

## Principles of Business – lecture 2

Definition of organization  
Model of organization  
Business goals

Principles of Business / slide no 1

## Today main goal

- Main subsystems of organization – closer look
- Define main subsystems: goals, technology, structure and people
- See organization as an open system
- Goals in the organization – hierarchy of goals, goals as the management tool
- Mission and tree of goals

Principles of Business / slide no 2

## What is organization?

- An organization is a consciously managed and coordinated socio-technical entity, with an identifiable boundary, which functions on a relatively continuous basis to achieve a common goal or set of goals (organization as an institution).
- An organization is conscious and intentional setting-up of actions, actors, resources and instruments (organization as an activity of organizing)

Principles of Business / slide no 3

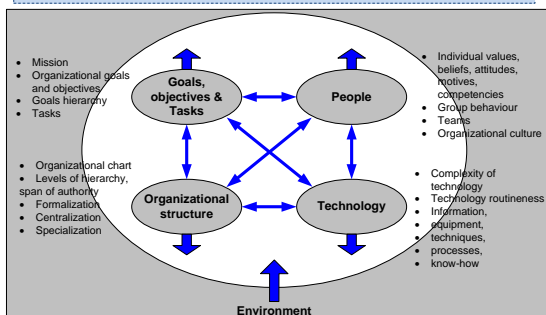
## Kinds of organizations

*function which is fulfilled by organizations against environment*

- profit oriented
- non-profit
- government and local administration
- military and police
- voluntary/ social
- religious

Principles of Business / slide no 4

## H.J. Leavitt model of organization



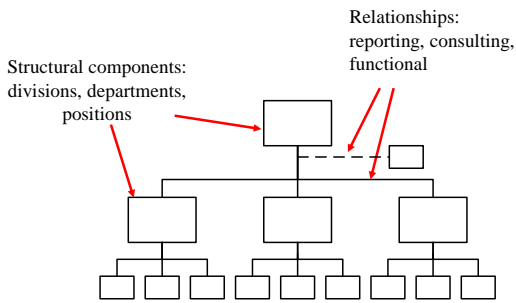
Principles of Business / slide no 5

## Model of organization: people

- The most important resource of organization
- Individual and team work
- Know – how → knowledge management
- Organizational culture – individual beliefs, motives, behaviour

Principles of Business / slide no 6

## Model of organization: organizational structure



Principles of Business / slide no 7

## Organizational structure – definition

**Organizational structure** – a set of components that can be used to shape the organization. The result of their usage is a specific arrangement of the organization and their interrelationships.

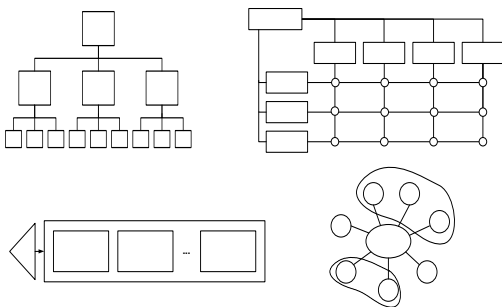
**Organization structure** – the degree of complexity, formalization, specialization and centralization in an organization.

**The organizational structure is the result:**

- division of tasks,
- separation of authority,
- coordination and integration of elements and actions.

Principles of Business / slide no 8

## Organizational charts



Principles of Business / slide no 9

## Purposes of organizational structure

**Serves as the regulatory role:**

- reduces the organizational complexity (because of assigning of participants into different groups and division of tasks, authorities and responsibilities),
- sets the general framework of behavior in organizations (institutionalizes standards of individual and group behavior, standards of relations between people on different positions and with different organizational roles).

Principles of Business / slide no 10

## Model of organization: technology

Technology - the information, equipment, techniques and processes required to transform inputs into outputs.

Main technology is usually defined by:

- physical objects like products and equipment used to produce them;
- processes involved in production methods;
- specific knowledge required to develop and use equipment and methods for the production of a product (know-how)

Principles of Business / slide no 11

## Model of organization: organizational goals

- Organizational goals are interrelated set of ambitions, aspirations and desired effects of varying degrees of concreteness.

- Organizational goals are hierarchical system:

- Strategic goals
- Tactical goals
- Operational goals



## Mission

- A sentence describing a company's function, markets and competitive advantages
- Defines:
  - what an organization is,
  - why it exists,
  - its reason for being.
- At a minimum:
  - who primary customers are,
  - identify the products and services.

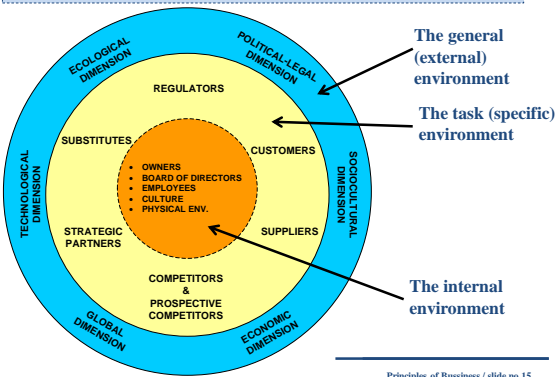
Principles of Business / slide no 13

## Model of organization: environment

- **Organizational environment** - the set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources, and achieve goals.
- **General environment** – conditions that potentially have an impact on the organisation.
- **Specific environment** - the part of the environment that is directly relevant to the organisation in achieving its goals.
- **Domain** refers to the claim that the organisation stakes out for itself with respect to the range of products or services offered and markets served.

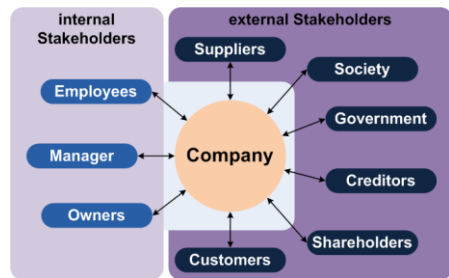
Principles of Business / slide no 14

## Organizational environment – key elements



Principles of Business / slide no 15

## The Stakeholders' theory



Principles of Business / slide no 16

## Environmental Uncertainty

### Degree of Change

		Stable	Dynamic
Degree of Complexity	Simple	<b>Low uncertainty</b> Small number of easily understood environmental elements which change slowly	<b>Moderate to high uncertainty</b> Few environmental elements but each element changes often and unpredictably
	Complex	<b>Low to moderate uncertainty</b> Large number of dissimilar external elements which change only slowly	<b>High uncertainty</b> Large number of unpredictable external elements

**Environmental uncertainty:** interaction between degree of change and complexity environmental element and environmental capacity

**environmental capacity** - the degree to which environment can support growth (form scarce to abundant environment)

Principles of Business / slide no 17

## The hierarchy of goals



Source: Vadim Kotelnikov

Nivaldo T. Marcusso

Principles of Business / slide no 18

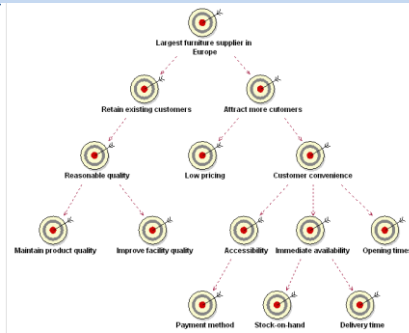
## Continuous goals of profit oriented organizations

- profitability
- market position
- innovation
- resources efficiency
- social responsibility

Managing multiple goals – optimizing:  
Balancing and reconciling possible conflicts among goals.

Principles of Business / slide no 19

## The hierarchy of goals



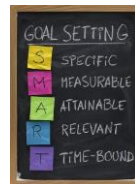
Principles of Business / slide no 20

## Purposes of Goals

- Goals provide guidance and a unified direction for people in organization
- Goals make planning possible
- Goals can serve as a source of motivation for employees
- Goals provide an effective mechanism for evaluation and control

Principles of Business / slide no 21

## How to create goals?



- **Specific**
  - Well defined
  - Clear to anyone that has a basic knowledge of the project
- **Measurable**
  - Know if the goal is obtainable and how far away completion is
  - Know when it has been achieved
- **Attainable**
  - Achievable
- **Relevant**
  - Realistic
  - Within the availability of resources, knowledge and time
- **Time-Bound**
  - Enough time to achieve the goal
  - Not too much time, which can affect project performance

Principles of Business / slide no 22

## How to create goals?



Principles of Business / slide no 23