

Unit 1: Nature of Organization[3hrs]

Concept of organization: Organization is a social system composed of people, structure and technology for achieving common goals in a dynamic environment. In other words, Organization is a human association, where two or more people come together with a certain common aim and equipment and desire to achieve certain common goals through planned joint effort and team work.

Therefore, organization is a place with certain structure, where people come and work together to achieve a common goal, in a changing environment.

-> Tribe, ethnic groups, families are not organization.

-> The three essential of an organizations are: - people, common goal, and Joint effort.

Organizational goals:

Concept: An organizational goal is desired point or destination toward which organizational activities are focused. Organizational goal is basis or reason of existence of any organization. Goal provides direction to the organization so that all the activities will be organized and controlled. Goal is future destiny where the organization wants to reach. It is the source for inspiration and motivation to all people associated with it.

Purposes: The main purposes of achieving goals are as follows:

1. To provide guideline and direction: Goal is a desired destination that organization wants to reach. Thus, it provides the direction toward which the organizational activities should be focused.

2. To develop a good planning: Planning is predetermining the activities for future. These activities can only be identified when organization know what it wants to achieve. So goals give idea about the expectation, the time frame, skills necessary etc., which helps to make a effective plan.

3. To motivate employee: Motivation is creating willingness in individual to give higher effort toward work. This can only be possible when people think or accept that, their need is fulfilled by their effort. Since goal is a outcome and provides an idea about what people can achieve in future .It motivates employees towards

works.

4. To utilize the resource optimally: Resource can be optimally utilized only when there is precise definition and direction of work with motivated employees. Since there all are for what the goal is meant for. Thus, goal helps in effective utilization of resources.

5. To evaluate and control: Evaluation and control of organizational performance is essential to ensure that the organization's functions are working properly, and people are within the tract (area, band) of budget limit and time schedule. This is only possible, when there is goal.

Types: There are different types of goals formulated by an organization to their needs. They are as follows:

1. On the basis of level of organization:

i) Mission: Mission is a statement, which describe the vision of top leadership about organization and provides reason for the existence of an organization. E.g. "To be the best school in Kathmandu valley" may be the mission statement of any school situated at Kathmandu.

ii) Strategic goals: It is a long term action plan. It is developed in the view of the mission of an organization .It is a real intension which stated the course of action that is going to be taken by an organization. E.g. to increase the market share by 15% by the end of 3rd year.

iii) Tactical Goals: Tactical goals are set to translate the strategic goals into action. They are the target goals of department formulated by department heads or middle level managers. They are generally shorter time framed, more specific and strongly focused. E.g. 20% increase in sales annually.

iv) Operational goals: Operational goals are unit/section level goals formulated by lower level managers. They are more defined and time bound that help to achieve the tactical goals. E.g. to produce 100 units of product each day.

2. On the basis of time horizon:

i) Long term goals: The goals with a time frame of 5 to 10 years are long term goals.

ii) Intermediate term goals: The goals with a time frame of 2 to 4 years are

Intermediate term goals.

iii) Short term goals: The goals with a time frame of 1 or below 1 year are short term goals.

3. On the basis of Area/Functions:

i) Marketing goals: Marketing goals are specific objectives that a company sets in order to promote and sell its products or services. Some examples of marketing goals include: Increasing brand awareness, Generating leads, Increasing sales etc.

ii) Financial goals: Financial goals are specific objectives that a company sets in order to manage its finances and achieve long-term financial stability. Some examples of financial goals include: Increasing revenue, Improving profitability, Reducing debt, Building savings etc.

iii) Production goals: Production goals are specific objectives that a company sets in order to manage and optimize its manufacturing processes. Some examples of production goals include: Increasing productivity, Improving quality, Reducing waste etc.

Features of effective organizational goals: The features of effective organizational goals are as follows:

1. Specific: Organizational goals must be precise. It must be clearly defined and should be understood by every concerned people. E.g. 10% profit on sales, but not profit maximization.

2. Measurable: Every goal should contain details about, how particular aspects of performance will be measured. It should be measurable in terms of quality and quantity. Measurable goals help to judge work-in-progress of individuals and organization.

3. Acceptable: Goal should be accepted by workers, who are responsible for achieving them. There must be participation and agreement of both higher and lower management in goal setting process.

4. Realistic: Goal must be realistic enough, that each individual working in an organization should have faith on its achievement. Unachievable or unrealistic goals lead to excess expenses and even collapse of an organization.

5. Time bound: Goal must be bound by time frame. There must be clear estimation of time period for accomplishment of goals in future. Time bound goals not only help to identify the necessities of promptness but also serve as a standard for the organizational activities.

Goal formulation:

Goal Formulation Process: Following are the steps involved in goal formulation process:

1. Assigning a group: At first a group in which the involvement of all the level of managers from top, middle and lower level are assigned. The involvement of higher level ensures the utilization of their expertise on environmental changes and effective allocation of resources; whereas the involvement of lower level ensures the formulation of realistic and achievable goal and commitment towards the work.

2. Environmental Scanning: After the group is assigned, the necessary and relevant information of internal and external environment are gathered and analyzed. This helps to know the changes occur in external environment like political changes, technological changes, socio-cultural changes etc. and its possible impacts as well as, the strength and weakness of the organization that can capitalize the opportunities and neutralize the threats.

3. Determining and listing the potential goals: After the rigorous analysis of environmental factors and its impacts, potential goals are formulated and listed.

4. Brainstorming on potential goals: Once managers formulated the list of potential goals, it is necessary to think deeply on each of them according to their importance. Managers discuss these goals on their relevancy, strength, weakness and success in future.

5. Reach the consequences: Once the goals are carefully discussed, a best goal among the list is chosen. There must be acceptance of majority in goal selection. This not only helps to avoid conflict but also helps in motivating the workers toward goal achievement.

6. Determine the major area of responsibility: After finalizing the goal, the activities related to its achievement are determined. In addition, the

authority-responsibility relation of the activities and individual are determined and assigned the task accordingly.

Approaches to Goal Formulation: There are mainly three approaches to goal formulation. They are as follows:

1. Top-down approach: Top-down approach is a directive approach. Under this approach, top executives first develop the corporate goals and disseminate them to middle and lower level managers for implementation. Top level managers use their knowledge and experiences to formulate the goals.

2. Bottom-Up approach: Bottom-up approach is a participatory approach. Under this approach, functional workers formulate goals for their positions and pass them to the top level for final revision and approval. Top level management finalizes the goals on the basis of mission statement and disseminates them to lower level for its implementation.

3. Management by Objectives (MBO): MBO is the process under which both top level and lower level management jointly formulate the goals for an organization. They determine each individual's major area of responsibility in terms of goals which gives employees a sense of ownership and motivates further.

Goal succession and displacement:

Goal Succession: The intentional change in goal after realization of previous goal is known as goal succession. E.g. a team is assigned to manufacture a cheapest car in the world. Once the car is manufactured as expected, the same team is assigned to manufacture the world most fuel efficient car. Here, in above example the team faces the crisis of existence once the cheapest car is manufactured, but to overcome that, the goal is succeeded to most fuel efficient car.

The necessity of goal succession in any organization is because of the following reasons:

1. Achievement of original goal
2. Changes in external environment
3. Unachievable goals.

Goal Displacement: An unintentional change in goal by management is known as goal displacement. Goal displacement takes place when organizational energies

and resources are utilized away from the original goals. E.g. an organization shifts its business from manufacturing to trading because of the establishment of many manufacturing organizations and severe competition.

The reasons for goal displacement are as follows:

- 1. Goal Conflict:** When organizational goal conflicts with individual goals. Employees choose to pursue individual goals.
- 2. Abstract goals:** When goals are not clearly defined and plans, decisions are inconsistent with the original goals, then displacement takes place.
- 3. Employee attitude:** Employee attitude towards goals also leads to goal displacement. Uncooperative employees and pressure from union association weaken the organizational activities needed, which leads to goal displacement.

Problems of goal formulation: The main problems in goal formulation are as follows:

- 1. Improper reward system:** When there is a weaker link between reward system and goal setting, it creates a major problem in goal formulation. Employees are motivated only when there is a good relation between goal formulation and reward system.
- 2. Environmental Constraint:** It will be hard to anticipate any changes exactly that may occur in the future, which is a major problem in goal formulation. The environmental factors like technology, politics, etc. force the organization to change its policies and practices. Thus, inadequate assessment of these factors may lead to unrealistic and faulty goals.
- 3. Unwillingness of managers in goal formulation:** Due to lack of knowledge, experiences and confidence, managers may show unwillingness to take part in the goal setting process. This creates a problem in goal formulation.
- 4. Resistance to change:** Goals are formulated to achieve certain changes in the present situation. However, employees and even managers may resist the changes because of the fear of job termination, unmatched knowledge of new technology etc. This creates problems in goal formulation.
- 5. Resource Constraint:** Goals are formulated on the basis of backup resources available in an organization. However, inadequacy of such resources may lead to unrealistic goals, frustration and goal displacement.

Changing perspectives (Viewpoint) of organization: The

organization is defined and viewed differently at different time period. Previously, it was only considered as a people gathering place where workers do what the employer asked them to do, there was no concern about the relation of work and people performance. But as the time passes by, the concept of work, workers and workplace has been gradually changing. The changing perspectives on organization are as follows;

i) Mechanistic viewpoint on Organization: This perspective states that organization as a machine. Many classical theories of organization represent this view. It believes on fixed working hours, production schedules, maintenance schedules, sales targets etc. These types of organization ignore the human aspects and their effectiveness. It does not give priority to imagination, innovation and creativity. Thus, this perspective is suitable in stable environment.

ii) Organization as an Open System: Any organization can be considered as an energy system which has inputs, transformation process and outputs. E.g. the inputs for a university would be students, teaching materials, books, money and so on. The transformation process would consist of lectures, assignments, research, study, discussion etc. The output would be educated, cultured and discipline individuals ready to enter the real world of business or employment. In general, the term system is applied to any activity, collection of facts, ideas or principles which are so arranged as to present and united as whole.

iii) Organization as political System: According to this perspective, organizations are viewed as “complex system of individuals, each having its own interest, beliefs, values, perspectives etc. The union continuously compete with each other for short organizational resources”. It states that organizations are not about hierarchies and structures but also about the internal politics that succeed in them. Understanding and judging an organization from this perspective is important to know its current activities and predict its behaviour.

iv) Organization as culture: The organizational cultural perspective states that many organizational behaviour and decisions are predetermined by the pattern of basic assumptions (beliefs, rituals, values) held by the members of an organizations. Different studies suggested that, organizational culture acts as powerful forces in influencing organizational life.

v) Organization as a learning system: From this perspective organization is

described as a living and thinking open system. Organization continuously learn from their history, experience and environment and adjust accordingly .To be an effective, organization have to learn and develop new capabilities on a continuous basis. Sharing knowledge, experience and ideas is habit of learning organization.

Challenging perspectives of organization: Improving People's Skills, Improving Quality and Productivity, Total Quality Management, Managing Workforce Diversity, Responding to Globalization, Empowering People, Coping with Temporariness, Improving Ethical Behaviour. (Note: Not in syllabus but in model set so may be imp. Read in detail from model set solution).