

# Unit 1

## The Nature of Organizations



BSc CSIT VII Sem

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# Outlines

- Concept of organization.
- Organizational goals – concept, purposes, types and Features
- Goal formulation – processes, approaches and problems.
- Goal succession and displacement.
- Changing perspectives of organization.

# Organization - Meaning

<http://www.youtube.com/watch?v=bfqubYe8YNA>



# Organization - Meaning

- In common parlance, the word 'organization' refers to '**institution**'. Educational institution, a private agency, Government department or business firm; all are organizations.
- In the context of management, it means **formal arrangement of work amongst members of the institution with clear identification of authority and responsibility** so that **organizational goals can be achieved** optimally
- Organization is **simply people working together for a common goal**.
- An organization is influenced by many **external and internal factors**.
- External factors include **politics, country's economy, and legal rules and regulations**; whereas internal factors include **plans, objectives, and policies of an organization**.

# Definition of **organization**.

**Different authors have defined ‘organization’ as follows:**

- Organization is ***“the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”***  
— Louis A. Allen
- According to Robbins and Coulter, ***“An organization is a deliberate arrangement of people to accomplish some specific purpose.”***
- Organization ***defines the part which each member of an enterprise is expected to perform and the relations between such members,*** to the end that their concerted endeavour shall be most effective for the purpose of the enterprise.” — Alwin Brown
- Organization is a ***“process of defining the essential relationships among people, tasks and activities in such a way that all the organisation’s resources are integrated and coordinated to accomplish its objectives efficiently and effectively.”***— Pearce and Richard B. Robinson

# Concept of organization...

## 1. As a group of People: Institution

## 2. As a Structure:

- Organization is a set of relationships that defines vertical and horizontal relationships amongst people who perform organisational tasks and duties.
- The organisational task is divided into units, people in every unit (departments) are assigned specific tasks and their relationship aims to maximise organisational welfare and individual goals
- The relationship amongst people is both vertical and horizontal.

### **3. As a Process:**

- Organization defines relationships amongst people through a process that aims to achieve organisational goals efficiently.
  - Identification of work
  - Grouping of work into smaller groups
  - Assigning work to every individual at every level in every department
  - Defining its authority and responsibility, and
  - Establishing relationships amongst people to make them contribute towards organizational goals in an integrated manner.

# Characteristics of organization.





# Characteristics of Organization

- Collection of people
- Effective coordination
- Hierarchy of authority
- Division of work
- Common Goal
- Environmental influence
- Continuity
- Use of technology
- Goal oriented
- Structure

# Process of Organization Formation

- **Step 1:** Determination of **organizational goals** and **classification of firm's activities**.
- **Step 2:** **Grouping of the activities** into workable departments.
- **Step 3:** **Assignment of authority and responsibility** on the departmental executives for undertaking the delegated tasks.
- **Step 4:** **Developing relationship amidst superior and subordinate**, within the unit or department.
- **Step 5:** **Framing policies for proper coordination** between the superior and subordinate and **creating specific lines of supervision**.

# Classroom task

1. Make a group with your bench partner.
2. Think of a organization you want to run or work for in the future.
3. Write its objective.
4. What will be the different activities your organization performs.
5. According to your activities. Try to find out its different units/ Departments.
6. Determine the no of people you will need and define their authority and responsibility.
7. Also determine their hierarchy.

Present it in front of your class.

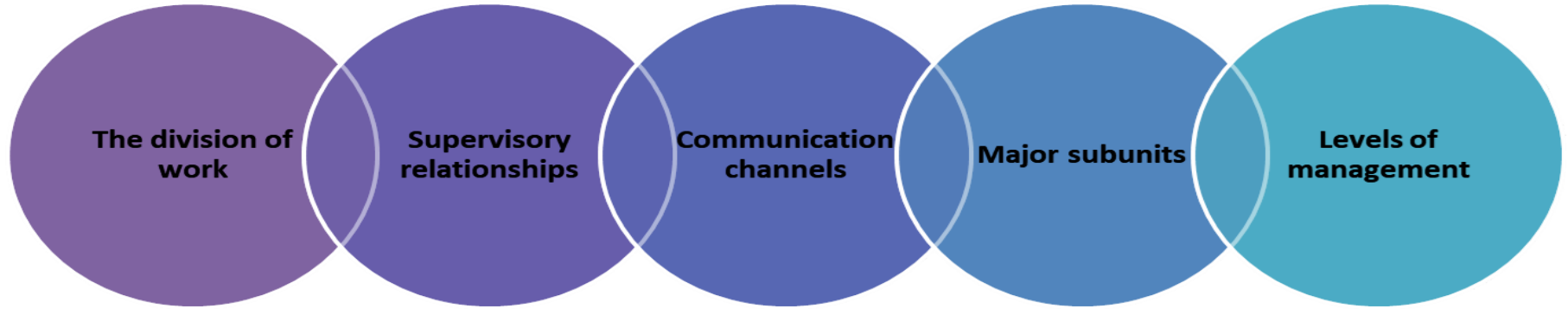
# **Types of Organizations**

## Types of organization

- Formal and Informal organizations
- Bureaucratic and Adaptive Organizations
- On the basis of Structure
  - Traditional Structures: Functional, Divisional and Matrix Structure
  - Horizontal Structures: Team, Network and, Boundaryless Structures

## Formal Vs Informal Organization

- A formal organization is a group of people who have a formal relationship, written policies and rules and an aim to



# Formal Vs Informal Organization

- Informal structures
  - The set of unofficial relationships between organization members
  - Social network analysis - Identifies informal structures and social relationships in the organization

# Pros and Cons of Informal Organization

## Advantages

- Helping people accomplish their work
- Overcoming limits of formal structure
- Gaining access to interpersonal networks
- Informal learning

## Potential disadvantages of informal structures:

**May work against best interests of entire organization**

**Susceptibility to rumor**

**May carry inaccurate information**

**May breed resistance to change**

**Diversion of work efforts from important objectives**

**Feeling of alienation by outsiders**



# Bureaucratic Organizations Vs Adaptive Organizations

- **Bureaucratic Organizations**

- A form of organization based on logic, order, and the legitimate use of formal authority
- It has mechanistic Design
- Bureaucratic designs feature ...
  - Clear-cut division of labor
  - Strict hierarchy of authority
  - Formal rules and procedures
  - Promotion based on competency

## **Bureaucratic Organizations Vs Adaptive Organizations**

- **Adaptive organizations**

- Adaptive organizations operate with a minimum of bureaucratic feature and encourage worker empowerment and teamwork
- It has organic design.
- Mechanistic designs work in a stable environment whereas organic designs work in a rapidly changing and uncertain environment

mechanistic designs  
**Bureaucratic  
Organizations**

organic designs  
**Adaptive  
Organizations**



## Traditional organization structures

- Departmentalization
  - Groups people with jobs into work units or formal teams
  - These formal teams are linked to create three major types of traditional organizational structures

Functional

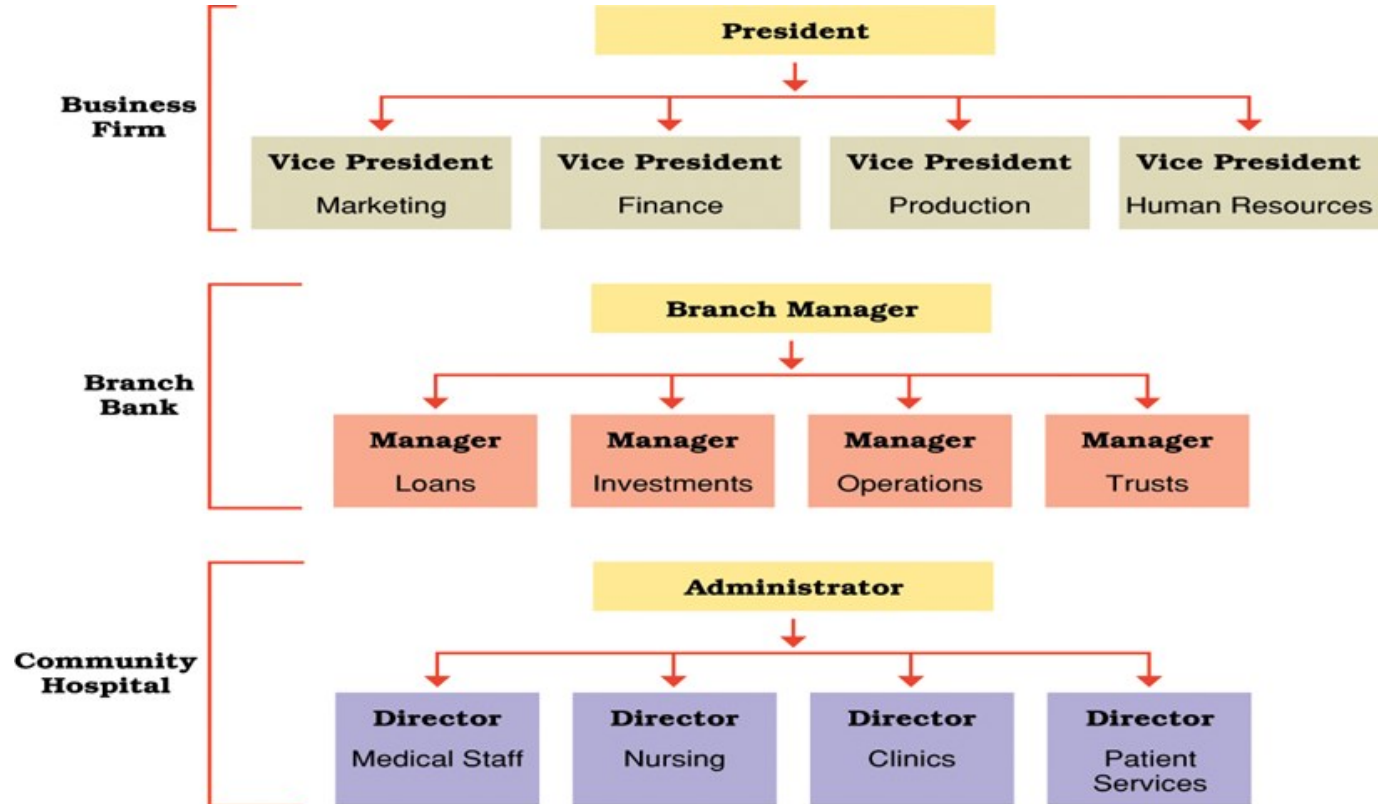
Divisional

Matrix

## Traditional organization structures

- Functional structures
  - People with **similar skills and performing similar tasks** are grouped together into formal work units
  - Members work in their functional areas of expertise
  - Are not limited to businesses
  - Work well for small organizations producing few products or services

# Traditional organization structures



## **Traditional organization structures**

- **Potential advantages of functional structures:**
  - Economies of scale
  - Task assignments consistent with expertise and training
  - High-quality technical problem solving
  - In-depth training and skill development
  - Clear career paths within functions

# Potential disadvantages of functional structures:

**Difficulties in  
pinpointing  
responsibilities**

**Functional  
chimneys  
problem**

**Sense of  
cooperation  
and common  
purpose break  
down**

**Narrow view of  
performance  
objectives**

**Excessive  
upward referral  
of decisions**



## **Traditional organization structures**

- **Divisional structures**
  - Group together people who work on the same product or process, serve similar customers, and/or are located in the same area or geographical region
  - Common in complex organizations
  - Avoid problems associated with functional structures

# Traditional organization structures

Type	Focus	Example
<b>Product</b>	Good or service produced	<pre>graph TD; GM[General Manager] --&gt; GP[Grocery products]; GM --&gt; DT[Drugs and toiletries]</pre>
<b>Geographical</b>	Location of activity	<pre>graph TD; P[President] --&gt; AD[Asian division]; P --&gt; ED[European division]</pre>
<b>Customer</b>	Customer or client serviced	<pre>graph TD; AA[Agency Administrator] --&gt; PY[Problem youth]; AA --&gt; SC[Senior citizens]</pre>
<b>Process</b>	Activities part of same process	<pre>graph TD; CSM[Catalog Sales Manager] --&gt; PP[Product purchasing]; CSM --&gt; OF[Order fulfillment]</pre>

## **Traditional organization structures**

- Potential advantages of divisional structures:
  - More flexibility in responding to environmental changes
  - Improved coordination
  - Clear points of responsibility
  - Expertise focused on specific customers, products, and regions
  - Greater ease in restructuring

## Potential disadvantages of divisional structures:

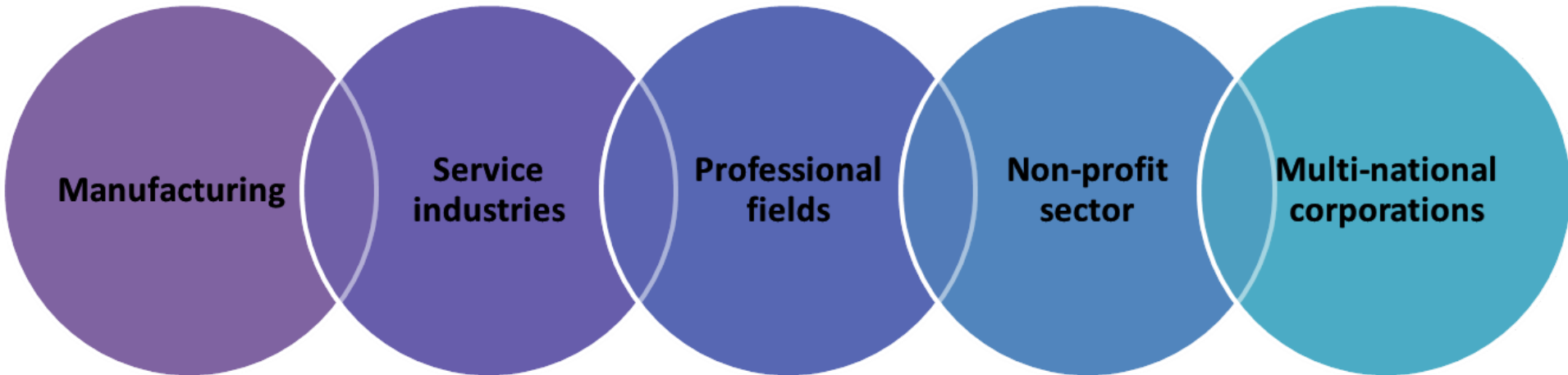
Duplication of  
resources and  
efforts across  
divisions

Competition and  
poor coordination  
across divisions

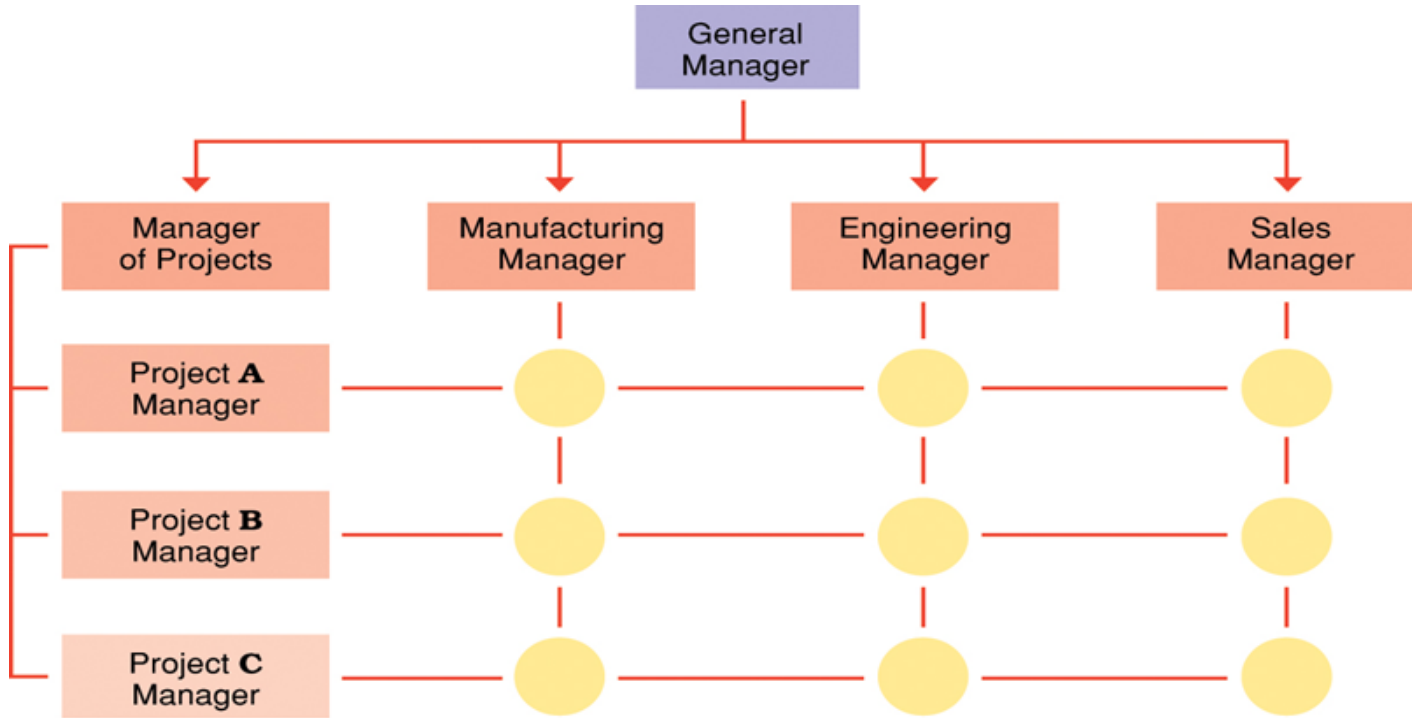
Emphasis on  
divisional goals at  
expense of  
organizational goals

## Traditional organization structures

- Matrix structure
  - Combines functional and divisional structures to gain advantages and minimize disadvantages of each



# Matrix structure in a small, multi-project business firm



● Functional personnel assigned to both projects and functional departments

## **Traditional organization structures**

- Potential advantages of matrix structures:
  - Better cooperation across functions
  - Improved decision making
  - Increased flexibility in restructuring
  - Better customer service
  - Better performance accountability
  - Improved strategic management

# Potential disadvantages of matrix structures:

**Two-boss system is susceptible to power struggles**

**Two-boss system can create task confusion and conflict in work priorities**

**Team meetings are time consuming**

**Team may develop “groupitis”**

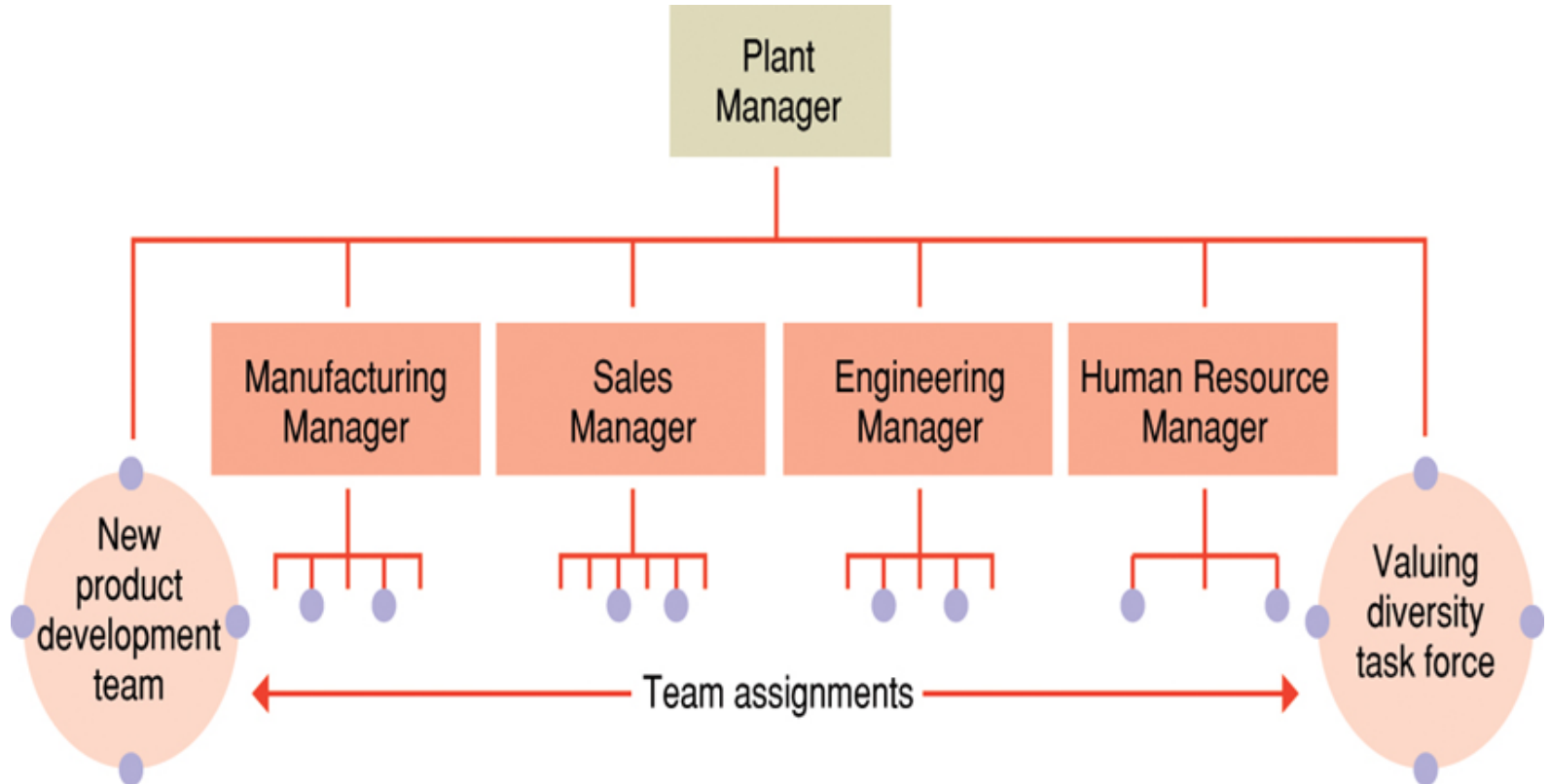
**Increased costs due to adding team leaders to structure**



## Horizontal organization structures

- Team structures
  - Extensively use permanent and temporary teams to solve problems, complete special projects, and accomplish day-to-day tasks
  - Often use cross-functional teams composed of members from different functional departments
  - Project teams are convened for a specific task or project and disbanded once completed

# Horizontal organization structures



## Horizontal organization structures

- **Potential advantages of team structures:**

- Eliminates difficulties with communication and decision making
- Eliminates barriers between operating departments
- Improved morale
- Greater sense of involvement and identification
- Increased enthusiasm for work
- Improved quality and speed of decision making

## Potential disadvantages of team structures:

Conflicting loyalties  
among members

Excessive time spent in  
meetings

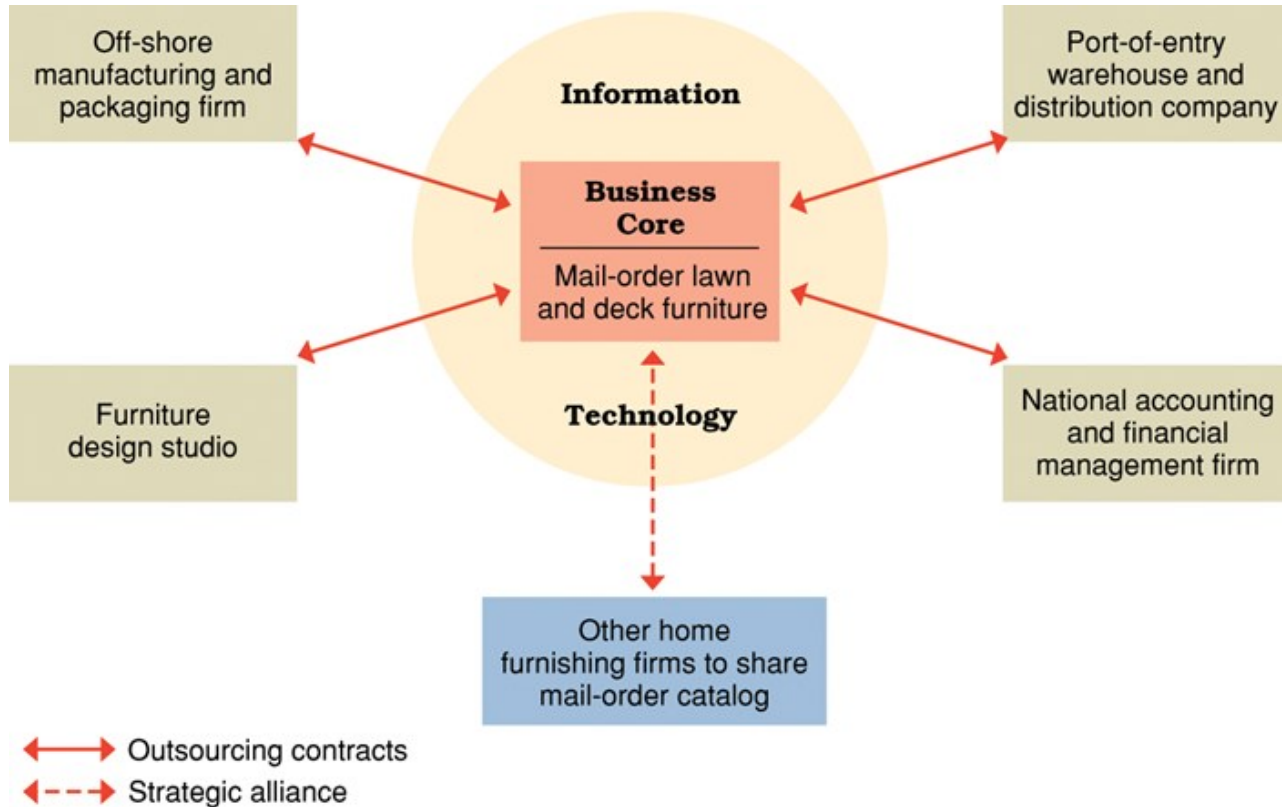
Effective use of time  
depends on quality of  
interpersonal relations,  
group dynamics, and  
team management

## **Horizontal organization structures**

- **Network structures**

- Uses information technologies to link with networks of outside suppliers and service contractors
- Own only core components and use strategic alliances or outsourcing to provide other components

# A network structure for a Web-based retail business



## Horizontal organization structures

- **Potential advantages of network structures:**
  - Firms can operate with fewer full-time employees and less complex internal systems
  - Reduced overhead costs and increased operating efficiency
  - Permits operations across great distances

# Potential disadvantages of network structures:

Control and coordination problems may arise from network complexity

Potential loss of control over outsourced activities

Potential lack of loyalty among infrequently used contractors

Excessively aggressive outsourcing can be dangerous



## Horizontal organization structures

- **Boundaryless organizations**

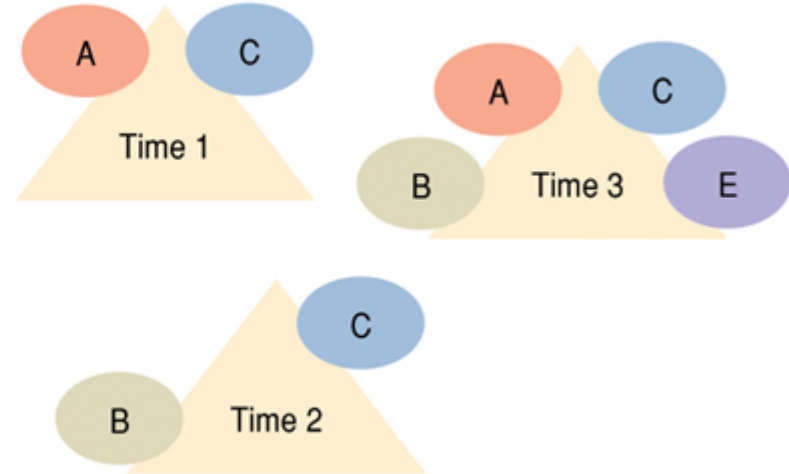
- Eliminate internal boundaries among subsystems and external boundaries with the external environment
- A combination of team and network structures, with the addition of “temporariness”
- Encourage creativity, quality, timeliness, flexibility, and efficiency
- Knowledge sharing is both a goal and essential component

# The boundaryless organization eliminates internal and external



Internal boundaries are eliminated  
as people work together as needed

External boundaries vary as alliances  
change with shifting needs/opportunities



## **Horizontal organization structures**

- **Boundaryless organizations**

- **Key requirements:**

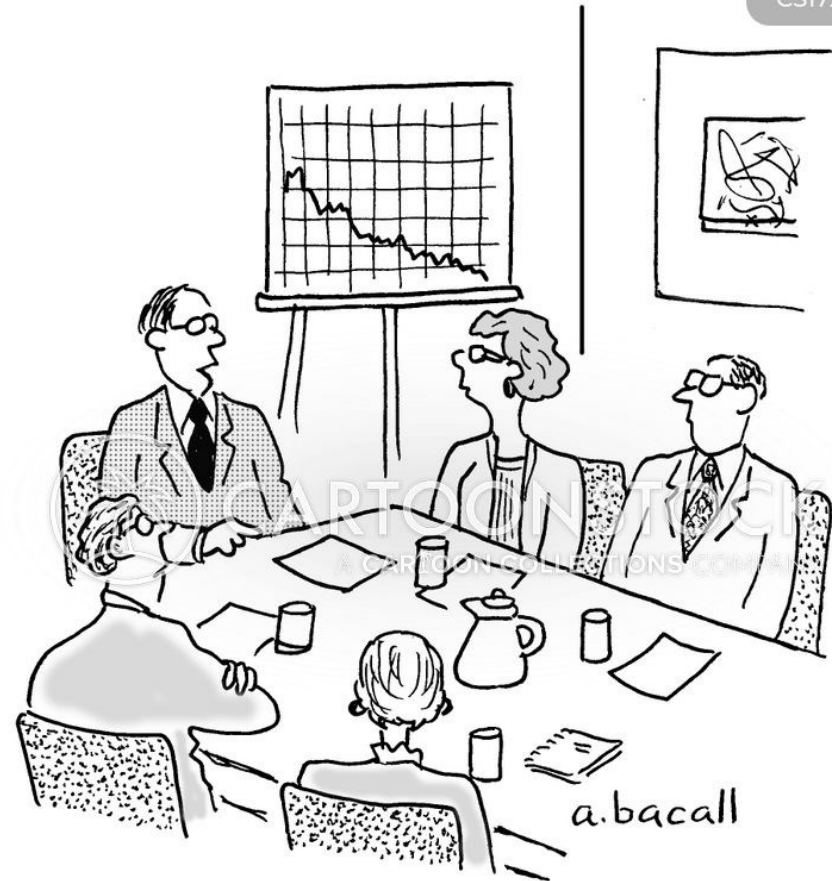
- Absence of hierarchy
- Empowerment of team members
- Technology utilization
- Acceptance of impermanence

## Horizontal organization structures

- **Virtual organization**

- A special form of boundaryless organization
- Operates in a shifting network of external alliances that are engaged as needed, using IT and the Internet

# Organizational Goal



"I think the reason our international unit is performing poorly is because our mission statement says, 'Think locally and act locally'."



## Concept of Organizational Goal

- A goal is a statement of a desired future an organization wishes to achieve.
- It describes what the organization is trying to accomplish.
- An organizational goal is a desired state of affairs that organization attempts to realize.
- It provides a way of assuring that an organization will get where it wants to go.
- Organizational goals focus on a long-run phenomenon.

## **Purpose of Organizational Goal**

- To provide guidance and direction
- To promote good planning
- To serve as source of motivation
- To provide an effective mechanism for evaluation and control
- To provide distinct image to the organization



# Types of Organizational Goals

- **On the basis of level-** Mission, Strategic goals, tactical goals, operational goals
- **On the basis of time** - long term goals, medium term goals, short term goals.
- **On the basis of area** - Production goals, HR goals, Marketing goals, financial goals
- **On the basis of nature** -Survival goals, Profit goals, Growth goals, Market share goals, Productivity goals, Social responsibility goals

## Features of effective organizational goals

- They *must be outcome oriented* instead of actions.
- The goals *must provide the manager with a sufficient challenge to make his job interesting*, but not so complex that it cannot be feasibly attained within the deadline.
- *Properly communicated and clarified goal* to all concerned organizational employees is very essential to maintain efficiency.
- The *time duration must be clearly specified* to formulate plans accordingly.

## **Features of effective organizational goals**

- **S - Specific**
- **M- Measurable**
- **A- Attainable**
- **R- Realistic/Relevant**
- **T- Time Bound**

# Classroom task



## **Classroom task**

With reference to the following video, Set a SMART Goal relevant for your personal life or professional life.

Don't forget to make it SMART and explain how it is measurable?

# **Goal Formulation: Approaches, Process, Problems**

## Goal Formulation

- Organizational goal serve as the foundation for all management decisions and serve as the standard against which actual work accomplishments can be measured. They are critical to the success of any organization.
- The process of setting such goals for the organization is known as goal formulation.

# Process of Goal Formulation

**Step 1: To review the organization's mission before setting the goal**

- The organization's mission is its overarching goal
- Top management establishes objectives in order to achieve the organization's mission
- The mission of the organization should be addressed in organizational goals.



# Process of Goal Formulation....

## Step 2: Evaluate available resources

- Human, physical, financial, and informational resources can all be used to achieve goals; yet, goals cannot be attained without proper exploitation of these resources.

# **Process of Goal Formulation..**

## **Step 3: Determine the goals**

- At first a group in which the involvement of all the level of managers from top, middle and lower level are assigned.
- Brainstorming on potential goals: .
- After the rigorous analysis of environmental factors and its impacts, potential goals are formulated and listed.

# **Process of Goal Formulation..**

## **Step 4: Write down and communicating the goals**

- The management should write down the goals and communicate them to all relevant people in the organization which aids in the effective implementation of the goals.

# Process of Goal Formulation...

## Step 5: Review of results

- It is necessary to ensure whether goals are being met or not?
- We can identify differences between goals and actual performance through review of results.
- It makes easier to take corrective action.

# Approaches of Goal Formulation

There are three different approaches to goal formulation:

- Top Down Approach
- Bottom Up approach
- Management By objectives



# Approaches of Goal Formulation..

## Top-Down Approach:

- Top-level managers establish the overall goals, departmental goals, and subordinate goals using a top-down strategy.
- With the assistance of experts and BODs, they may develop goals, but they are ultimately responsible for them.
- Without the input of middle and operating level managers, they set goals. The managers at lower levels are then informed of the developed goals and asked to carry them out.
- This may speed up goal formulation, but due to the possibility of inaccurate environmental scanning, it also leads to poorer effectiveness.

# Approaches of Goal Formulation..

## Bottom-Up Approach:

- In this approach, operational units and divisions' goals are defined by lower-level management.
- Lower-level managers present departmental managers with their goals.
- They submit the goals for top management's approval after making any necessary revisions.
- The top managers revise the goals before they are finalized. It is presumptive that effective goal setting requires the assistance of managers at lower levels. Employee involvement motivates them to successfully accomplish company goals.

# Approaches of Goal Formulation..

## **MBO Approach:**

- The MBO technique is a recent development in goal-setting methods.
- This strategy states that all managers and employees should collectively create goals.
- The MBO approach's primary goal is to place the correct emphasis on employee participation.
- The core of this strategy is the mutual defining of objectives between each level of management.
- It claims that participation from managers at all levels gives workers a sense of ownership over established goals.



# Approaches of Goal Formulation..

## MBO Approach:



# Problems of Goal Formulation

- To make goals effective, decision-makers should be properly informed about the approaches, principles, strategies, and procedures of goal formulation.
- In real practice, managers may face several problems while setting goals. Some are mentioned below:

# Problems of Goal Formulation

- **Unattainable Goals** – Unattainable goals decrease the morality of members. Organizations try to set challenging goals to motivate employees but such goals can also be ideal and unattainable.
- **Lack of Intellectual Capacity** – Goal setting also requires the intellectual capacity of people associated with it. They should be qualified in terms of mathematical tools and techniques. Also, have good knowledge about SWOT and PESTLE analysis.
- **Improper reward system:** In some settings, an improper reward system acts as a barrier to goal setting and planning. For example, people may inadvertently be rewarded for poor goal-setting behavior or go unrewarded or even be punished for proper goal-setting behavior.

# Problems of Goal Formulation

- **Resource Constraints** – Lack of resources becomes a problem in goal formulation. It decreases the confidence level in attaining the goal.
- **Environmental Uncertain** – External environment is uncertain and complex. The changes in such an environment such as technology change, high competition, uncertainty in the political-legal environment, etc. can not be easily estimated.
- **Reluctant to Change** – Operating and middle-level managers may not easily accept the change in responsibility and technology intended by the top management which also creates difficulty in goal setting and implementation.

# Overcoming the Problems of Goal Formulation

- **Understanding the purposes of goals and plans:** One of the best ways to facilitate goalsetting and planning processes is to recognize their basic purposes. Managers should also recognize that there are limits to the effectiveness of setting goals and making plans.
- **Communication and participation:** Although goals and plans may be initiated at high levels in the organization, they must also be communicated to others in the organization. Everyone involved in the planning process should know what the overriding organizational strategy is, what the various functional strategies are, and how they are all to be integrated and coordinated.

# Overcoming the Problems of Goal Formulation

- **Consistency, revision, and updating:** Goals should be consistent both horizontally and vertically. Horizontal consistency means that goals should be consistent across the organization, from one department to the next. Vertical consistency means that goals should be consistent up and down the organization—strategic, tactical, and operational goals must agree with one another. Because goal setting and planning are dynamic processes, they must also be revised and updated regularly.
- **An effective reward system:** In general, people should be rewarded both for establishing effective goals and plans and for successfully achieving them. Because failure sometimes results from factors outside the manager's control, however, people should also be assured that failure to reach a goal will not necessarily bring punitive consequences

# **Goal Succession and Displacement**

# Goal Succession:

- Goal succession refers to the situation where the new or modified goals are incorporated or substituted for the existing one in such a manner that they do not change the spirit of the existing goals.
- When new goals are added to existing goals of the organization, goal succession is said to have taken place.
- Goal succession is the act of conscious and intentional modification of an existing goal.



# Goal Succession:

Goal succession can take the following forms:

- Add New Goals to the Existing Goals:
- Replace Existing Goals with New Goals:
  - Existing goals cannot be achieved and, therefore, new goals have to be added so that organizations can survive in the competitive environment.
  - Existing goals have become irrelevant in the light of changing environmental conditions.
  - Existing goals have been achieved and, therefore, new goals have to be framed
- Enlarge Scope of Existing Goals: The goals remain the same but their scope is widened to cover a larger segment of market and expand the business.

# Goal Displacement:

- Goal displacement means moving away from the intended goal.
- Goal displacement is the act of unintentional change in the original goal into the new goal.
- When organizations over-emphasize the rules and regulations to achieve the goals, members start placing so much importance to the rules that the rules become an end rather than means to achieve the end. This results in goal displacement.
- The activities of the organization become centered around the procedures and there appears distortion in organization's functioning. This distortion reflects achieving goals other than those that the organization originally intended to achieve.

# Goal Displacement:

Some of the reasons that result in goal displacement are as follows:

- When goals are non-attainable.
- When employees lack confidence to work.
- When route to achieving goals is strict rules and regulations.
- When managers are incompetent to achieve the goals.
- When individuals subordinate organizational goals to individual goals.

# Changing Perspective of Organization

# Changing Perspective of Organization

**Contemporary organizing trends include:**

- **Fewer levels of management**

- Shorter chains of command

Organizations are being “streamlined” by cutting unnecessary levels of management. Flatter structures are viewed as a competitive advantage

- Less unity of command

Organizations are using more cross-functional teams, task forces, and horizontal structures

# Changing Perspective of Organization

**Contemporary organizing trends include:**

- **Wider spans of control**
  - Many organizations are shifting to wider spans of control as levels of management are eliminated
  - Managers have responsibility for a larger number of subordinates who operate with less direct supervision
- **More delegation and empowerment**
  - Managers are delegating more and finding more ways to empower people at all levels
  - The manager assigns responsibility, grants authority to act, and creates accountability

# Changing Perspective of Organization

**Contemporary organizing trends include:**

- **Decentralization with centralization**
  - Delegation, empowerment, and horizontal structures contribute to more decentralization in organizations
  - Advances in information technology allow for the retention of centralized control
- **Reduced use of staff**
  - Organizations are seeking increased operating efficiency by employing fewer staff personnel and smaller staff units
  - Contingent workers are hired for a set amount of time or for a specific project

# Changing Perspective of Organization

**Contemporary organizing trends include:**

- **Ethics and social responsibility:** Honesty, justice, equality, dignity, diversity, and individual rights are respected by modern organizations.
- **Technology** is playing Vital role in order to solve a problem, improve an existing problem solution, achieve a goal, handle an applied input/output relation, or perform a specific function within organization.
- **Globalization:** The area of organization has expanded all over the globe. Expansion of the market, facilities in foreign trade, low cost, availability of resources, favorable international laws and rules, etc. ' have encouraged globalization



# Changing Perspective of Organization

**Contemporary organizing trends include:**

- **Learning organization:** A learning organization is one in which people at all levels increase their knowledge and capacity, either individually or collectively. It is based on experimentation and learning from experience. It learns and innovates quickly enough to survive in a rapidly changing environment.
- **Workforce diversity:** Increasing workforce diversity means that the organizations are becoming more heterogeneous mix of gender, age, ethnicity, and sexual orientation

# Chapter End Questions

## *Long Questions:*

1. Define organizations with its characteristics. Discuss briefly on changing perspective of modern organizations.
2. Explain the process of goal formulation. What different problems manager might face during the process and also suggest some ways to overcome them.

## *Short Answer Questions.*

3. Differentiate between Bureaucratic and Adaptive Organizations.
4. Define Organizational goal and explain its features.
5. Differentiate between goal succession and goal displacement along with their reasons.

**Submission Deadline: 19 November 2022**