

# **The Nature of Organizations**

## **Introduction**

**Perhaps this title would be more accurate if it were "The Human Nature of Organizations" because organizations are made up of people and therefore behave like people. Healthy organizations grow, mature and evolve. Like healthy people, they are contributing members of society.**

**Organizations are much more like living organisms than mechanical devices or electronic systems.**

**There are four specific topics in the nature of organizations program. The four topics are:**

**What an organization is in reality – Organization Defined**

**The role "purpose" plays within an organization**

**How the four key constituent groups influence organizational survival**

**How some organizations react to adversity and what the constructive approaches are in a crisis**

## **Organization Defined**

**What is an organization?      How do we describe it?**

**When asked to describe a person or organization, we often start with what they do. She is a stockbroker or he runs a book store. One company makes high-pressure valves; another is a drug rehabilitation agency.**

**If pressed for more information, we often describe the physical aspects of the person or the organization. We might show a picture of the person. We detail how many plants a company has or how many are employed by an agency.**

**But innumerable people and organizations do the same thing and have similar physical appearances. What is the essence of the person or the organization? What makes them unique?**

**No two people are alike, except for identical twins, and no two organizations are alike. What is the fundamental nature or quality that makes the person or organization what it is? What makes you, you?**

**On an individual level, the core being resides in the mind. The way a person reacts to their surroundings defines the individual. Over the years, people physically change, jobs change, activities change and homes change. During the lifetime the very cells that make up the body die and are replaced many times. So, if you are almost completely physically changed over the years, including the cells in your mind, then why are you still you?**

**The answer seems to be that the conscious mind, the unconscious mind, and the central nervous system, right down to the DNA code at the cellular level, keep going forward in time, while the physical parts die and are replaced. We seem to be a continuous memory that lasts, in some cases, over 100 years.**

**Many would say that this "memory" or soul continues on even after the physical body has totally failed.**

**Does this same principle apply to organizations?**

**As with a living person, the organizations physical elements change over the years. Buildings, equipment, locations, products, and certainly the individual "cells" of the organization - the individual people - all change over the years. Yet, an "institutional memory" carries on even after virtually all of the people and physical properties have changed. Due to this institutional memory the organization still fulfills its founding function and probably still operates on the same philosophies or principles that made it successful in the first place.**

**Example:**

**You can stand along a railroad track in the Western United States and note that that track has been there for over 100 years. However, it is not the same track. The steel, the ties, the spikes, and probably most of the bed have been completely replaced. But, if you looked at it some hundred years ago, it wouldn't have looked much different. It would still be in the same spot, have the same dimensions, and be run by the same organization.**

**The organization remembered, and the railroad is still there.**

## **Where does the organization's institutional memory reside?**

**The very being of the organization, the memory, permeates the entire organization. A formal statement of principles and beliefs may actually hang on the wall, or it may not. But the institutional memory and its corresponding value system exist whether articulated or not, because the organizational behaviors reflect what the organization believes it should be doing.**

**The organization memory is contained in policies, procedures and systems.**

**It is partially carried on in the oral history and the "war" stories told about organization activities. Training programs, organizational newsletters, and award systems communicate and reinforce organizational behavior.**

**So what does this all mean? It means that organizations develop a sense of what they should be doing and how they should be doing it. They determine certain standards to measure their success. Organizations, just like people, may do this in a formal or informal manner.**

**Because the institutional memory defines the organization - defines who and what the organization is - it is probably best that the leadership of an organization formally define the nature of the organization, including goal, objectives, value system, policies, procedures and standards of performance.**

**Just like a person, an organization should know:**

- **Who am I?**
- **Where am I going?**
- **What do I believe?**
- **What do I value?**
- **What makes me feel good about myself?**
- **What do I want to do in the future?**
- **How will I get there?**
- **What are my standards?**

**These are not easy questions for an organization or for the individual, but they need to be answered so that a core set of values and beliefs remain constant even though the answers may vary over time.**

**If management wants to really influence the organization and set the direction for organization, they must deal with the "memory" of the organization more than with the physical aspects. The beliefs, the values, even behavioral expectations are all going to have more impact on the organization than the location of a new plant or introduction of a new service.**

**The organizational "memory" develops by itself, just as your memory does, but just like your memory, it would be better if it had a "formal education." Therefore, the organizational "mind" or "memory" should be encouraged and developed through conscious thought focused on:**

- **Identifying the core beliefs, the core being of the organization.**
- **Defining beliefs and values clearly.**
- **Communicating these beliefs and values to everyone in the organization.**
- **Teaching the beliefs and values to new members of the organization.**

**In other words, we probably ought to consciously evolve the tenets of our organizational memory, put them on the wall, and live by them.**

**Competitive advantages go to the organization with a strong memory; particularly one that clearly defines communicates values and beliefs. Advantages of a strong organizational institutional memory:**

### **Faster Decision-making**

**If members of an organization know the organizational values, then they make appropriate decisions without being forced to consult the top management.**

**Example:**

**A unit manager is selecting a new machine and has two choices. Machine "A" is the more expensive, or provides better quality and is significantly faster than machine "B". Machine "B" is less expensive, produces acceptable quality products but is slower. If the organization's values are "quality," "speed of delivery," and "cost," in that order, then the manager buys machine "A." If the organization's values are "cost," "quality," and "speed," then the manager buys machine "B."**

**If the manager and the organization are not sure of the values, then different parts of the organization will spend months coming to a decision, or even worse, not coming to a decision.**

## **Consistent Action throughout the Organization**

**Conflicts, second-guessing, and disappointment decrease significantly when all the members of an organization understand what is to be accomplished, how it is to be accomplished, and what standards are to be maintained. Rather than creating a "tug-of-war" everyone works to implement and reinforce the organizational objectives and standards.**

## **Improved Customer Image**

**Customers are more secure when dealing with an organization they can trust to behave in a consistent manner. If the customer knows the organization's value system and everyone in the organization behaves in the same way, then the customer deals with confidence.**

**A customer may even be irritated by a supplier's value system, but will live with it if the customer understands it.**

### **Example:**

**We know a supplier of equipment who values exceptional reliability in its equipment much more than meeting the promised delivery date. We decide to buy the machine from them because we are confident that it will work perfectly, but we also know the delivery will probably be three to six weeks late and therefore we plan accordingly.**

## **Better Morale and Pride**

**Individuals who understand and largely support the organization's value system evidence higher morale and feel more strongly a part of the organization. They become part of the organizational memory and help to pass on its values and behaviors to others.**

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**The Nature of Organizations covers four related topics that combined represent about two hours of presentation and discussion. Program contains 75 PowerPoint slides and instructor's script along with a 34 page participants' handout that is downloadable from the disk and printable.**