Washington University of Virginia
BUS 510E/510EA ORGANIZATION THEORY
Lecture Notes #3

Organizational Goals and Values

I. Organizational Goals

Values are normative views held by individual human beings (consciously or subconsciously) of what is good and desirable. They provide standards by which people are influenced in their choice of actions. Social values reflect a system of shared beliefs about desired goals and norms for human conduct. Organizations depend on a minimum level of shared values among internal participants and the external society for their very existence.

Goals represent the desired future conditions that individuals, groups, or organizations strive to achieve. In this sense, goals include missions, purposes, objectives, targets, quotas, and deadlines. However, the concept of a goal has acquired a variety of meanings, depending on the perspective of the writer. It is sometimes used to legitimize and justify the role of the organization in society or to provide a motive for the organization's activity. A goal may also be a specific accomplishment, such as manufacturing 150K automobiles during a given time period. In another sense, goals may be considered as the set of constraints that the organization must satisfy, i.e., profit for the stockholders, satisfaction of employees, meeting government demands for safe automobiles, pacifying the environmentalists, and meeting customer requirements. Three levels of goals are **environmental, organizational, and individual**.

A. Environmental Determinants of Organizational Goals

The societal and task environments both have an important impact on organizational goals. It is suggested that the impact of the environment on organizational goal setting is influenced by the nature of interaction: competition, bargaining, co-optation, and coalition.

Table 1. Environmental Determinants of Organizational Goals

Determinants	***Explanation***
Competitiveness	The *competitive* relationship exists where two organizations are competing for the support of a third party. Business firms compete for material resources, labor inputs, and customers. Government agencies compete for tax dollars; universities compete for students and faculty; and hospitals compete for patients.
Bargaining	*Bargaining* involves direct negotiations between organizations. Collective bargaining is a prime example of management bargaining directly with the labor union.
Cooperation	*Co-optation* is defined as the process of absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence.
Coalition	*Coalition* between organizations requires an even further modification of the goals. The term coalition refers to a combination of two or more organizations for a common purpose. Coalition appears to be the ultimate or extreme form of environmental conditioning of organization goals.

B. Organizational System's Goals

Organizational system goals pertain to *the purposes and desired conditions* that the organization seeks as distinct entity. They are self-perpetuation, stability of operations, a high rate of return, growth, satisfaction of participants, enhancement of position in the field, technological leadership, and innovation. Organization has multiple goals rather than a single goal, and this goal set is determined in response to both external and internal forces. Organizations, like other open systems, display the characteristic of equi-finality - they generally have alternative means for the accomplishment of system objectives. The organization has substantial discretion concerning the goals it attempts to satisfy and also has alternatives within its transformation functions as to the means for their accomplishment. However, it must operate within the constraints imposed by environmental forces and the need to maintain the contributions of internal participants.

Table 2. Organizational System Goals

Organizational Goals	***Explanation***
Nature Of Goals	The business sets objectives in the following eight area: 1 Market standing; 2 innovation; 3 productivity; 4 physical and financial resources; 5 profitability; 6 manager performance and development; 7 worker performance and attitude; and 8 public responsibility.
Function Of Goals	Some of the major functions of goals in organizations are: 1. Legitimizing activities that justify the role of the organization in the society. 2. Identifying the various interest groups and how they place constraints on and contribute to organizational activities 3. Guiding activities by focusing attention and behavior in purposeful directions. 4. Developing commitment of various individuals and groups to orgn. endeavors 5. Serving as standards to assess the performance of the organization. 6. Reducing uncertainty in the decision-making process. 7. Evaluating change as a basis for organizational learning and adaptation. 8. Providing a basis for organizational subsystems to function properly.
Goal-Setting Process	The goal-setting process is frequently a combination of rational, deterministic methods and adaptive, bargaining approaches. It is a complex interplay of internal and external forces and constraints. Goals are also continually being modified because of changing aspiration levels.
Means-Ends Chain	Goal statements are general and broad to be translated into operational objectives. It is necessary to decide how they are to be accomplished - the means of attainment. The hierarchy of goals has important implications for organization structure. Generally, the division of labor and functional specialization within the organization are based on the means-ends chain. The business organization may have sales, finance, and production depts., each of which has specific sub-goals related to its functional area. Theoretically, the rational organization would have perfect integration of the means-ends chain within the hierarchy and through departmental specialization. However, it is impossible to attain perfect integration due to some disagreement among the organizational units concerning the appropriate means for goal accomplishment. Personal values and biases influence the integration of the means-ends chain.

Goals at Different Levels	Through the means-ends chain, general goals are translated into increasingly sepcific operational goals. Complex organizations have several administrative levels of subsystems with differing goals and activities. 1. The strategic level relates the activities of the organization to its environmental system. The goals at this level are broad and provide substantial flexibility in the means for their attainment. 2. The coordinative subsystem translates the broad goals developed at the strategic level into more specific operational goals. The primary purposes of this subsystem are related to the coordination of activities between levels and between functions. 3. The operating subsystem is involved in actual task performance. The goals at this level are very specific, short-term, and measurable - sales and production quotas.
Interdepartmental Goal Conflict	Sub-goals provide for greater specification of goals through the means-ends chain on a hierarchical basis; they are also established for different functional units within the organization. Differentiation by function frequently leads to interdepartmental conflict. Maximizing the performance of one functional department may lead to sacrificing the goals of another department. The actual goals of the organization are a result of the power interplay and negotiation among different organizational units and individuals.
Goal Displacement	Ascertaining effectiveness in meeting goals can be a difficult problem. When goals can be precisely stated, as frequently is the case at the operating level, measurement of its efficiency is relatively simple. However, with more general goal, the measurement becomes more difficult. (1) The problem is apparent in overemphasis of specific goals where quantification is possible and under-emphasis of more abstract, less easily measured goals; (2) Goal displacement stems from the need for the organization to differentiate activities and from the process of downward delegation of authority and responsibility. Often focusing ends rather than means toward the achievement of organizational goals: adherence to the rules, originally conceived as a means, becomes transformed into an end-in-itself. The problem is apparent in social welfare agencies.

C. Individual Participant Goals

Organizational goals and individual participants goals are complementary, which assumption of compatibility fails to recognize many bases for conflict between organizational and individual goals. Satisfaction of human participants within organizations is not only a means of organizational effectiveness but also social efficiency; that entails personal goal attainment on the part of the members at all levels in an organization, and this includes involvement, satisfaction, participation, and other variables associated with intrinsic motives and psychological rewards.

1. Reciprocation between Individual and Organization: Reciprocation is the process of carrying out a psychological contract between person and company or any other institution where one works. It is a complementary process in which the individual and the organization seem to become a part of each other.

2. Internalization of Organizational Goals and Values: Commitment embodies three separate but closely related component attitudes; (1) a sense of identification with the organizational mission; (2) a feeling of involvement or psychological immersion in the organizational duties; (3) a feeling of loyalty and affection for the organization as a place to live and work, quite apart from the merits of its mission or its purely instrumental value to the individual.

3. The Continuing Dilemma: It is unrealistic to expect perfect compatibility and optimal satisfaction of individual and organizational goals. Individuals must give up some of their autonomy and self-expression to participate in the organization. This is as true of participation in the informal group or family as it is in the formal organization. Organization thus reduces personal autonomy in some spheres, but it is also enhances opportunities for satisfaction in other areas. It is a trade-off that is never optimal for either the organization or the individual.

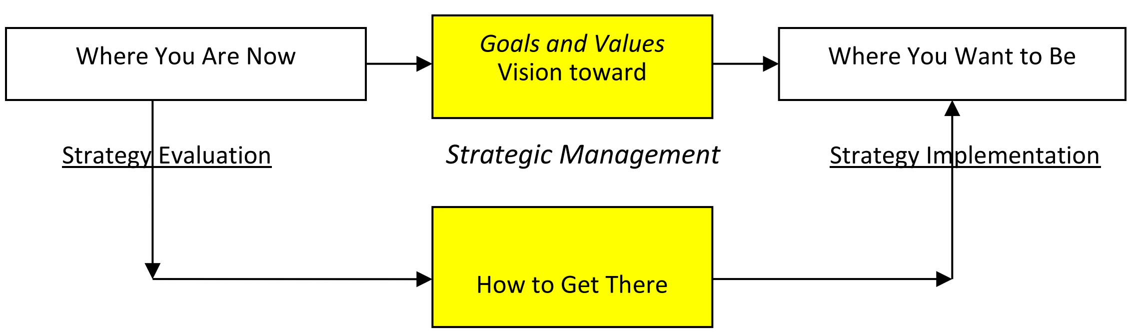
II. Managing Goals - Strategic Planning

Wheelen, Thomas L. and J. David Hunger. *Strategic Management and Business Policy*, 11th ed. Upper Saddle River, NJ: Pearson/Prentice Hall, 2008.

A. Basic Concepts of Strategic Management

Strategic Management is combined efforts and decisions to maximize output of the organization with adjustment to the change of environments through feedback operations on the global range of space in the long period of time: evaluation, formulation, and implementation of strategies. If the leadership of an organization wants to remain unchanged – where the company is now – without any visionary ambition, strategic management would not be necessary. But if the leadership intends to expand or improve goals and values with vision and ambition, strategic management is necessary to evaluate potential strengths and weaknesses of the organization, to formulate new strategies for the change of environments, and to implement new strategies by proper adjustment of subsystems to the designated missions. Figure 1 introduces three phases of strategic management. At the first stage, the planning team evaluates the current status of the organization, its strengths and weaknesses, in order to know "where you are now" by analyzing external environment and internal elements of the system or subsystems. All information about the current status of the organization becomes the basis of analysis. Is the current mission from goals and values appropriate? Is the organizational structure efficient to achieve the mission? Is the manning and funding appropriate? Is the marketing and technology sufficient to support the mission? How is the leadership for command and cooperation? Are the communication measures appropriate? The second stage is to formulate a strategic plan based on the evaluation in the previous stage: either expansion or contraction of the mission. The estimate of organizational capability is based on experiences, visionary reasoning, and will-to-do of the leader-ship. The essential part of strategic planning is to set goals and missions. The more accurate the plan is, the more efficient the organization is. The often revisions of the strategic plan require the corresponding cost for structural adjustment followed by layoff and budget cut. The third phase is the implementation of the strategic plan. If the mission is expanded, the company operates with more workers and funds by the enlarged structure; while if the mission is reduced, the opposite is real. Strategic Management is an unceasing process: the new beginning is a starting point for the leadership to observe the performance of the new system for new strategies.

Figure 1. The Three Phases of Strategic Management



Source: Modified by Hugo W. Kim from John M. Bryson, *Strategic Planning for Public and Nonprofit Organizations*, 3rd ed., San Francisco, CA: Jowwey-Bass, 2004, 7.

B. The Three Phases of Strategic Management

Table 3. The Three Phases of Strategic Management

Basic Elements	*Subordinate Elements*
Phase 1 **Evaluation of the Current Status**: Gathering Information	**1. External**: Opportunities and Threats * Social Environment: General forces * Task Environment: Industry analysis **2. Internal:** Strengths and Weakness *Structure: Chain of command *Culture: Beliefs, expectations, values **3. Resources** *Assets, skills, competencies, knowledge
Phase 2 **Formulation of the Strategic Plan**: Developing Long-range Plans	**1. Mission**: Reason for existence **2. Objectives**: What results to accomplish by when **3. Strategies**: Pan to achieve the mission and objectives **4. Policies**: Broad guidelines for decision making
Phase 3 **Implementation of Strategic Plan:** Putting Strategy into Action	**1. Programs**: Activities needed to accomplish a plan **2. Budgets:** Cost of the programs **3. Procedures**: Sequence of steps needed to do the job
Evaluation and Control: Monitoring Performance	**1. Evaluate the Performance:** Based on actual results, management may need to make adjustments in its strategy formulation or in implementation **2. Feedback/Learning Process:** In each process as well as after the evaluation of final results.

C. Formulation of Strategies

Table 4. Alternative Strategies by TOWS Matrix

Internal Factors External Factors	Internal Strengths (S)	Internal Weaknesses (W)
External Opportunities (O)	SO Strategies: Use Strengths to Take Opportunities	WO Strategies: Use Opportunities to Overcome Weaknesses
External Threats (T)	ST Strategies: Use Strengths to Avoid Threats	WT Strategies: Minimize Weaknesses to Avoid Threats

Appendix I. Organizational Culture, Social Responsibility, and Ethical Values

I. Organizational Culture

A. What is Culture? Culture is the set of values, norms, guiding beliefs, and understanding that is shared by members of an organization and taught to new members as the correct way to think, feel, and behave. It is unwritten, feeling part of the organization. Culture represents the informal organization, whereas structure, size, and strategy represent the formal organization. Every organization has formal structures and systems, and informal values, norms, and assumptions of the corporate culture. Everyone participates in culture, but culture generally goes unnoticed. It is only when managers try to implement new strategies, structures, or systems that go against basic cultural norms and values that they come face to face with the power of culture.

B. Emergence and Purpose of Culture: Culture provides people with a sense of organizational identity and generates in them a commitment to beliefs and values that are larger than themselves. Though ideas that become part of the culture can come from anywhere within the organization, an organization's culture generally begins with a founder or early leader who articulates and implements particular ideas and values as a vision, philosophy, or business strategy.

Cultures serve two critical functions in organization: (1) **Internal integration** - members develop a collective identity and know how to work together effectively. It is culture that guides day-to-day working relationships and determines how people communicate within the organization, what behavior is acceptable or not acceptable, and how power and status are allocated. (2) **External adaptation** refers to how the organization meets goals and deals with outsiders. Culture helps guide the daily activities of employees to meet certain goals. It can help the organization respond rapidly to customer needs or the moves of a competitor. Organization's culture also guides employee decision making in the absence of written rules or policies. Thus, both functions of culture are related to building the organization's social capital by forging either positive or negative relationships in the organization as well as with outsiders.

C. Interpreting Culture: To identify and interpret culture requires that people make inferences based on observable artifacts, such as Rites and Ceremonies, Stories (Heroes & Legends) and Myths, Symbols - physical artifacts, Organizational Structures, Power Relationships, and Control Systems as appeared in Exhibit below. These visible artifacts and behaviors not only interpret culture, but also are used by managers to shape company values and to strengthen the desired corporate culture.

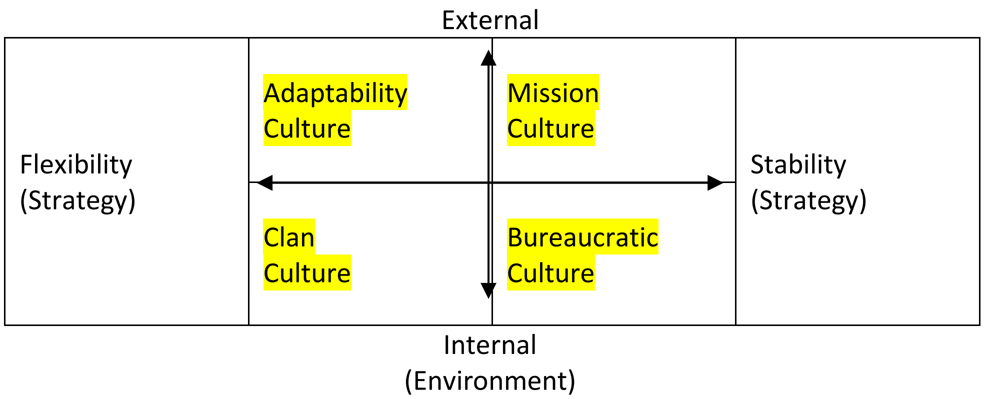
Exhibit: Levels of Corporate Culture

Level	***Organizational culture***
Observable Artifacts	Rites and Ceremonies Stories (Heroes & Legends) and Myths Symbols - physical artifacts Organizational Structures Power Relationships Control Systems
Not-visible Factors	Underlying Values, Norms, Assumptions, Beliefs, Understanding, Attitudes, and Feelings

II. Organization Design and Culture

Managers want a corporate culture that reinforces the strategy and structural design that the organization needs to be effective within its environment. For example, if the external environment requires flexibility and responsiveness, such as for Internet-based companies like Twitter or Netflix, the culture should encourage adaptability. The correct relationship among cultural values, organizational strategy and structure, and the environment can enhance organizational performance. The culture is assessed along many dimensions. We focus on two specific dimensions: (1) the extent to which the competitive environment requires flexibility or stability; and (2) the extent to which the organization's strategic focus and strength are internal or external. Four categories of culture associated with these differences, as illustrated in Exhibit below are adaptability, mission, clan, and bureaucratic.

Exhibit: Four Types of Organizational Culture



1. Adaptability Culture is characterized by strategic focus on the external environment through flexibility and change to meet customer needs. The culture encourages entrepreneurial values, norms, and beliefs that support the capacity of the organization to detect, interpret, and translate signals from the environment into new behavior responses.

2. Mission Culture serves specific customers in the external environment, but without the need for rapid change. It is characterized by emphasis on a clear vision of the organization's purpose and on the achievement of goals, such as sales growth, profitability, or market share, to help achieve the purpose.

3. Clan Culture has a primary focus on the involvement and participation of the organization's members and on rapidly changing expectations from the external environment. This culture focuses on meeting the needs of employees as the route to high performance.

4. Bureaucratic Culture has an internal focus and a consistency orientation for a stable environment. This type of culture supports a methodical approach to doing business. Symbols, heroes, and ceremonies reinforce the values of corporation, tradition, and following established policies and practices as ways to achieve goals.

Culture Strength and Organizational Subcultures

Culture strength refers to the degree of agreement among members of an organization about the importance of specific values. If widespread consensus exists about the importance of those values, the culture is cohesive and strong; but if little agreement exists, the culture is weak. Culture is not always uniform throughout the organization, particularly in large companies. Even in organizations that have strong cultures, there may be several sets of subcultures, which develop to reflect the common problems, goals and experiences that members of a team, department, or other unit share.

III. Organizational Culture, Learning, and Performance

Culture can play an important role in creating an organizational climate that enables learning and innovative response to challenges, competitive threats, or new opportunities. A strong culture that encourages adaptation, and change enhances organizational performance by energizing and motivating employees, unifying people around shared goals and a higher mission, and shaping and guiding behavior so that everyone's actions are aligned with strategic priorities. Thus, creating and influencing a constructive culture is one of a manager's most important jobs. A number of studies have found a positive relationship between culture and performance. But strong cultures that don't encourage constructive adaptation can hurt the organization. A danger for many successful organizations is that the culture becomes set and the company fails to adapt as the environment changes. When organizations are successful, the values, ideas, and practices that helped attain success become institutionalized. Strong constructive cultures often incorporate the following values:

1. The whole is more important than the parts, and boundaries between parts are minimized.
2. Equality and trust are primary values.
3. The culture encourages risk-taking, change, and improvement.

Exhibit: Constructive versus Non-Constructive Cultures

Category	***Constructive Culture***	***Non-Constructive Culture***
Observable Behavior	Managers pay close attention to all constituencies and initiate change when needed to serve the broader interests, even when it means taking risks.	Managers tend to be somewhat isolated and bureaucratic. They are comfortable with status quo and do not take risks to adjust to or take advantage of shifts in the environment.
Underlying Values	Managers care deeply about all stakeholders; strongly value people and processes that create useful change.	Managers care mainly about themselves, their immediate work group, or some product associated with that group; value the familiar management process more than change initiatives.

IV. Ethical Values and Social Responsibility

Exhibit: Sources of Individual Ethical Principles and Actions

History Religion, Philosophy, Geographic Environment, Nationality, Society, Culture	Society 1 Social Norms and Values 2 Laws, Codes, and Regulations
Local Environment Organizations, Geographic Regions/Community, Family/Clan	Individual Ethics and Actions

A. Sources of Individual Ethical Principles

1. Ethics refers to the code of moral principles and values that governs the behaviors of a person or group with respect to what is right or wrong. Ethical values set standards as to what is good or bad in conduct and decision making. **Ethics** are personal and unique to each individual, although in any given group, organization, or society there are many areas of consensus about what constitutes ethical behavior. Exhibit above illustrates the varied sources of individual ethical principles.

(a) History leads to the development of societal morality;
(b) society shapes the local environment, and
(c) the local environment forms individual ethics and behavior.

2. Professionalism provides another form of social control over business, in addition to the influence of the marketplace, government regulation, and other external groups.

B. Managerial Ethics

1. Many of the recent scandals in the news have dealt with people and corporations that broke the law. Managers feel considerable pressure to compromise their personal ethics in meeting apparent company requirements. Managerial ethics are principles that guide the decisions and behaviors of managers with regards to whether they are right or wrong. The rule of law arises from a set of codified principles and regulations that describe how people are required to act, that are generally accepted in society, and that are enforceable in the courts.

2. **Ethical standards** for the most part apply to behavior not covered by the law, and the rule of law applies to behavior not necessarily covered by ethical standards. Current laws often reflect combined moral judgments, but not all moral judgments are codified into law. The morality of aiding a drowning person, for example, is not specified by law, and driving on the right-hand side of the road has no moral basis; but in acts such as robbery or murder, rules and moral standards overlap. Many people believe that if you are not breaking the law, then you are behaving in an ethical manner, but this is not always true. Many behaviors have not been codified, and managers must be sensitive to emerging norms and values about those issues. An **ethical dilemma** arises in a situation concerning right and wrong in which values are in conflict.

C. Corporate Social Responsibility

Exhibit: Total Social Responsibilities

Total Social Responsibilities	Discretionary Responsibilities
	Ethical Responsibilities
	Legal Responsibilities
	Economic Responsibilities

Total Social Responsibilities of organizations include four factors as shown in Exhibit above: economic, legal, ethical, and discretionary responsibilities, among which economic responsibilities has the largest proportion because their healthy business activities give jobs and income to the people.

1. **Corporate social responsibility** is an extension of the idea of managerial ethics and refers to management's obligation to make choices and take action so that the organization contributes to the welfare and interest of all organizational stakeholders, such as employees, customers, shareholders, the community, and the broader society. CSR has moved firmly into the mainstream of organizational thinking and behavior. In addition, many companies are pursuing strategies and business opportunities that embraces a ***shared value model***, which refers to organizational policies and practices that both enhance the economic success of a company and advance the economic and social conditions of the communities in which the company operates

2. Economic Responsibilities: The business organization is the basic economic unit in society and must be effective in producing goods and services. Society has laid down the ground rules - the laws and regulations - under which business is expected to operate. Society expects business to fulfill its economic mission within the frame work of ***legal requirements***; and to develop ***ethical responsibilities***. These are forms of behavior that are not codified into law but are expected of business. Fairness to customers and employees and honesty in its dealing are ethical responsibilities.

3.**Discretionary responsibilities:** Society desires business to assume more social responsibilities by providing training programs for the hardcore unemployed, supporting community philanthropic programs, helping to prevent correct environmental degradations, and supporting urban renewal.

4. **Does it Pay to Be Good?**: Long-term organizational success relies largely on social capital, which means companies need to build a reputation for honesty, fairness, and doing the right things. There is evidence that people prefer to work for companies that demonstrate a high level of ethical behavior and corporate social responsibility, so these companies can attract and retain high-quality employees. Companies that put ethics on the back burner in favor of fast growth and short-term profits ultimately suffer. To gain and keep the trust of employees, customers, investors, and the general public, organization must put ethics and social responsibility first.

D. How Managers Shape Culture and Ethics

1. Value-Based Leadership: Organizational values are developed and strengthened primarily through value-based leadership, a relationship between a leader and follower that is based on shared, strongly internalized values that are advocated and acted upon by the leader. The characteristics of value-based leaders are:

(a) <u>Interpersonal Behaviors</u>: Treat people with care; be helpful and kind; support others; and maintain positive relationships.

(b) <u>Personal Actions</u>: Hold self to high ethical standards; Strive for honesty, humility, integrity; Accept responsibility for ethical failings.

(c) <u>Fairness with Others</u>: Treat everyone equitably; never be condescending; and accept others' mistakes.

(d) <u>Organizational Leadership</u>: Articulate and communicate ethical vision; hold people accountable; and put ethics above short-term interests.

2. Formal Structure and Systems:

(a) Structure: Top executives can assign responsibility for ethical values to a specific position. This not only allocates organization time and energy to the problem but also symbolizes to everyone the importance of ethics - by creating an ethics committee and ethics department, appointing a chief ethics officer, and installing confidential ethics hotlines.

(b) Disclosure Mechanisms: A confidential hotline is also an important mechanism for employees to voice concerns about ethical practices. Holding organizations accountable depends to some degree on individuals who are willing to speak up if they suspect illegal, dangerous, or unethical activities. Whistle-blowing involves employee disclosure of illegal, immoral, or illegitimate practices on the part of the organization. In addition, calls are increasing for stronger legal protection for those who report illegal or unethical business activities.

(c) Code of Ethics: A code of ethics is a formal statement of the company's values concerning ethics and social responsibility; it clarifies to employees what the company stands for and its expectations for employee conduct. It is also essential that top managers support and reinforce the codes through their actions, including rewards for compliance and discipline for violations.

(d) Training Programs: To ensure that ethical issues are considered in daily decision making, many companies supplement a written code of ethics with employee training programs. Some training programs also include frameworks for ethical decision making. Learning these frameworks helps employees act autonomously and still think their way through a difficult decision.

3. Corporate Culture and Ethics in a Global Environment

Organizations operating on a global basis often face particularly tough ethical challenges because of the various cultural and market factors they deal with. The greater complexity of the environment and organizational domain creates a greater potential for ethical problems or misunderstandings. Employees from different countries may have varied attitudes and beliefs that make it difficult to establish a sense of community and cohesiveness based on the corporate culture.

So companies are using a wide variety of mechanism to support and reinforce their ethics initiatives on a global scale. One of the most useful mechanism for building global ethics is the **social audit**, which measures and reports the ethical, social, and environmental impact of a company's operations. Yet managers face significant ethical challenges when working internationally. In particular, bribery continues to be a tremendous problem, particularly in developing countries.

(End of Lecture Notes #3)