

Herbert A. Simon

On the Concept of Organizational Goal

It is difficult to introduce the concept of organizational goal without reifying the organization—treating it as something more than a system of interacting individuals. On the other hand, the concept of goal appears indispensable to organization theory. This paper proposes a definition of “organizational goal” that resolves this dilemma.

The goal of an action is seldom unitary, but generally consists of a whole set of constraints the action must satisfy. It appears convenient to use the term “organizational goal” to refer to constraints, or sets of constraints, imposed by the organizational role, that have only an indirect relation with the personal motives of the individual who fills the role. More narrowly, “organizational goal” may be used to refer particularly to the constraint sets that define roles at the upper levels of the administrative hierarchy.

In actual organizations, the decision-making mechanism is a loosely coupled, partially decentralized structure in which different sets of constraints may impinge on decisions at different organizational locations. Although the description of organizational goals is consequently complex, the concept of goal can still be introduced in an entirely operational manner.¹

Herbert A. Simon is professor of administration and psychology in the Graduate School of Industrial Administration, Carnegie Institute of Technology.

¹This inquiry has been pursued under a grant from the Carnegie Corporation as part of a larger study on complex information processes. I am deeply indebted to Herbert Kaufman for persuading me of the need for the kind of clarification attempted here and for his helpful comments on a first draft.

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FEW discussions of organization theory manage to get along without introducing some concept of "organization goal." In the classical economic theory of the firm, where no distinction is made between an organization and a single entrepreneur, the organization's goal—the goal of the firm—is simply identical with the goal of the real or hypothetical entrepreneur. In general, it is thought not to be problematical to postulate that individuals have goals. If it is not, this solution raises no difficulties.

When we are interested in the internal structure of an organization, however, the problem cannot be avoided in this way. Either we must explain organizational behavior in terms of the goals of the individual members of the organization, or we must postulate the existence of one or more organization goals, over and above the goals of the individuals.²

The first alternative is an attractive one. It protects us from the danger of reifying the organization, of treating it as a superindividual entity having an existence and behavior independent of the behavior of its members. The difficulty with this alternative is that it is hard to carry off. The usual way it is attempted is by identifying the phrase "organization goals" with "goals of the firm's owners" or, alternatively, "goals of the firm's top management," or "goals of those who hold legitimate authority to direct the organization."

But this solution raises new difficulties, for we often have occasion to observe that the goals that actually underlie the decisions made in an organization do not coincide with the goals of the owners, or of top management, but have been modified by managers and employees at all echelons. Must we conclude, then, that it is the goals of the latter—of subordinate managers and employees—that are governing organizational behavior? Presumably not, because the kinds of behavior taking place are not those we would expect if the managers and employees were consulting only their personal goals. The whole concept of an informal organization, modified by, but not identical with, the goals either of man-

²The present discussion is generally compatible with, but not identical to, that of my colleagues, R. M. Cyert and J. G. March, who discuss organizational goals in ch. iii of *A Behavioral Theory of the Firm* (Englewood Cliffs, N.J., 1963). Their analysis is most germane to the paragraphs of this paper that treat of motivation for goals and organizational survival.

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agement or of individual employees, becomes hazy and ambiguous if we follow this path.

Let us see if we can find a way between this Scylla and the Charybdis of reification. The first step toward clarification is to maintain a distinction between goals, on the one hand, and motives, on the other. By *goals* we shall mean value premises that can serve as inputs to decisions. By *motives* we mean the causes, whatever they are, that lead individuals to select some goals rather than others as premises for their decisions. In the next section we shall develop the concept of goal, defined as above. In subsequent sections we shall undertake to explicate the notion of *organization goal* and to clarify the relations between organization goals and personal motives.

Before we can define "organization goals" we shall have to be clear on what we mean by "goals of an individual." We shall begin by considering the latter question.

GOALS AND DECISIONS: MULTIPLE CRITERIA

Our discussion of goals will be much simplified if we have a definite model before us of the situation we are considering. In recent years in the field of management science or operations research, we have learned to build formal models to characterize even quite elaborate and complex decision situations, and to use these models to reach "optimal" decisions. Since many of these models make use of the tool of linear programming, we will employ a linear programming framework to describe the decision situation. No mathematical knowledge will be assumed beyond the ability to read algebraic notation.³

The optimal diet problem is a typical simple linear programming problem. We are given a list of foods, and for each item on the list its price, its caloric content, and its proportions of each of the minerals and vitamins relevant to nutrition. Then we are given a set of nutritional requirements, which may include statements

³There are now a substantial number of elementary discussions of linear programming in the management science literature. For a treatment that develops the point of view proposed here, see A. Charnes and W. W. Cooper, *Management Models and Industrial Applications of Linear Programming* (New York, 1961), ch. i. See also Charnes and Cooper, *Deterministic Equivalents for Optimizing and Satisfying under Chance Constraints*, *Operations Research*, 11 (1963), 18-39.

But if the constraints are strong enough, so that the feasible set and, *a fortiori*, the Pareto optimal set is very small, then the constraints will have as much or more influence on what diet we finally select than will the goal, so defined. For example, if we set one or more of the nutritional requirements very high, so that only a narrow range of diets also satisfy the budget constraint (5), then introducing the cost minimization criterion as the final selection rule will have relatively little effect on what diet we choose.

Under such circumstances it might be well to give up the idea that the decision situation can be described in terms of a simple goal. Instead, it would be more reasonable to speak of a whole set of goals—the whole set, in fact, of nutritional and budgetary constraints—that the decision maker is trying to attain. To paraphrase a familiar epigram: "If you allow me to determine the constraints, I don't care who selects the optimization criterion."

MULTIPLE CRITERIA IN ORGANIZATIONS

To show the organizational relevance of our example it is only necessary to suppose that the decision we are discussing has arisen within a business firm that manufactures commercial stock feeds, that the nutritional requirements are requirements for hogs and that the prices of available feed ingredients, and that the finished feed prices facing the firm are fixed. Then minimizing the cost of feed meeting certain nutritional standards is identical with maximizing the profit from selling feed meeting those standards. Cost minimization represents the profit-maximizing goal of the company.

We can equally well say that the goal of the feed company is to provide its customers with the best feed possible, in terms of nutritional standards, at a given price, i.e., to produce feeds that are in the Pareto optimal set. Presumably this is what industry spokesmen mean when they say that the goal of business is not profit but efficient production of goods and services. If we had enlarged our model to give some of the prices that appear in it the status of constraints, instead of fixing them as constants, we could have introduced other goals, for example, the goal of suppliers' profits, or, if there were a labor input, the goal of high wages.⁴

⁴See "A Comparison of Organization Theories," in my *Models of Man* (New York, 1957), pp. 170-182.

We may summarize the discussion to this point as follows. In the decision-making situations of real life, a course of action, to be acceptable, must satisfy a whole set of requirements, or constraints. Sometimes one of these requirements is singled out and referred to as the goal of the action. But the choice of one of the constraints, from many, is to a large extent arbitrary. For many purposes it is more meaningful to refer to the whole set of requirements as the (complex) goal of the action. This conclusion applies both to individual and organizational decision making.

SEARCH FOR A COURSE OF ACTION

Thus far, we have assumed that the set of possible actions is known in advance to the decision maker. In many, if not most, real-life situations, possible courses of action must be discovered, designed, or synthesized. In the process of searching for a satisfactory solution, the goals of the action—that is, the constraints that must be satisfied by the solution—may play a guiding role in two ways. First, the goals may be used directly to synthesize proposed solutions (*alternative generation*). Second, the goals may be used to test the satisfactoriness of a proposed solution (*alternative testing*).⁵

We may illustrate these possibilities by considering what goes on in the mind of a chess player when he is trying to choose a move in a game. One requirement of a good move is that it put pressure on the opponent by attacking him in some way or by preparing an attack. This requirement suggests possible moves to an experienced player (alternative generation). For example, if the opponent's king is not well protected, the player will search for moves that attack the king, but after a possible move has been generated in this way (and thus automatically satisfies the requirement that it put pressure on the opponent), it must be tested against other requirements (alternative testing). For example, it will not be satisfactory if it permits a counterattack that is more potent than the attack or that can be carried out more quickly.

The decisions of everyday organizational life are similar to these decisions in chess. A bank officer who is investing trust funds in

⁵For further discussion of the role of generators and tests in decision making and problem solving, see A. Newell and H. A. Simon, "The Processes of Creative Thinking," in H. E. Gruber, G. Terrell, and M. Wertheimer, eds., *Contemporary Approaches to Creative Thinking* (New York, 1962), particularly pp. 77-91.

vated—by definition. But in most human behavior the relation between motives and action is not simple; it is mediated by a whole chain of events and surrounding conditions.

We observe a man scratching his arm. His motive (or goal)? To relieve an itch.

We observe a man reaching into a medicine cabinet. His motive (or goal)? To get a bottle of lotion that, his wife has assured him, is very effective in relieving the itch of mosquito bites. Or have we mistated his motive? Is it to apply the lotion to his arm? Or, as before, to relieve the itch? But the connection between action and goal is much more complex in this case than in the previous one. There intervenes between them a means-end chain (get bottle, apply lotion, relieve itch), an expectation (that the lotion will relieve the itch), and a social belief supporting the expectation (that the wife's assurance is a reliable predictor of the lotion's efficacy). The relation between the action and the ultimate goal has become highly indirect and contingent, even in this simple case. Notice that these new complications of indirectness are superimposed on the complications we have discussed earlier—that the goal is pursued only within limits imposed by numerous side constraints (don't knock over the other bottles in the medicine cabinet, don't brush against the fresh paint, and so on).

Our point is identical with the point of the venerable story of the three bricklayers who were asked what they were doing. "Laying bricks," "Building a wall," "Helping to erect a great cathedral," were their respective answers. The investment trust officer whose behavior we considered earlier could answer in any of these modes, or others. "I am trying to select a stock for this investment portfolio." "I am assembling a portfolio that will provide retirement income for my client." "I am employed as an investment trust officer." Now it is the step of indirectness between the second and third answers that has principal interest for organization theory. The investment trust officer presumably has no "personal" interest in the retirement income of his client, only a "professional" interest in his role as trust officer and bank employee. He does have, on the other hand, a personal interest in maintaining that role and that employment status.

ROLE BEHAVIOR

Of course, in real life the line of demarcation between personal and professional interests is not a sharp one, for personal satisfactions may arise from the competent performance of a professional role, and both personal satisfactions and dissatisfactions may result from innumerable conditions that surround the employment. Nevertheless, it is exceedingly important, as a first approximation, to distinguish between the answers to two questions of motive: "Why do you keep (or take) this job?" and "Why do you make this particular investment decision?" The first question is properly answered in terms of the personal motives or goals of the occupant of the role, the second question in terms of goals that define behavior appropriate to the role itself.

Corresponding to this subdivision of goals into personal and role-defined goals, organization theory is sometimes divided into two subparts: (1) a theory of motivation explaining the decisions of people to participate in and remain in organizations; and (2) a theory of decision making within organizations comprised of such people.⁷

In the motivational theory formulated by Barnard and me, it is postulated that the motives of each group of participants can be divided into *inducements* (aspects of participation that are desired by the participants) and *contributions* (aspects of participation that are inputs to the organization's production function but that generally have negative utility to participants). Each participant is motivated to maximize, or at least increase, his inducements while decreasing his contributions, and this motivation is a crucial consideration in explaining the decision to join (or remain). But "joining" means accepting an organizational role, and hence we do not need any additional motivational assumptions beyond those of inducements-contributions theory to explain the ensuing role-enacting behavior.

I hasten to repeat the caveat, introduced a few paragraphs above, that in thus separating our consideration of organizational role-enacting behavior from our consideration of personal motivation—

⁷For further discussion and references, see J. G. March and H. A. Simon, *Organizations* (New York, 1958), ch. iv.

But interpersonal differences in the enactment of roles go far beyond the incorporation of personal goals in the role. Role behavior depends on means-end premises as well as goal premises. Thus, particular professional training may provide an individual with specific techniques and knowledge for solving problems (accounting techniques, legal techniques, and so on), which are then drawn upon as part of the program evoked by his role. In this way, a chief executive with an accounting background may find different problem solutions from a chief executive, in the same position, with a legal background.

An individual may incorporate in his role not only a professional style but also a personal style. He may bring to the role, for example, habits and beliefs that provide him with crucial premises for his handling of interpersonal relations. Thus, an authoritarian personality will behave quite differently from a more permissive person when both are in the same organizational role and pursuing the same organizational goals.

The leeway for the expression of individual differences in role behavior is commonly narrowest in the handling of those matters that come to the role occupant at the initiative of others and is commonly broadest in his exercise of initiative and in selecting those discretionary matters to which he will attend and give priority. In terms used in earlier paragraphs, premises supplied by the organizational environment generally control alternative selection more closely than alternative generation.

THE ORGANIZATIONAL DECISION-MAKING SYSTEM

Let us limit ourselves for the present to situations where occupational roles are almost completely divorced from personal goals and pursue the implications of this factoring of the behavior of organizational participants into its personal and organizational components. If we now consider the organizational decision-making programs of all the participants, together with the connecting flow of communication, we can assemble them into a composite description of the organizational decision-making system—a system that has been largely abstracted from the individual motives that determine participation.

In the simplest case, of a small, relatively unspecialized organ-

ization, we are back to a decision-making situation not unlike that of the optimal diet problem. The language of "goals," "requirements," "constraints," that we applied there is equally applicable to similarly uncomplicated organizational situations.

In more complicated cases, abstracting out the organizational decision-making system from personal motives does not remove all aspects of interpersonal (more accurately, interrole) difference from the decision-making process. For when many persons in specialized roles participate in making an organization's decisions, the total system is not likely to be monolithic in structure. Individual roles will differ with respect to the number and kinds of communications they receive and the parts of the environment from which they receive them. They will differ with respect to the evaluative communications they receive from other roles. They will differ in their search programs. Hence, even within our abstraction, which neglects personal motives, we can accommodate the phenomena of differential perception and subgoal formation.

To make our discussion more specific, let us again consider a specific example of an organizational decision-making system—in this case a system for controlling inventory and production. We suppose a factory in which decisions have to be made about (1) the aggregate rate of production, that is, the work force that will be employed and the hours employees will work each week, (2) the allocation of aggregate production facilities among the several products the factory makes, and (3) the scheduling of the sequence in which the individual products will be handled on the production facilities. Let us call these the aggregate production decision, item allocation decision, and scheduling decision, respectively. The three sets of decisions may be made by different roles in the organization; in general, we would expect the aggregate decision to be handled at more central levels than the others. The real world situation will always include complications beyond those we have described, for it will involve decisions with respect to shipments to warehouses, decisions as to which products to hold in warehouse inventories, and many others.

Now we could conceive of an omniscient Planner (the entrepreneur of classical economic theory) who, by solving a set of simultaneous equations, would make each and all of these inter-

tain a stable pattern of temperature relations among its parts. Without such a stable pattern it would be infeasible to control the process by means of a measurement of the average temperature.

If one set of decisions is made, on this approximate basis, about aggregate work force, production rate, and inventories, then these decisions can be used as constraints in making detailed decisions at subsidiary levels about the inventory or production of particular items. If the aggregate decision has been reached to make one million gallons of paint next month, then other decisions can be reached as to how much paint of each kind to make, subject to the constraint that the production quotas for the individual items should, when added together, total one million gallons.¹⁰

This simple example serves to elucidate how the whole mass of decisions that are continually being made in a complex organization can be viewed as an organized system. They constitute a system in which (1) particular decision-making processes are aimed at finding courses of action that are feasible or satisfactory in the light of multiple goals and constraints, and (2) decisions reached in any one part of the organization enter as goals or constraints into the decisions being made in other parts of the organization.

There is no guarantee that the decisions reached will be optimal with respect to any over-all organizational goal. The system is a loosely coupled one. Nevertheless, the results of the over-all system can be measured against one or more organizational goals, and changes can be made in the decision-making structure when these results are adjudged unsatisfactory.

Further, if we look at the decision-making structure in an actual organization, we see that it is usually put together in such a way as to insure that the decisions made by specialized units will be made in cognizance of the more general goals. Individual units are linked to the total system by production schedules, systems of rewards and penalties based on cost and profit goals, inventory limits, and so on. The loose coupling among the parts has the positive consequence of permitting specific constraints in great

¹⁰A system of this kind is developed in detail in "Determining Production Quantities under Aggregate Constraints," in C. Holt, F. Modigliani, J. Muth, and H. A. Simon, *Planning Production, Inventories, and Work Force* (Englewood Cliffs, N.J., 1960).

variety to be imposed on subsystems without rendering their decision-making mechanisms inoperative.

THE DECISION-MAKING SYSTEM AND ORGANIZATIONAL BEHAVIOR

In the previous sections great pains were taken to distinguish the goals and constraints (inducements and contributions) that motivate people to accept organizational roles from the goals and constraints that enter into their decision making when they are enacting those organizational roles. On the one hand, the system of personal inducements and contributions imposes constraints that the organization must satisfy if it is to survive. On the other hand, the constraints incorporated in the organizational roles, hence in what I have called here the organizational decision-making system, are the constraints that a course of action must satisfy in order for the organization to adopt it.

There is no necessary *logical* connection between these two sets of constraints. After all, organizations sometimes fail to survive, and their demise can often be attributed to failure to incorporate all the important motivational concerns of participants among the constraints in the organizational decision-making system. For example, a major cause of small business failure is working capital shortage, a result of failure to constrain actions to those that are consistent with creditors' demands for prompt payment. Similarly, new products often fail because incorrect assumptions about the inducements important to consumers are reflected in the constraints that guide product design. (It is widely believed that the troubles of the Chrysler Corporation stemmed from the design premise that car purchasers were primarily interested in buying a good piece of machinery.)

In general, however, there is a strong empirical connection between the two sets of constraints, for the organizations we will usually observe in the real world—those that have succeeded in surviving for some time—will be precisely those which have developed organizational decision-making systems whose constraints guarantee that their actions maintain a favorable balance of inducements to contributions for their participants. The argu-

side constraints—operating through a network of decision-making processes that introduces many gross approximations into the search for profitable courses of action. Further, the goal ascription does not imply that any employee is motivated by the firm's profit goal, although some may be.

This view of the nature of organization goals leaves us with a picture of organizational decision making that is not simple. But it provides us with an entirely operational way of showing, by describing the structure of the organizational decision-making mechanism, how and to what extent over-all goals, like "profit" or "conserving forest resources" help to determine the actual courses of action that are chosen.