Unit 1: Nature 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.

According to S.A Sharlekar and V.S. Sherlekar, "Organization is a mechanism or a basic framework enabling person to work together effectively and achieve the set goals through integrated group effort. It is a medium for the management to exercise managerial functions."

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

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: - a. people b. common goal c. Joint effort.

Characteristics of Organization:

1. Human Association: Organization is the place where people work together to achieve the common goals. Thus, there is always the involvement of human resource to perform a variety of activities in goal achievement process.
2. Common goal: Every organization has its goals. It is a common purpose which binds all the individuals and groups to contribute their effort.
3. Division of work: Organization always divides the large task into smaller packages for easy and prompt functioning by individuals. This brings specialization in work.
4. Hierarchy of authority: Organization has a chain of command, determined by hierarchy of authority. Under the basis of job responsibility and accountability, skill demand of the job and complexity of the job hierarchy of authority is constructed. The power of decision making and control is always determines by the hierarchy of authority in organization.
5. Flexibility (Envrionmental Adaptation): Organizational activities directly and indirectly influence by the environmental factors. So it is always formulate its plans and policies that can match the changing requirements of environment.

Types of Organization:

We find different kinds of organization in our society. These organizations are classified according to the nature and purpose. They are as follows:-

1. Business organization: The organization which is established in order to make profit is known as business organization. The prime beneficiaries of these organizations are the owners or shareholders. E.g. Surya Nepal Company, Buddha Air etc.

2. Nonprofit Social Organization: The organizations which are established not for making profit but for giving or providing services to the customer/clients or community are nonprofit social organizations. E.g. Tribhuvan University, Nepal Red Cross, Bir Hospital etc.
3. Cooperative Organization: These types of organization are established to reduce the effort of competition and maximize the value of cooperation. The main aim of this organization is to fulfill the individual needs and prosperity of all members involved through collective effort.
4. Government Organization: The organization formed by the government to provide service to general public is government organization. They can be ministries, department, military, police etc. The main goals of this type of organization are regulation and welfare of general public.
5. International Organization: The organizations which are established by the involvement of different countries for the sake of their welfare are called international organization. E.g. ASEAN, SAARC, UNDP, IMF etc. These organizations are always engage in promoting the collective interest of member countries.

Organizational Goals:

Goal is the expected outcome from the activities performed in the organization. It is the reason behind existence of the organization.

According to A. Etzioni, "Goal may be defined as a desired state of affairs that organizations attempt to realize"

Similarly, according to Koontz and Weihrich "Goals are the ends towards which activity is aimed –they are the result to be achieved."

Thus, goal is a desired end that organization wants to achieve in future by performing several activities.

Vision: A general statement of its intended direction that generate strong emotional feelings in organizational members

Mission: It states who the company is, what it does, and where it headed.

Purposes of Goals:

The main purposes of achieving goals are as follows:

1. To provides guideline and direction: Goals 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 thing 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 to be achieved in future. Thus goal acts as standard which control and direct the actual activities.

Types of goals:

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

1. Level wise goal:
   a. Corporate Goals: Corporate goals are broad goals which cover and direct overall activities of an organization. They are always formulating by the top level management. They are represented by mission and strategy.
      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. Strategy (SWOT): It is a long term action plans. 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.
   b. 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.
   c. 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. Time Frame: 5-10 years long term goal, 2-4 Mid-term goals, below 1 or 1 year short term goal.

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 assess 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.

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 develp the corporate goals and disseminates them to middle and lower level managers for implementation. Top level mangers 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 passes to the top level for final revision and approval. Top level management finalizes the goals on the basis of mission statement and disseminate to lower level for its implementation.
3. Management by Objectives (MBO):MBO is initially suggested by Peter Durker in 1960.It 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. The collective effort of both superior and subordinates in goal setting process is the major advantage of MBO.

Goal Formation 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 mangers 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; where as 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 consensus: Once the goals are carefully discussed, a best goal among the list is choose. 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.

Problems of Goal formation:

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 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 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 goal setting process. This create problem in goal formulation.
4. Resistance to change: Goals are formulated to achieve certain changes in present situation. However employees and even managers may resist the changes because of the fear of job termination, unmatched knowledge of new technology etc. and try to maintain status quo. 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.

Goal Succession and Goal Displacement:

Goal Succession: The deliberate or intentional change in goal after realization of previous goal is known as goal succession. In other words, goal succession refers to conscious attempt by the management to adapt new or modified goals .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 utilizes away from the original goals. E.g. an organization shifts its business firm 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 goal are not clearly defined and plans, decision are inconsistent with the original goals, then displacement takes place.
3. Employee attitude: Employee attitude towards goal also lead to goal displacement. Uncooperative employees and pressure from union association weaken the organizational activities needed, which leads to goal displacement.

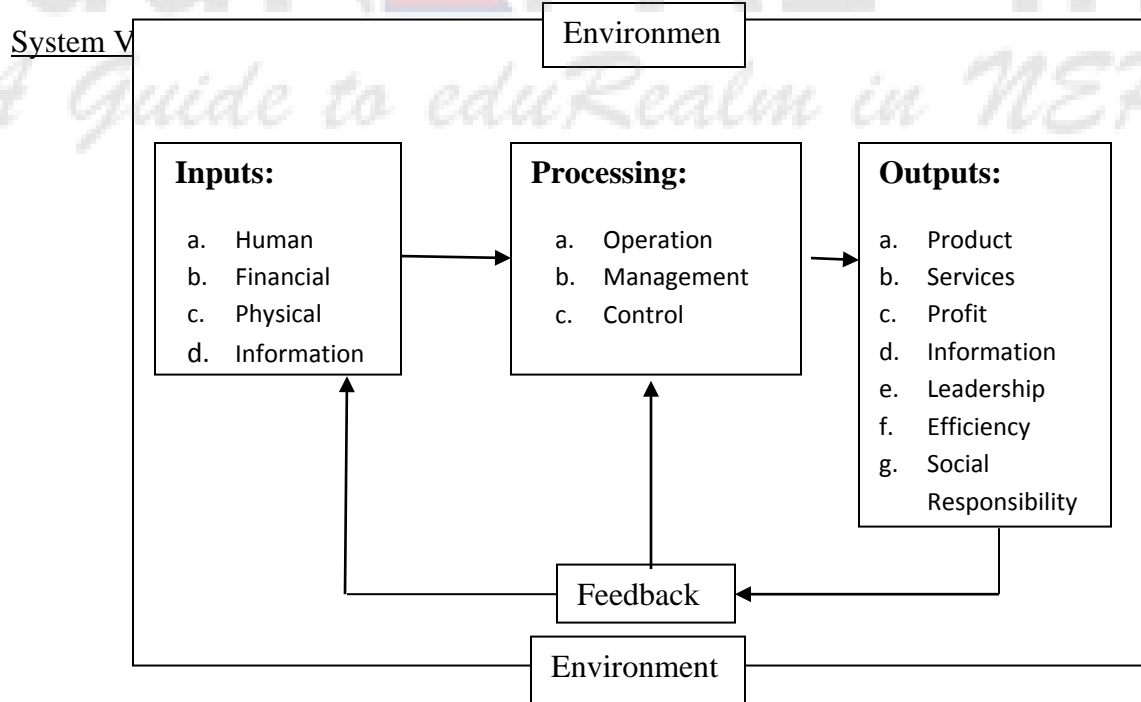**The changing Perspectives (Viewpoint) on Organization:**

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 concerned 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. Organization is not only the gathering place, it is a place where people are embrace as an asset

and help them to groom their abilities and make them competent to accept and overcome any environmental changes.

The changing perspectives on organization are as follows;

a. 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, financial control system, quality control system, sales targets, code of conduct, clear job description and procedures etc. The aim of these efforts is to routinize the activities and reduce uncertainty of operation. 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 and for those organizations where there is requirement of maximum blue collar workers.

b. Organization as an Open System: Business Organization are perceive as open adaptive system. Any organism 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, seminars, assignments, research, study, discussion, counseling 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 or any collection of facts, ideas or principles which are so arranged as to present a united a whole. All operation of system will be methodical, thorough and regular and above all as per plan to achieve set objectives. In business many division and departments are organized on functional bases and all act as coordinated whole to achieve the basic objectives of the firm.

A business organization as per open system

System V

Environmen

Inputs:	Processing:	Outputs:
a. Human	a. Operation	a. Product
b. Financial	b. Management	b. Services
c. Physical	c. Control	c. Profit
d. Information		d. Information
		e. Leadership
		f. Efficiency
		g. Social Responsibility

Feedback

Environment

c. Organization as political System: According to this perspective, organizations are viewed as "complex system of individual and coalitions, each having its own interest, beliefs, values,

preferences, perspectives and perception. The coalitions continuously compete with each other for scarce organizational resources". It states that organizations are not about hierarchies and structures but also about the internal politics that prevails in them. Understanding and assessing an organization from this perspective is important to know its current activities and predict its behaviour.

d. 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.

e. Organization as a learning system: From this perspective organization is describe 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. Thus, learning competency of organization plays an important role in strategic planning process.