the primary beneficiaries of such organizations. Some of these organizations are governement hospitals, public schools and colleges, charitable institutions, religious and non-government organizations.

4. Professional organizations: These organizations are formed by a group of people to protect their professional right. The primary beneficiaries of such organisations are their members. The basic purpose of these organisations is to protect the interest and professional right of their members. Nepal University Teachers' Association, Nepal Bar Association, Chartered Accounts Association, labour unions, employees' unions etc are examples of professional organizations. e.g. Clubs, Political parties

5. International organization: These organizations work in two or more countries. The member countries are the beneficiaries of such organizations. The main objective of these organizations is the uplift of the interests of member countries. They are established for specific objectives. They are involved in promoting trade and socio-cultural relations among the member countries and providing financial aid to them. World Bank, United Nations Development Program (UNDP), World Trade Organization (WTO), Southeast Asian Association for Regional Cooperation (SAARC) etc are some international organizations. , World Bank.

ORGANIZATIONAL GOALS 4 6/

Concept of Organizational Goals

Goals are what organizations want to achieve in the future. Achievement of a goal is the destination of an organization

Goals are objectives or aims for which an organization has been formed. Setting goals of an organization is the initial function of management. Goals are what organizations want to achieve in the future. They are the objectives toward which organizations direct their resources and efforts. Goal achievement is the destination of an organization. Goals give meaning and purpose to the organization. They determine the scope of future activities and serve as reference points to concentrate resources and efforts. They determine the action to be taken at present to obtain results in the future.

On the basis of nature and scope of business, organizations may have several kinds of goals, all of which must be appropriately managed. Managers of different levels must be involved in the process of achieving the goals.

The terms mission, purpose, target, objectives and goals are used interchangeably in management literature. However, conceptually there are slight differences among these terms. *Mission* is a broad term and it represents the philosophy and ideology of top management. It focuses on the long-term goal of an organization, which is

generally difficult to achieve. *Purpose* relates to the reasons for an organization existence. It answers the question why an organization was formed. *Objective* indicates the end point and focuses on the entire organization. However, objectives target and goals are used simultaneously in management practice.

Many scholars have defined goals in different ways; some of them are as follows:

"Organizational goal is a desired state of affairs that organizations attempt realize."
➥ Amitai Etzioni

"Organizational goals are the objectives that management seeks to achieve in pursuing the firm's purpose."
➥ Moorhead and Griffin

"Organizational goals are the broad aims which serve as guides for action and as the starting point for more specific and detail operating objectives at lower levels in the organization."
➥ Ivancevich, Donnelly and Gibson

"Goals represent the desire future conditions that individuals, groups and organizations strive to achieve."
➥ Kast and Rosenzwing

"Organization goal is a desired state of affairs that indicates where the organization is going; a frame of reference for understanding and evaluating what an organization does."
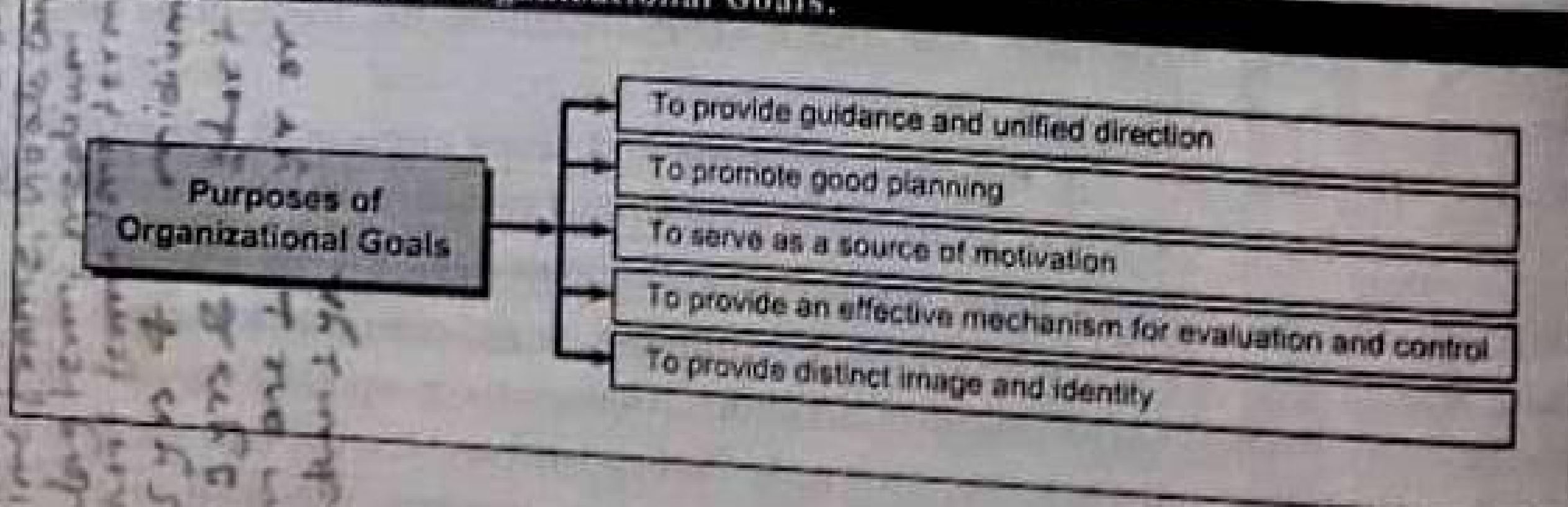**➥ Steers, Ungson and Mowday**

From the above definitions it may be concluded that organizational goal is a desired future state of affairs that management seeks to achieve. It represents broad aims that serve as guides for an action. Goals must be specific and measurable in quantitative term. It must be set for a definite period of time.

Depending upon the nature and size of the organizations, goals may be of various types. The main goal of a business organization is to earn maximum profit by supplying goods and services. Similarly, government organizations are involved in public welfare activities whereas service concerns are involved in social welfare activities. On the basis of time frame, goals may be corporate, tactical and operational.

Purposes of Organizational Goals

Goals are what organizations come into existence for. They are the basis of functioning of the organizations. The following are the main purposes of organizational goals:

Figure 1.3 Purposes of Organizational Goals.

- To provide guidance and unified direction
- To promote good planning
- To serve as a source of motivation
- To provide an effective mechanism for evaluation and control
- To provide distinct image and identity

1. To provide guidance and unified direction: Goals are the basis of future performance of organizations. Managers of organizations provide guidance and unified direction to their members by considering their goals. Therefore, goals help every member of an organization to understand where the organization is heading for.

2. To promote good planning: Goals are the basis of planning. A good planning focuses on goals. Managers formulate corporate, tactical and operational plans only by considering organizational goals. Organizational resources are allocated on the basis of goals. Goals also facilitate in decision making.

3. To serve as a source of motivation: Specific, realistic and challenging goals serve as a source of motivation to employees. Such goals are the basis of motivation for efficient, skilled and hardworking employees. Realistic goals can be achieved within a definite time frame, which will provide reward to the employees. Therefore, goals motivate employees to devote their time efficiently.

4. To provide an effective mechanism for evaluation and control: Goals provide an effective mechanism for evaluation and control of performance. They help set a standard of performance of an organization. When standard goals are achieved it is assumed that performance is efficient. But, if actual performance is below standard, it is essential to take corrective measures to improve future performance.

5. To provide distinct image and identity: Sound and realistic goals provide a distinct image and identity of an organization among the public. This facilitates to attract efficient and competent employees in the organization. Involvement of skilled employees helps maximize productivity and improve quality of goods and services.

Types of Organizational Goals

Organizational goals may be classified into different types on different basis. The following are the basis of classification:

Figure 1.4 Types of Organizational Goals.
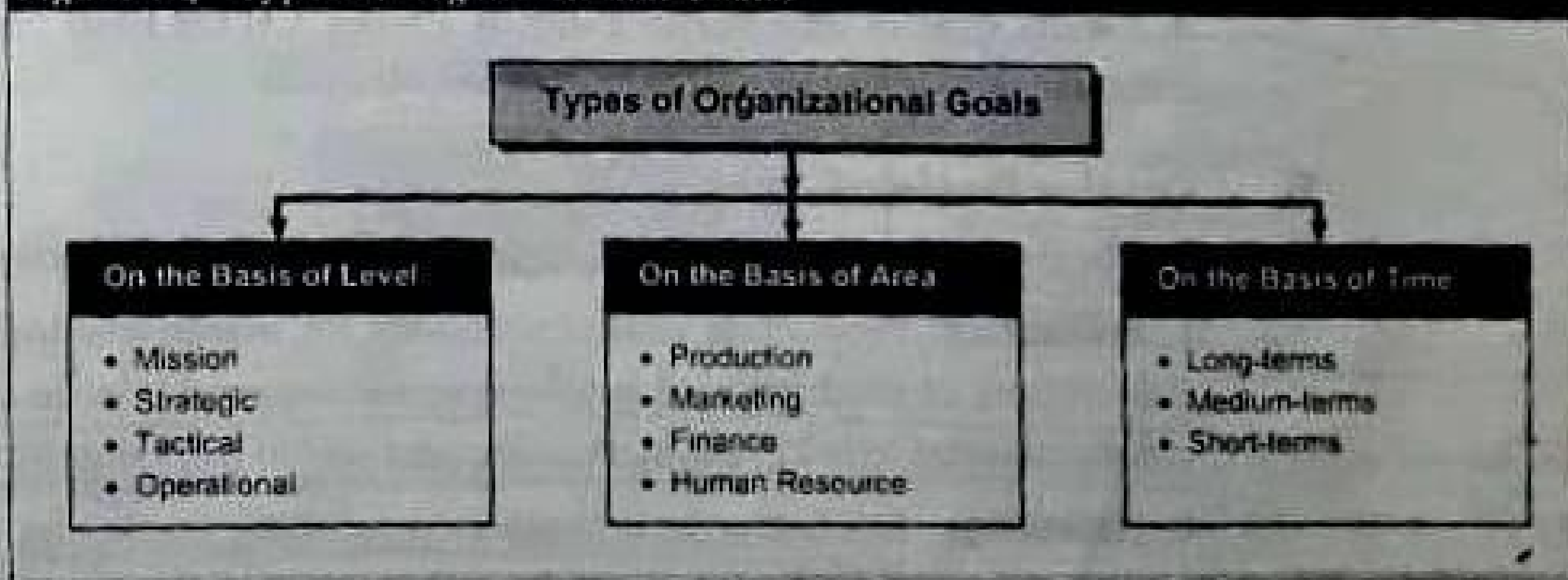
A. On the Basis of Level
On the basis of level, organizational goals can be classified as follows:

Mission is the vision and represents to the philosophy and ideology of the organization

1. Mission: Mission focuses on the vision of an organization. It represents the philosophy and ideology of the organization. It is a statement of its fundamental unique purpose that sets a business apart from other similar firms. It also identifies the unique scope of the business operation in product and market terms. Defining the organization, mission forces managers to carefully identify the scope of its product or service. It answers the basic question of what the reason behind being in business is. Therefore, managers must highlight the goal that they want to achieve. The entire functions of the members concentrate on organizational mission.

Strategic goals are the long term objectives of an organization

2. Strategic: Strategic goals are developed on the basis of mission and focus on long term objectives of an organization. Strategic goals entail all the basic management functions of the organization. Such goals are set by and for top management of the organization. Every organization needs to develop strategic goals to help it decide on what choices it will make among various alternatives available. Generally, strategic goals are set for five to ten years. The examples of such goals are profit maximization, quality improvement, new product development, allocation of resources, research and development etc. For setting strategic goals, top level management should accumulate information both from internal and external environment.

Tactical goals are sub-divisions of strategic goals, they are developed for one or more years

3. Tactical: Tactical goals are developed on the basis of strategic goals. Middle level management sets these goals for one or more years. Their focus is on how to operationalize the actions necessary to achieve the strategic goals. These are the sub-divisions of strategic goals to be implemented in practical field. In this stage, strategic goals are classified into departmental goals like production, marketing, finance, personnel etc. Therefore, such goals are specific and focus on allocation of resources.

Operational goals are sub-divisions of tactical goals; they are set for day-to-day activities

4. Operational: Operational goals are developed on the basis of tactical goals. Lower level management consisting of supervisors and foremen are responsible for setting these goals. These goals are basically set for day-to-day operations of an organization. In this stage, tactical goals are classified into small units to be achieved in a short span of time like in a day or a week. On the basis of schedule, works are assigned to individuals and resources are allocated.

B.   On the Basis of Area

On the basis of operational areas, organizational goals can be classified as follows:

1. Production: Production goal is necessary for manufacturing organizations. This goal focuses on production of quality goods in reasonable price at the right time. This goal is essential to fulfill the market demand and to meet organizational goals.

2. Marketing: Marketing goal focuses on fulfilling marketing mix. Marketing mix consists of product, place, price and promotion. Therefore, marketing goal consists of distribution of quality product to needy customers at the lowest possible price. It also involves development of promotion strategy to increase market shares through competitive strength.

3. Finance: Financial goal focuses on monetary management of the organization. Monetary management consists of preparation of budget; cash flow trend, position of working capital, cost of capital etc.

4. Human resource: This goal concentrates on recruitment, appointment and placement of right persons to the right jobs. It involves manpower development activities like training, workshop, seminar etc. and also involves in providing incentives to employees on the basis of ability.

C. On the Basis of Time

On the basis of time, organizational goals can be classified as follows:

1. Long term: Organizational mission and strategy are long term goals of an organization. Mission focuses on the vision of the organization. It represents the philosophy and ideology of the organization. Strategic goals are developed on the basis of mission and should focus on long term objectives of the organization.

2. Medium term: Tactical goals are medium term goals of an organization. Middle level management sets these goals for one or more years. These are the sub-division of long term goals to be implemented in practical field. In this stage, strategic goals are classified into departmental goals like production, marketing, finance, personnel etc.

3. Short term: Operational goals are short term goals of an organization. These goals are developed on the basis of medium term goals. Lower level management consisting of supervisors and foremen are responsible for setting these goals. These goals are basically set for day to day operations of the organization.

Features of Effective Organizational Goals

Organizational goals must be specific, measurable, acceptable, realistic and time-bound

An organization may pursue many goals; however, all of them may not be achievable. An effective organizational goal should have the following features:

Figure 1.5   Features of Effective Organizational Goals.

Features of Effective Organizational Goals → Specific (S), Measurable (M), Acceptable (A), Realistic (R), Time-bound (T)
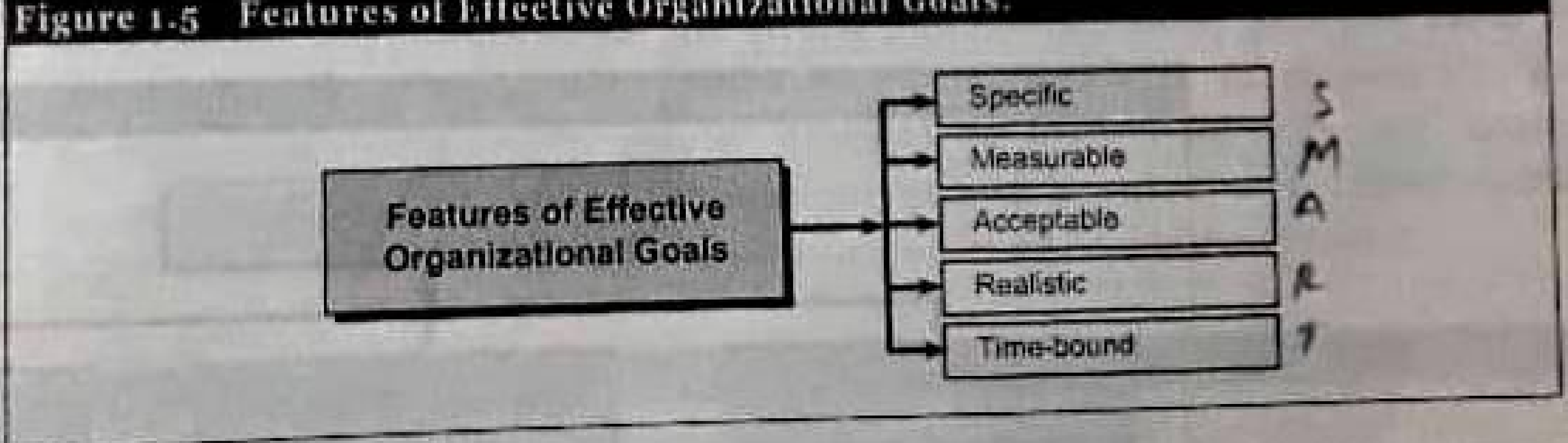
1. Specific: An organizational goal must be clearly defined. It should not be too vague. For this, goals of each department and individual should be clearly stated. For instance, only increase in production is not specific, but 20% increase in production from the previous year is specific.

2. Measurable: The goal of an organization should be measurable in terms of quantity, cost, time and quality. It is the basis of performance evaluation and

supervision of progress of work done. It helps judge whether goals are achieved or not. For example, production of 100 units of output within one week at a cost of Rs. 50 per unit, and quality should meet the N.S. (Nepal Standard) mark.

3. Acceptable: The goals should be acceptable and agreed upon by all members of the organization. Therefore, goals should be set through a mutual consent of all the responsible members. Managers and subordinates should sit together and discuss the various aspects of the goals and should accept the result through mutual agreement. The goals should not be enforced upon employees. All the members should work as a team.

4. Realistic: The goals must be achievable. It should not be too imaginary. The goals may be challenging but should be achievable by hard work of the members. Therefore, the management must set a realistic and challenging goal. For instance increment of 100% sale may not be achievable but increment of 25% sale may be achievable.
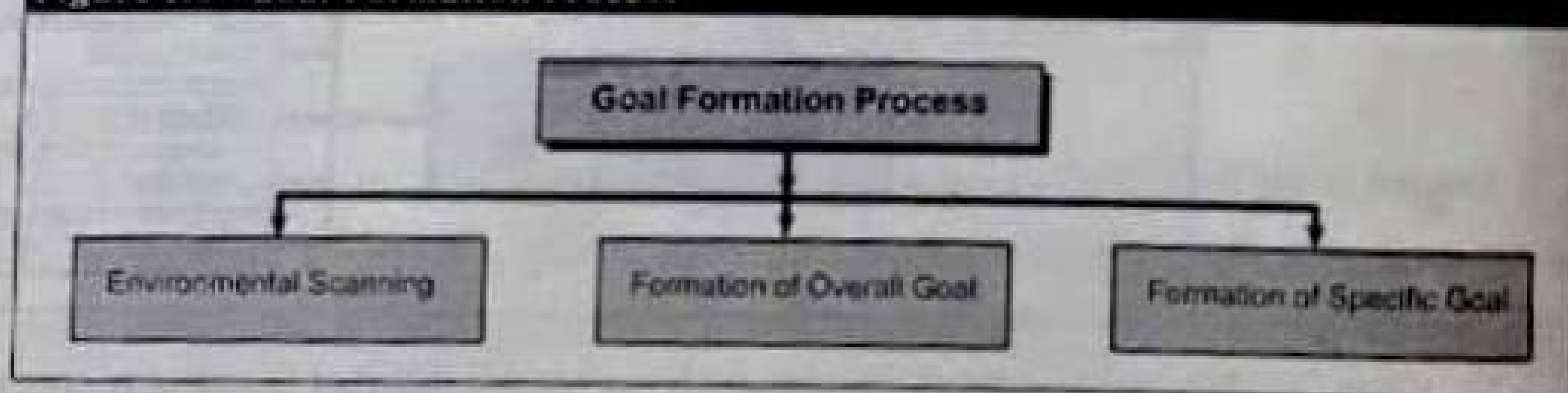
5. Time-bound: The goals must be set for a specific period of time. They must be achieved within a defined time frame. It is essential because achievement of goals after the expiry of the defined time may be useless. Competitors may take benefit of the delay. For instance, production of 100 units of output per day is a time-bound goal.

GOAL FORMATION PROCESS 067/66/

The goal formation process consists of environmental scanning, overall goal formation and specific goal formation

Setting goals is the beginning of the management process. Goals are the objectives toward which organizations direct their resources and efforts. They determine an action to be taken at the present to obtain results in the future. On the basis of nature and scope of business, organizations may have several kinds of goals, all of which must be appropriately managed. Goals must be specific, measurable, achievable, and realistic and time-bound. Managers of different levels must be involved in the goal setting process.

Figure 1.6   Goal Formation Process

```
                    ┌─────────────────────────┐
                    │  Goal Formation Process │
                    └─────────────────────────┘
                                 │
         ┌───────────────────────┼───────────────────────┐
         │                       │                        │
┌─────────────────┐   ┌──────────────────────┐   ┌──────────────────────┐
│ Environmental   │   │ Formation of         │   │ Formation of         │
│ Scanning        │   │ Overall Goal         │   │ Specific Goal        │
└─────────────────┘   └──────────────────────┘   └──────────────────────┘
```

The following are the common processes of goal formation:

1. Environmental Scanning: Environmental scanning is the initial stage of the goal formation process. It is a process of accumulating and analyzing information from the environment. It is essential to monitor the development and change in the environment. Basically, both internal and external environments are to be scanned to

analyze their impact on organizational performance. SWOT analysis - the study of Strengths, Weaknesses, Opportunities and Threats – is helpful for environmental scanning.

Strengths and weaknesses are the outcome of internal environments and opportunities and threats are the outcome of external environment. Internal environment involves organizational goals, culture, resources and structure. Similarly, external environment are political, economic and socio-cultural environment and technology. In some extent, internal environment is controllable to the management, while it has to adjust itself with changing external environment.

2. Formation of Overall Goal: This is the second stage of the goal formation process. In this stage, mission and strategic goals of an organization are defined. The top-level management involves in setting the overall goals of an organization. For the overall goal formation, information from environment should be collected and analyzed. It is a long term goal and directed by environmental trend and focuses on profit goal of the organization. In this stage, the management must fix the financial goal, product - market mix goal, and functional goal.
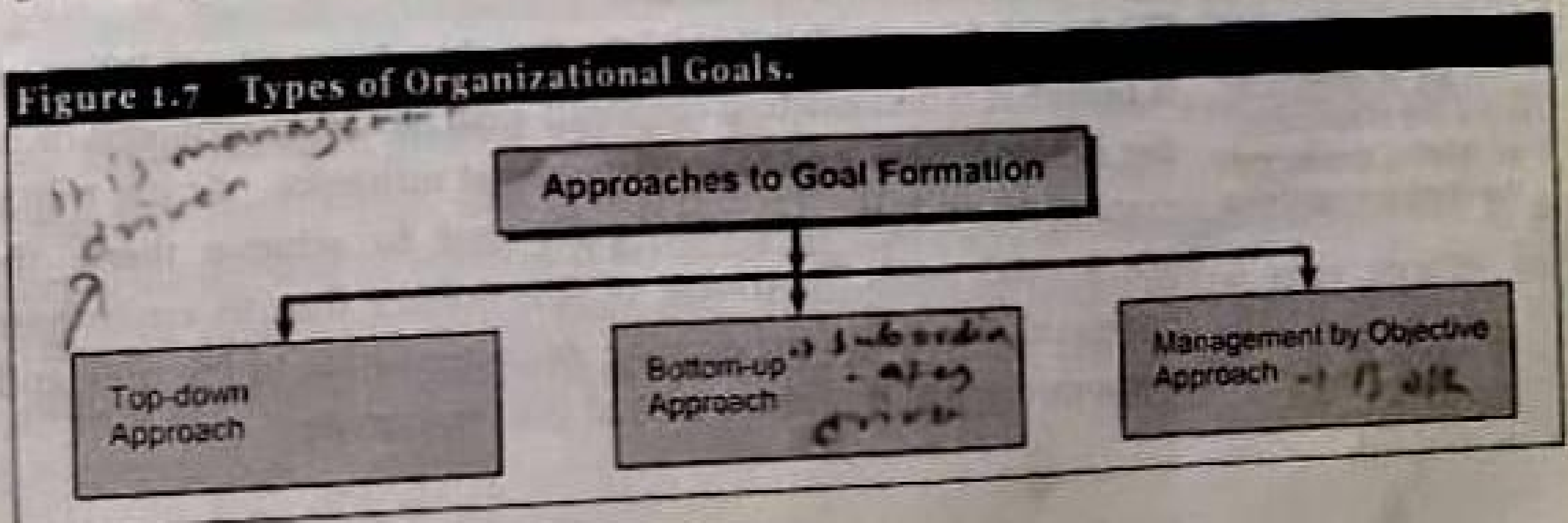
Financial goals involve budgeting and monetary management, product-market mix goal involves regular merchandise of the organization and functional goal involves the basic function to be performed in the organization.

3. Formation of Specific Goal: This is the final stage of the goal formation process and involves sub-divisions of the overall goals of the organization. In this stage, contribution of each department, unit, branch and individual is defined to fulfill the overall goals of the organization. It is a short-term goal and set for a day, a week, a month and so on. Middle and lower level management formulates it for them. The basic purpose of this goal is to fix responsibility of departments and individuals and allocate the resources.

PPROACHES TO GOAL FORMATION

There are various approaches of goal formation process. They focus on the involvement of members in the goal setting process. Generally, goals may either be formulated by the top level management and circulated to subordinates for implementation or authority may be given to the lower level in the goal setting process or both top level and subordinates may sit together to set organizational goals. The following are the common approaches to goal formation process:

Figure 1.7 Types of Organizational Goals.

1. Top-down Approach: This is the traditional approach of the goal setting process. In this approach, top level management sets strategic, tactical and operational goals of the organization. The top-level managers do not take any suggestion and feedback from middle and first line managers while setting goals. They believe that they know what is best because they can only see the big picture of the goal of the organization. The top-level authorities may take suggestions and technical guidance from experts and professionals but they take the final decision themselves. They formulate goals of the organization and circulate to subordinates for implementation.

The top-level management sets strategic, tactical and operational goals of the organization

2. Bottom-up Approach: In this approach, middle and first line managers are given authority to set their own departmental and unit goals within the given framework. On the basis of the framework of corporate and strategic goal, middle and first line managers set their unit and individual goals. The top-level managers integrate and unify the unit goals in consultation with and consent of subordinates. In this approach, top level managers only play the role of facilitators and never interrupt in the goal setting process. However, top-level managers may modify the unit and individual goals to meet corporate goals but only with the consent of subordinates. The belief implicit in this approach is that managers at the operation levels have necessary information, awareness and techniques to set goals.

Middle and first line managers set goals within the given framework

3. Management by Objective (MBO) Approach: Management by objective is a comprehensive technique applied for goal setting. Peter F. Drucker propounded this approach in 1954. In this approach, both top and operational level managers of an organization jointly identify the common goals; define each individual's major areas of responsibility in terms of the results expected from them. Action plans are prepared and resources are allocated to implement defined goals. A mechanism is developed to evaluate the performance of subordinates focusing on goal achievement. Basically, MBO process involves four steps consisting of collaborative goal setting, action plan development, periodic review of performance and performance appraisal. There is also a system of rewarding employees on the basis of goal achievement. Therefore, MBO increases employees' performance and productivity.

Both top and operational level managers of an organization jointly identify the common goals

GOALS SUCCESSION 67

Concept of Goals Succession

Goal succession is the act of intentional review and modification of existing goal by the top-level management

Goal succession is the act of intentional review and modification of existing goals. It is essential when existing corporate goal has been achieved or cannot be achieved in the existing form due to environmental influence. At the initial stage, the top-level management sets corporate goals and to achieve them, the management sets operational goals. In course of functioning due to environmental influence, it is necessary to modify the existing goals according to the time and situation to achieve corporate goals. It is also a part of goal succession.

Goals of an organization should not be static or too rigid. It should be modified on the basis of the changing environment. Therefore, the management must collect adequate information from the environment before taking a decision on goal succession. When the organization faces keen competition, declining sales, scarcity of fund and other environmental challenges, it needs to identify new goals for survival and perpetual existence of the organization. For instance, in Nepal, during the political crisis, between 2055 to 2063, hotels and resorts modified their profit goals to survival goals.

Reasons for Goal Succession 67/

The following are some common reasons for goal succession:

Figure 1.8   Reasons for Goal Succession.
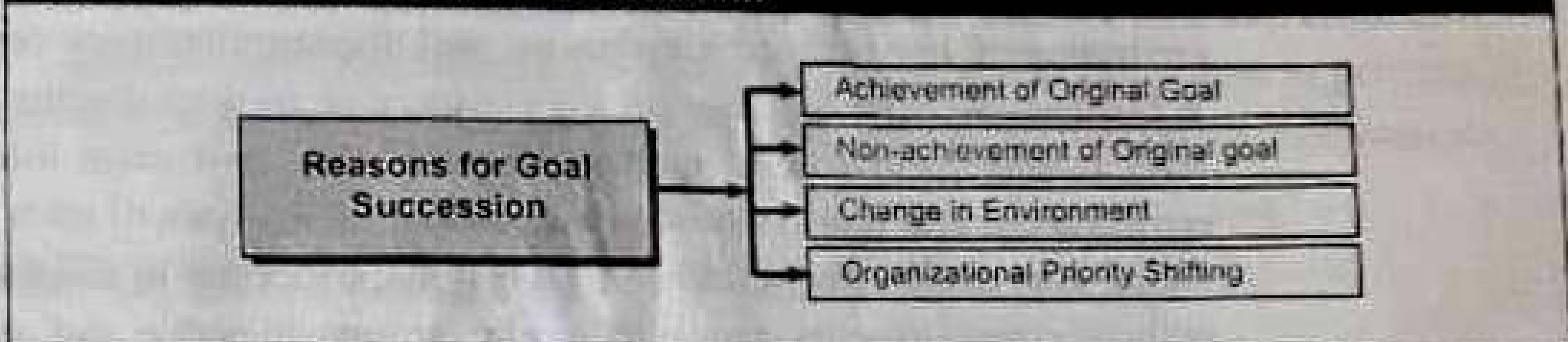
1. Achievement of original goal: When original goal is achieved in a given period of time it is essential to set a new goal. It is a part of goal succession. Setting new goal is necessary for perpetual existence of an organization. For instance, a cement manufacturing company sets a goal to produce 1,000 tones of cement in a process within six month and after achievement of this goal within six months it has to set a new goal for the next period.

2. Non-achievement of original goal: The non-achievement of the original goal needs goal succession. When original goal cannot be achieved even by the hard work of the management it needs to review and modify the existing goal for perpetual existence of the organization. For instance, a business organization sets a profit goal for a fiscal year, but after some interval it is found that the stated profit cannot be achieved and therefore, it sets a survival goal for that fiscal year.

3. Change in environment: Environment is dynamic and regularly influences organizational functioning. It is more difficult to forecast and predict environmental changes, basically, of external environment. Therefore, every organization needs to modify its original goal in accordance with the environmental changes.

4. Organizational priority shifting: Goal succession is the outcome of shift in organizational needs and priorities. There may be many objectives that an organization has to achieve. It becomes impossible to achieve many objectives at a time by mobilizing scarce resources. Therefore, an organization may modify its original goal on the basis of its available resources and priority.

Goal Displacement

Goal displacement is the act of unintentional change in the original goal into a new goal. In this situation, original corporate, strategic and operational goals are discarded and new goals are set for the survival of the organization. In goal displacement, existing resources are diverted from original goal to achieve new goal.

It, generally, takes place in a condition when original goal is expressed in an ambiguous manner. For instance, many cinema halls in Nepal have been converted into party palaces and go-downs due to lack of audiences as movies are nowadays easily available through cable TV and in compact discs.

> "Goal displacement in a business organization occurs when decision makers substitute tangible goals for broader, riskier, more uncertain, long range goals".
> — D. E. McFarland

All organizations perform their business activities within the changing environment. In certain circumstances, goal displacement may create great problems in business activities and also in the existence of an organization. Therefore, the top level management should gather adequate and up-to-date information from the environment and it is essential to make a critical analysis of such information before taking goal displacement decisions. It is not appropriate to displace the original goal without considering its impact. Basically, an unachievable and abstract goal is to be displaced.

Reasons for Goal Displacement

The following are the common reasons for goal displacement:

Figure 1-9   Reasons for Goal Displacement.
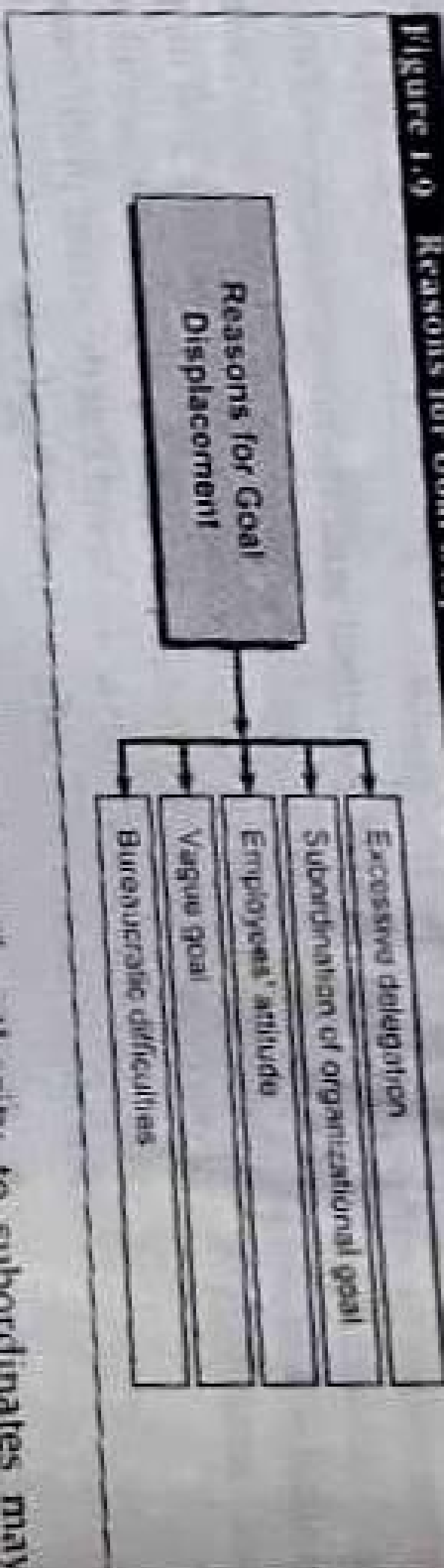
1. **Excessive delegation:** Excessive delegation of authority to subordinates may result in distortion of the original goal. Generally, the manager delegates authority and responsibility to subordinates, but maintains proper supervision and control over their activities. But excessive delegation of authority and responsibility to subordinates without a proper controlling system may not meet the objectives of delegation and results in goal displacement.
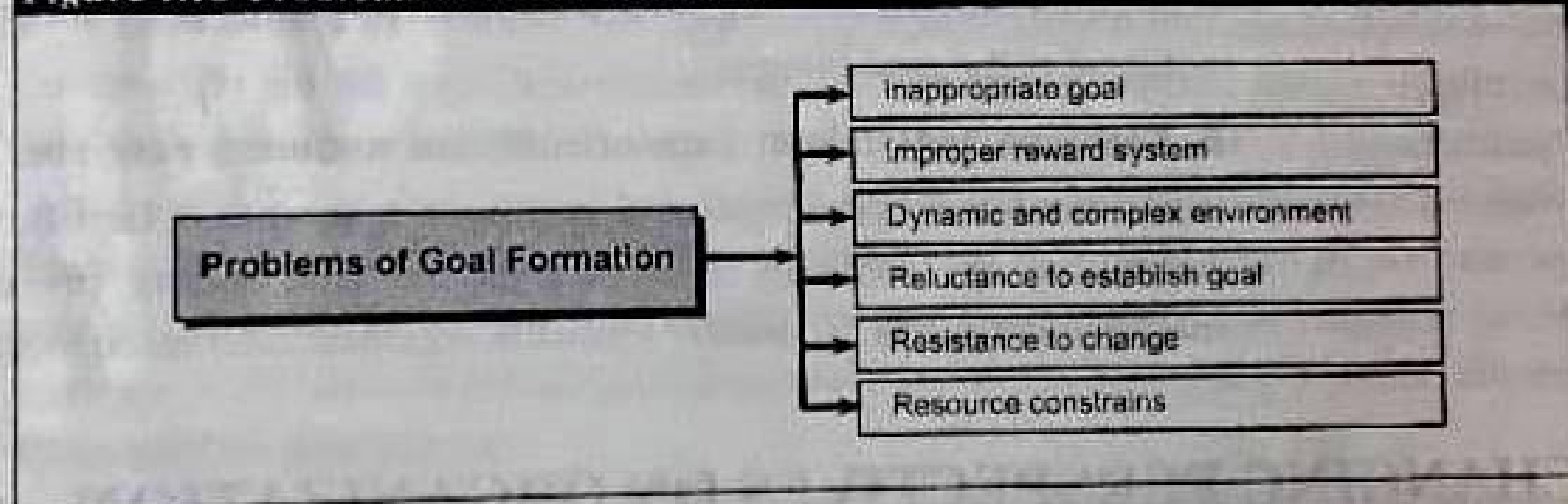
2. **Subordination of organizational goal:** It is an accepted principle that top priority must be given to organizational goals. The achievement of organizational goals ultimately fulfils individual goals. However, if employees give more priority to their individual goals by subordinating organizational goals, it results in goal displacement.

3. Employees' attitude: The management sets organizational goals and circulates them to employees for implementation. If employees have a positive attitude towards the organizational goals they can be achieved in an effective way. However, if employees and their unions have a negative attitude towards management decisions, they do not perform effectively, which may result in goal displacement.

4. Vague goal: An abstract or vague goal cannot be achieved. Generally, a goal must be specific and achievable within the defined time. However, if a goal is unclear, members of the organization cannot achieve it with limited resources. In such a case, the management needs to displace the original goal.

5. Bureaucratic difficulties: The management develops rules, policies and procedures to perform organizational functions in a systematic way. However, it is essential to modify and amend such a system on the basis of time and requirement. But if such a system remains rigid and static, it may create difficulties in performing jobs in an effective way. Such difficulties arise in bureaucratic type of organizations.

PROBLEMS OF GOAL FORMATION

The basic function of the top level management is goal setting. Management faces many obstacles in setting goals. Managers must understand the obstacles that can hamper the goal setting process. *Rocky W. Griffin* (2000) has identified the following six major barriers in goal setting:

Figure 1.10 Problems of Goal Formation.

Problems of Goal Formation →
- Inappropriate goal
- Improper reward system
- Dynamic and complex environment
- Reluctance to establish goal
- Resistance to change
- Resource constrains

1. Inappropriate goal: An unattainable goal is known as inappropriate goal. Organizational goals become inappropriate when the management lays more emphasis either on quantitative or qualitative measures. For instance, goals, especially those relating to financial areas, are quantifiable, objective and verifiable, while goals relating to employees' satisfaction and development are difficult to quantify. Similarly, putting too much emphasis on one type of goal to the exclusion of the other may create difficulties in the overall goal formation process of the organization.

2. Improper reward system: An improper reward system acts as a major barrier to goal setting. In an organization there must be a balance in reward and goal setting efficiency of the employees. The appropriate reward system encourages employees to devote their effort in the goal setting process. But if the management rewards employees for setting poor goals and does not reward or even penalizes them for setting proper goals, the employees get frustrated.

3. Dynamic and complex environment: The environmental change may create difficulty in goal formulation. The rapid technological innovation and keen competition can increase the difficulties for an organization to set goals. At present, it is difficult to assess accurately the future environmental opportunities and threats in goal achievement. Therefore, it is essential to amend organizational goals on the basis of environmental influence.

4. Reluctance to set goals: Some managers are reluctant to set goals for themselves and their subordinates may create barriers in the overall goal setting of the organization. If managers set goals that are specific, concise, and time-bound then the achievement of the goals is obvious. Managers who consciously or unconsciously try to avoid this degree of accountability are likely to hinder an organization's goal setting. However, the reason for this reluctance may be lack of confidence or fear of failure.
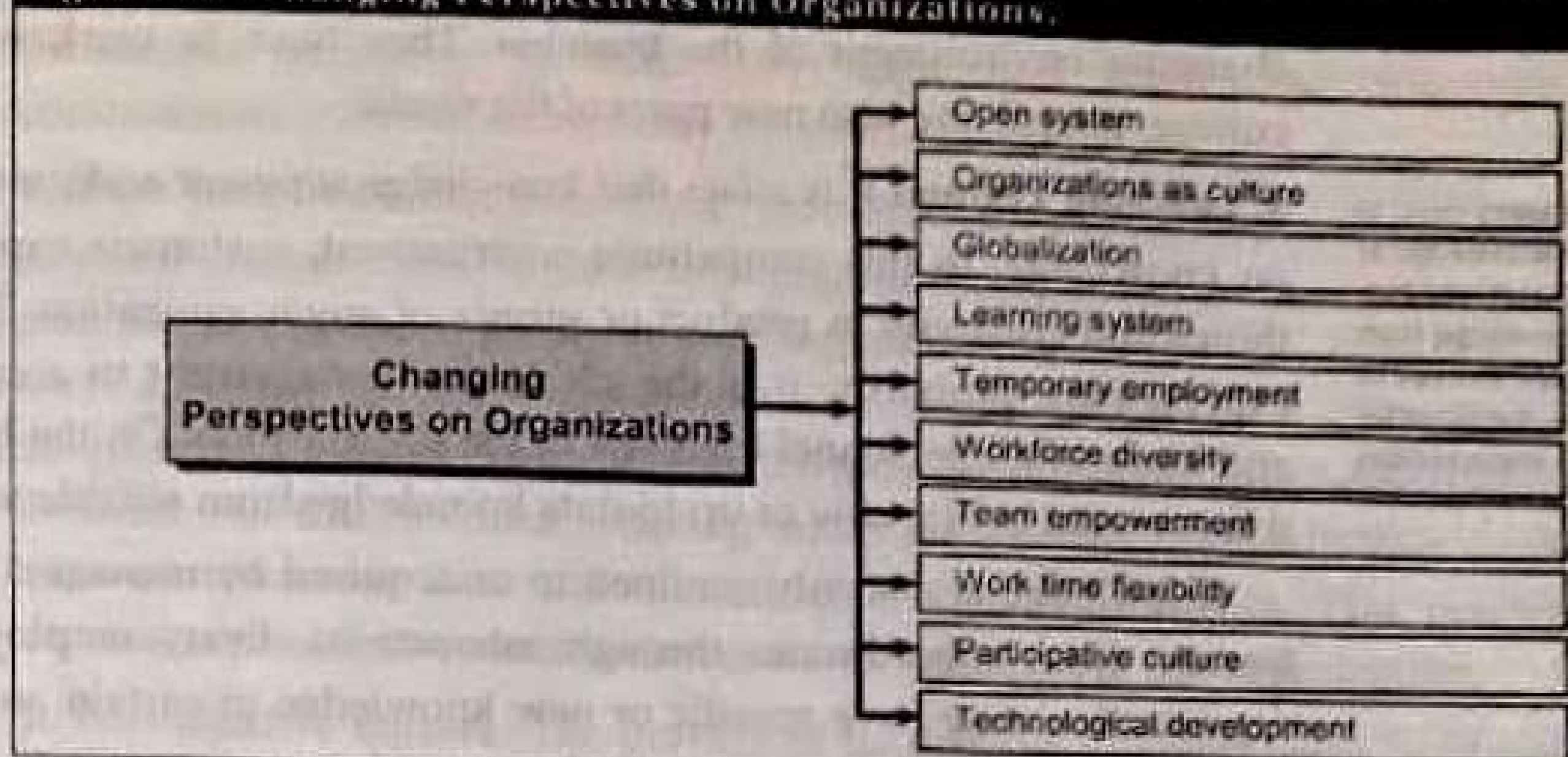
5. Resistance to change: The resistance to change is another barrier to goal setting. Generally, people tend to resist change because of lack of confidence and conservative attitude. Members of an organization may fear losing their job due to change in the goals. It happens due to lack of proper communication about the outcome of the goal change.

6. Resource constraints: Lack of sufficient resources may also create a barrier in goal formulation of the organization. Strong competition, time limit and government restrictions are common constraints in the goal setting process. Therefore, the management needs to consider available organizational resources in goal setting.

CHANGING PERSPECTIVES ON ORGANIZATION

The environment is dynamic and changes according to time. Every organization establishes, exists and performs its functions within the changing environment. The rapid development of technology, change in social expectations, political influence, and economic change force organizations to perform their business activities in distinct ways. They have to modify their existing business lines and also need to search for new lines of business on the basis of social demand and expectation and opportunities created by the environment. The following are the changing perspectives on present organizations:

Figure 1.11 Changing Perspectives on Organizations.

```
                                    ┌──────────────────────────┐
                                 ─▶ │ Open system              │
                                    ├──────────────────────────┤
                                 ─▶ │ Organizations as culture │
                                    ├──────────────────────────┤
                                 ─▶ │ Globalization            │
                                    ├──────────────────────────┤
                                 ─▶ │ Learning system          │
  ┌──────────────────────┐          ├──────────────────────────┤
  │ Changing             │       ─▶ │ Temporary employment     │
  │ Perspectives on      │──────▶   ├──────────────────────────┤
  │ Organizations        │       ─▶ │ Workforce diversity      │
  └──────────────────────┘          ├──────────────────────────┤
                                 ─▶ │ Team empowerment         │
                                    ├──────────────────────────┤
                                 ─▶ │ Work time flexibility    │
                                    ├──────────────────────────┤
                                 ─▶ │ Participative culture    │
                                    ├──────────────────────────┤
                                 ─▶ │ Technological development│
                                    └──────────────────────────┘
```

In open system, there is regular interaction with the environment

1. Open system: Traditionally, organizations were viewed as a close system where they did not consider social needs and expectation. In close system there is no interaction with the environment and organizations performing their business in this system are treated as machines. All the business organizations of the 21ˢᵗ century perform their business in an open system.

In an open system, there is regular interaction with the environment. The development of competition, technological change, change in government rules and regulations and change in social expectation creates challenges to the organizations. Therefore, all business organizations need to get feedback from environmental changes and modify business dealings on the basis of customers' demands.

Culture is the sum-total of values, norms, tradition, beliefs and assumptions of the organization

2. Organizations as culture: All organizations have their own culture that is to be followed by all the members. Culture is the sum-total of values, norms, traditions, beliefs and assumptions of an organization. These are the basis of organizational functioning. If any dispute and misunderstanding arises among members or between the management and the employees, organizational culture is taken as the basis to resolve such disputes. An organization having good culture can maintain social prestige and status. Therefore, every organization needs to develop a sound culture to strengthen its existence.

Globalization brings the concept of competition among entrepreneurs of the world

3. Globalization: The concept of globalization has been emerging today in business organizations. Truly speaking, the introduction of network in transportation, communication, and economic interdependency has tied the people of the world together and is shrinking the globe in a narrow vision. Any quality product or service produced in one corner of any country can easily reach all parts of the world without any restriction and barrier. Especially, multinational companies are global players in business not only to survive but also to prosper. For instance, Coca-Cola, a USA based soft drink, gains about 80 percent of its profit from foreign sales in nearly 200 countries.

The globalization brings the concept of keen competition among the entrepreneurs of the world. Therefore, present managers have to work by

considering the global prospective. They must be innovative and adjustable to the changing environment of the business. They have to work with new situations, culture, people and also new parts of the world.

4. Learning system: It is a fact that knowledge is power and present society is based on knowledge. In this competitive environment, customers expect new ideas, new things and creativity in product or service of any organization. To fulfill such social expectations, primarily, it is the job of the management to accumulate knowledge and ideas of all personnel involved in the organization. On the basis of requirement it is essential to hire new or up-to-date knowledge from reliable sources.

Knowledge is not only confined to or acquired by managers, however, it can be learned from subordinates through interactions. Every employee involved in an organization may have specific or new knowledge in certain areas of management. Therefore, the most important job of present day managers is to manage knowledge of subordinates and on the basis of requirement from outside sources to fulfill social expectations and to maintain the standard of the organization. A model manager must be flexible regarding management of new knowledge and also should consider the situational factors.

5. Temporary employment: The concept of appointment of employees on temporary basis, on contract basis or on daily wage system has evolved in many organizations. The concept of permanent employment is being slowly terminated due to priority to work rather than job security and flexible work schedule. On the basis of requirement the tendency of outsourcing and sub-contracting for some minor jobs has also emerged in many organizations.

6. Workforce diversity: Workforce diversity is concerned with involvement of heterogeneous nature of employees in an organization. Diversity is increasing in organizations today because of changing population dimensions, to improve workforce, official pressure and increased globalization. There are several dimensions of diversity. However, the important ones are age, gender, and ethnicity. The overall age of the workforce is increasing. Similarly, more women are also getting involved at the workplace.

An efficient manager has to manage diverse workforce both from the individual and organizational approach. Individual approaches involve development of better environment like understanding, empathy, tolerance, and willingness to communicate. Organizational approaches involve development of polices, practices, training, and good culture.

7. Team empowerment: Teams are formed today to perform a variety of jobs on the basis of requirement in the organization. The members of the team are experts in their own area of operation. Teams are empowered and independent in performing their jobs. They have authority to plan, allocate resources, coordinate and control activities.

Margin notes:

Managers need to manage knowledge of subordinates and hire knowledge from outside sources to fulfill social expectations

The tendency of contract job and daily wage system has been evolved

It is the tendency of involvement of heterogeneous nature of employees in an organization

Teams are empowered and independent in performing job

The team members are the in-charge of their work and can perform their work themselves according to their own logic and knowledge. Managers only communicate information and play the role of coordinators.

8. Work time flexibility: Work time flexibility is the emerging practice in competitive business organizations. In traditional organizations, like in government offices, work time for employees is fixed. In such organizations, workers work only for a fixed time specified by the management like from 10 AM to 5 PM. However, in competitive business organizations, the concept of twenty-four-hour operation has evolved. For this, the total working hours are divided into shifts and workers are allowed to choose their shift according to their convenience. This practice helps maximize productivity and optimum use of resources of the organization.

The concept of twenty-four-hour operation has been evolved and workers are allowed to choose their shifts

9. Participative culture: The practice of participation of employees in planning and decision making has emerged in modern organizations. The top-level management collects opinions, views and suggestions from subordinates before setting goals and taking any decision on its implementation. Basically, the concept of management by objective is implemented in practice, where all the members participate in the decision making process. It avoids the concept that the top-level manager is all in all in decision making.

Participation of employees in planning and decision making has evolved

10 Technological development: Technological development is ever growing and an emerging perspective in every organization. It emerges in every sector of social activity including transportation, communication, computer software, data processing works, machine and equipment etc. Such technological development tends to increase the aspirations and expectations of customers, investors, competitors, employees and other stakeholders of the organization. It develops the concept of competitive environment among the manufacturers, suppliers and in professional services.

Technological development is ever growing and an emerging perspective in every organization

It is the responsibility of managers to keep in touch with any technological change in their own sector of business and grasp the opportunity to make business a success. They have to modify products and services on the basis of changing needs of the customers. Modern means of communication should be used to transform information with customers. Similarly, quality goods and services must be provided to the customers on the right time, cost and place through the use of modern technology.

■■■ REVIEW OF LEARNING OBJECTIVE

Concept, Characteristics and Types of Organizations

Organization is a social aspect and an essential part of human life. It is an association of two or more individuals formed to achieve common goals. People used to join organizations when they could not perform jobs solely in an effective manner. In the organization, there is a division of works on the basis of efficiency, delegation of authority and responsibility, two way communications among them, and coordination of activities among all the members. Organization promotes collaboration and negotiation among individuals in a group and improves the effectiveness and efficiency.

The main *characteristics* of an organization consist of collection of people, common goal, division of work, coordination, hierarchy of authority, perpetual existence, environment, and technology.

Organizations may be of different *types* like business organizations, government organizations, service organizations, professional organizations, and international organizations.

Concept, Purposes and Types, Feature of Organizational Goals

Goals are the objectives or aims for which an organization has been formed and is functioning. They are the future desire that an organization intends to achieve. Goals give meaning and purpose to the organization. They determine the scope of future activities and serve as reference points to concentrate resources and efforts. On the basis of nature and scope of business, organizations may have several kinds of goals, all of which must be appropriately managed. And managers of different levels must be involved in the goal setting process.

The main *purposes* of organizational goals are to provide guidance and unified direction, to promote good planning, to serve as a source of motivation, to provide an effective mechanism for evaluation and control, to provide a distinct image and identity.

Organizational goals may be classified into different *types* on different basis. On the basis of *level*: mission, strategic, tactical and operational. On the basis of *area*: production, marketing, finance, and human resource. On the basis *time*: long term, medium term and short term goals.

The *features* of effective organization goals are specific, measurable, acceptable, realistic and time bound.

Goal Formulation Processes and Approaches

The *common processes* of goal formation are environmental scanning, formation of overall goal, and formation of specific goal. The *common approaches* of goal formation are top-down approach, bottom-up approach and management by objective approach.

Goal Succession and Displacement

Goal succession is the act of intentional review and modification of the existing goals. It is essential when existing corporate goals have been achieved or cannot be achieved in the existing form due to environmental factors. Goals should be modified on the basis of changing environment. Therefore, the management must collect adequate information of environmental change before taking decisions on goal succession.

Goal displacement is the act of unintentional change in the original goals into new goals. In this situation original corporate, strategic and operational goals are discarded and new goals are set for the survival of the organization. In goal displacement, existing resources are diverted from original goals to achieve new goals.

Problems of Goal Formulation

The major problems of goal formulation consist of inappropriate goal, improper reward system, dynamic and complex environment, reluctance to establish goal, resistance to change, and resource constraints.

Changing Perspective on Organization

The changing perspectives on organization are open system, existence of culture, globalization, learning system, temporary employment, workforce diversity, team empowerment, work time flexibility, participative culture, and technological development.

■ EXERCISE

Short Answer Questions

1. What are goals? What steps are followed in the goal formation process?　[TU 2054]
2. What is meant by goal displacement? Give examples.　[TU 2055]
3. Define goal succession. Explain the goal formation process.　[TU 2056, 58]
5. Define organization. How are organizational goals formulated?　[TU 2060]
6. Define organizational goals. Explain the process of goal formulation.　[TU 2061]
7. What is meant by goal displacement? Describe the nature of organizational goals.　[TU 2061]
8. What is goal formulation? Explain the problems encountered in goal formulation.　[TU 2061]
10. What are the characteristics of an organization? Explain the different types of organizations.　[TU 2062]
11. Why is goal formulation important for the organization? Explain the problems of goal formulation.　[TU 2063]
12. Explain the goal formation process and its problems ⊥　[TU 2064]
13. Introduce organization. Explain its main features.
14. Explain the different types of organizational goals.
15. Describe the features of effective organizational goals.
16. What are the different approaches to goal formation? Discuss them in brief.
17. What do you mean by goal succession? Explain the reasons of goal succession.
18. Define goal displacement. Describe the reasons for goal displacement.
19. Describe the changing perspectives on organization.

Long Answer Questions

1. What do you mean by goal succession and goal displacement? Explain the reasons for goal displacement.

2. Discuss the processes of and approaches to goal formation in different organizations.

3. In present day competitive environment all business organizations face problems in goal formation. By keeping in mind this point of view, describe the major problems in goal formation.

4. Discuss the changing perspectives on organization in present day business operation.

∎