

GOAL CONGRUENCE: A Humanity Approach in Exercising Power and Influence to Transform Individual Interest into Coordinated Activities

Suwaldiman

Economic Faculty of Universitas Islam Indonesia

Abstract

This paper discusses the main tasks of managers in exercising their power and influence to transform the individual interest into coordinated activities that accomplish valuable ends. It is argued that the humanity approach is very effective in exercising power and influence. The nature of goal congruence, humanity approach in exercising power and influence, reward versus punishment, management control by participation, and trust and self-control are examined. The success of goal congruence depends on whether managers perform and exercise their power and influence by totalitarian approach or humanity approach. Humanity approach suggests that in exercising power and influence, managers should develop humanitarian administrative customs. A humanity approach encourages managers to exercise their power and influence to create a workplace climate of open relationships, trust and honesty. If this method can be well applied the result will benefit all around, the organization, the managers, and the employees. Humanity approach suggests that management control should be reward oriented instead of punishment oriented because reward is more effective than punishment to achieve goal congruence. Plans and budgets seem to be more effective tools to control goal congruence if subordinate managers or staffs participate actively with their superior in the process of arriving plans and budgets. Finally, humanitarian control system suggests that trust should be delivered to subordinate managers and staffs in which they can perform self-control through delegated control systems and power distribution. Human beings tend to perform better jobs when they are controlled by themselves rather than by superior managers or other surveillance. Therefore, the humanity approach is very effective in exercising power and influence instead of totalitarian approach.

INTRODUCTION

Power and influence can be viewed as both sides of a knife. It could be useful but also it could be harmful. Power can be defined as the ability of an individual or a group of dominate coalition to influence organization decisions and activities in ways that are not sanctioned by the formal authority of the system (Abernethy and Vagnoni, 2004, p. 211). Managers have the power and influence that could be used to affect the behaviour of personnel involved in an organization. Managers will exercise their power and influence in a way that it assures the accomplishment of the organization's goals. Managers could perform their power

and influence to control the behaviour of personnel in many ways. For instance, they might be totalitarian or humanitarian. Unfortunately, exercising power in a totalitarian way had been proved in practice as a control that tends to be harmful to organization's goal. A humanity approach is likely more useful than harmful to the organization's goal, because controlling human beings must consider many aspects of the uniqueness of human behaviour.

An organization is established to achieve certain goals of people who involved in. Therefore, it is said that the goals of an organization are the accumulation of person's goals. Unfortunately, each person

involved in the organization has his/her own goals. Therefore, conflict of interest between personal goals and corporate goals is very serious matter in management control system. Conflict of interest has to be well managed in order all the persons involved in the organization perform their jobs happily, and then they achieve what they are personally looking for as well as the organization's goals. However, human beings have unique behaviour that is totally different from machines or robots. Human beings can be suffered from distress, monotone work, work order, achieving targets, and controlling or surveillance. The successful managers are who can manage and exercise their power and influence to affect the various behaviour of personnel in such a way that they feel happy and safe working in the organization. Furthermore, the personnel and managers will trust each other if their own goals are assured to be achieved as well as the corporate goals.

This paper elucidates the main tasks of managers in exercising their power and influence to transform the individual interest into coordinated activities that accomplish valuable ends. It is argued in this paper that the humanity approach is very effective in exercising power and influence. To support the argument, this paper starts discussion with the nature of goal congruence. Then, it emphasizes on the humanity approach in exercising power and influence, reward versus punishment, management control by participation, and trust and self-control.

THE NATURE OF GOAL CONGRUENCE

An organization is established to accomplish certain goals. The people involved in the organization work together to realize that the organization's goals can be achieved. Business organizations are usually established to earn satisfactory profit as the most important goal of such organization.

Unfortunately, the persons involved in an organization bring their own goals that might be potent arising conflict of interest between personals' goals and company's goals or conflict of interest among the personnel in the organization. Conflict of interest must be controlled to assure that personals' goals are consistent with the company's goals. It is the process by which managers perform their power and influence to affect other members of the organization to implement the organization's strategy (Anthony and Govindarajan, 1995, p. 8).

The main task of a management control system is to create a consistency between personals' goals and corporate goals. It is called goal congruence. Goal congruence in a process of management control system is the actions which it leads people to take in accordance with their perceived self-interest are also the best interest of the organization (Anthony and Govindarajan, 1995, p. 53). In addition, Anthony and Govindarajan claim that perfect goal congruence between individual goals and organizational goals does not exist. Individual person involved in organization tends to achieve much of his/her own goals. In contrast the managers tend to reward their staff at the minimum level, which is intended to maximize company profit. Maximizing profit will create advantages for managers because their performance might be measured based on profit. Therefore in this case, it is obvious that managers also have their own goals. Therefore, goal congruence has the wider and complex areas. These are related among the company goals, managers' goals and staff goals. However, the central key of goal congruence is in the hand of managers because they have power and influence. Therefore, goal congruence depends on how managers perform and exercise their power and influence. Again it could be not only useful and successful for the company's goals but also it could be harmful.

The success of goal congruence depends on whether managers perform and exercise their power and influence by totalitarian approach or humanity approach.

EXERCISING POWER AND INFLUENCE: A HUMANITY APPROACH

There are informal factors that affect the degree to which goal congruence is achieved in a given organization. Those are external factors and internal factors. Internal factors are such as management style, the informal organization, perception and communication, and cooperation and conflict (Anthony and Govindarajan, 1995, pp.54-57).

External factors are values and beliefs exist in the society in which the organization is a part. External factors are closely associated with cultural value, which mean that the rationality of any behaviour should be judged in terms of its own customs and belief context, and not from that of an outsider (e.g. home country of a multinational enterprise). For example, we cannot judge the rationality of behaviour in Indonesia using the customs and values of the United States or vice versa. The success of managers in controlling their human resources depends on their ability to exercise their power and influence in accordance with the local cultural values. There are many business practices around the world that appear to be illogical and irrational; yet then there is an understanding of the cultural values in which the behaviour takes place; it is usually found that the seemingly irrational behaviour is in fact quite rational. More important, it may be the only truly rational way of doing things in that country.

Too often incorrect assumptions are made that the "other people" simply do not know any better, that the home ways are better than the foreign ways, and that the home ways, if transplanted to another country, would be more successful. In case after case, this assumption has been proven false

at considerable financial loss to the corporations involved (Ricks, et al., 1974). The cultural values of the society in which company is a part have to be taken into account by managers in exercising power and influence. Generally, staffs will be happy if what they believe is appreciated, and then they will also appreciate what managers' order. This is one aspect of the humanity approach in exercising power and influence.

The most important of internal factors is the management style, which is the attitude of manager's superior toward control (Anthony and Govindarajan, 1995, p. 55). In organization theory, the style of managers could be totalitarian or humanitarian. They might adopt theory "X" or theory "Y". Totalitarian approach were criticised by researchers as a negative approach in management control system, and it had been proved as a harmful approach to organization goals.

Managers who adopted totalitarian approach controlled the work force by means of autocratic rule, dictating to workers the way to perform each job and campaigning relentlessly for efficiency (Macintosh, 1994, p.32). It was the dark era of management control system where most jobs in factories were deskilled and routines, thus giving the managers control over decisions about how to carry out the work. Workers were not treated as human being, but they were more like machines. These conditions were criticised by the human-relations movement to improve the humanity treatment in organizations.

The human-relations were introduced as a new approach in management control system by the adoption of the principles of scientific management of Frederick Taylor. Humanity approach suggested that in exercising power and influence, managers should develop humanitarian administrative customs. It is argued that managers should perform control in democratic style instead

of autocratic supervision. They also should concern to develop an interest in employees' welfare beside a concern for production, and promoting participative decision making instead of bureaucratic rules and unilateral orders. Humanity approach encourages managers to exercise their power and influence to create a workplace climate of open relationships, trust and honesty. If this method can be well applied the result will benefit all around, the organization, the managers, and the employees. Managers will be happy because the productivity and efficiency improved. The employees achieved what they are looking for in the organization, and finally the organization's goal also successfully achieved. Therefore it is clear that a humanity approach is more effective for managers in exercising their power and influence to achieve goal congruence.

Humanity approach could be practised into organizations by applying reward instead of punishment, management control by participation, and trust and self-control. It is argued in this paper that giving reward is more humane than prosecuting punishment. Distributing power by giving participation to employees is more appreciated by employees than central control. Finally, trust and self-control are more effective than autocratic supervision and surveillance. The following part of this paper discusses reward versus punishment, management control by participation, and trust and self control.

REWARD VERSUS PUNISHMENT

Managers manifest their power and influence through accounting numbers to measure the performance of subordinate managers and employees. Accounting numbers are commonly employed to determine incentive compensation in a management control system process. In this case, accounting numbers and control systems are related to intra-organizational power because they collect and manipulate informa-

tion used in decision-making (Markus and Pfeffer, 1983, p. 206). They also are used to measure the performance of individuals and the outcomes of the organization. In addition, accounting numbers are used to control, evaluate, and determine the reward of managers' performance. Therefore, accounting numbers have the power to influence the behaviour of members in the organization.

The members of an organization tend to behave in order to achieve reward instead of to face punishment. Normally, the members of an organization will comply with the rule of reward achievement. However, research conducted by Koh and Low (1997, p. 62) concludes that the coercive and reward powers of accounting supervisors do not seem to have any significant or positive impact on subordinate compliance and satisfaction. As a matter of fact, it does not mean that reward is not an effective tool to control the goal congruence between personal goals and company's goal. Incentive compensation can be used to exercise power and influence because it encourages and motivates the members of the organization to achieve organizational goals.

The behaviour of the members of an organization is influenced by both positive and negative incentives. A positive incentive is reward granted to members who performs profitable jobs to organizational goals. It should be satisfying the individual needs. In contrast, negative incentive is punishment prosecuted to members who fail in contributing their performance to company goals. It is an outcome that results in a decrease in the satisfaction of personal needs (Anthony and Govindarajan, 1995, p. 555).

Humanitarian approach suggests that management control should be reward oriented instead of punishment oriented. It is argued that reward is more effective than punishment to achieve goal congruence. Punishment is intended to create discipline among the members of an organization,

however the human being tends to resist to the punishment. Punishment event decreases the productivity because human beings will be distressed when facing the punishment. Research on incentives proves that humanitarian approach is more effective than totalitarian approach (Anthony and Govindarajan, 1995, pp. 555-556). Those research claims that individual tends to be more strongly motivated by potential of earning rewards than by the fear of punishment. It is also claimed that monetary incentive is important but the amount of compensation is not necessarily as important as non-monetary rewards, because recognition is also more appreciative. Humanitarian approach also suggests that the difficulty level of achieving an incentive should be determined in the level in which it is achievable. The members of an organization are discouraged by an incentive that is either unattainable or too easily attainable. In contrast, they are encouraged by the objective that can be obtained with some efforts and when they regard its attainment as important in relation to individual needs.

To sum up, power and influence manifested in the performance measurements must take into account the human aspects. Management control system should be reward oriented instead of punishment oriented, because human being tends to be distressed when facing the punishment. Punishment does not advantage to the productivity and efficiency. The difficulty level of an incentive must be achievable. It should not too easily attainable but it still attainable. In short, the incentive should be challenging the members of organization to obtain.

MANAGEMENT CONTROL BY PARTICIPATION

Plans and budgets are used by managers to exercise their power and influence to coordinate and limit the activities of the other members in the organization. It is intended to control the conflict of interest

between individuals' goals and company goals. Plans and budgets will be implemented by members of an organization in their jobs. Therefore, they are the primary key of the success or failure of budgets and plans. If managers are taking advantage of employees, perhaps it is better that they pay attention to humanistic values while they are preparing plans and budgets.

Top down planning and budgeting tends to ignore the humanity aspects because it leaves the participation of subordinate managers and staffs. It had been proved in some research that top down budgeting and planning had created dissatisfaction of managers and supervisors. For example, a study conducted by National Industrial Conference Board (USA) in 1930 suggested that imposed budgets might be doing as much harm as good (Macintosh, 1994, p.33). The study recommended that subordinate managers should have the power to prepare plans and budgets initially and then submit them for editing and revision by executives in the central office. Participation in planning and budgeting could remedy some dissatisfaction with plans and budgets.

Plans and budgets seem to be more effective tools to control goal congruence if subordinate managers or staffs participate actively with their superior in the process of arriving plans and budgets. The members of the organization will have high commitment to the implementation of plans and budgets when they have explicitly agreed that the plan and budgets are attainable.

TRUST AND SELF-CONTROL

When goals have been decided into company's plans and budgets, managers will deliver the implementation to subordinate managers and staffs. Hence, superior managers give trust to other members of the organization. However, they still control the trust because sometimes it is still needed to distrust the subordinate managers and staffs

when dysfunctional behaviour is found. Control system is intended to reduce or eliminate the risk of dysfunctional behaviour. The level of trust delivered to others members and the type of control adopted in an organization depend on the management style. It could be totalitarian or humanitarian.

Totalitarian control system tends to be patriarchal, centralistic, and autocratic. Human beings are assumed as machines, thus they must always obey the rules decided by managers. In recent decades of democratic society totalitarian control system does not work because it contradicts with humanitarian relationship idea. It might work in societies where trust in formal rules and procedures is low, authority is typically paternalist and business dependence on the state and the overall centralization of the economy is high (Whitley, 1999, p. 520). Therefore the totalitarian control system is not suitable applied in an organization, unless it will face the high resistance of the members in the organization. Humanitarian control system is seemed to be more acceptable for the members of an organization because it places human beings on the right way.

Humanitarian control system suggests that trust should be delivered to subordinate managers and staffs in which they can perform self control through delegated control systems and power distribution. Delegated control systems involve managers sharing risks with core employees and so more likely to be adopted when risk sharing between different groups and organizations is more institutionalised through mutual locks-in and strong social conventions encouraging cooperation rather than adversarial competition (Whitley, 1999, p. 519). Delegated control systems encourage subordinate managers and staffs to perform personnel controls or self controls. Human beings tend to perform better jobs when they

are controlled by themselves rather than by superior managers or other surveillance.

Therefore, it is clear that self-control is more humane because it places human being on the right way. According to Merchant (1998, p. 121), self-control is the naturally present force that pushes most people to want to do a good job, to be naturally committed to the organization's goals. Furthermore self-control is more effective to control the achievement of goal congruence because most people have conscience that leads them to do what is right and are able to derive positive feelings of self-respect and self-satisfaction when they do a good job and see their organization succeed.

CONCLUSION

To conclude, it is clear that the humanity approach is very effective in exercising power and influence to achieve goal congruence. The success of goal congruence depends on whether managers perform and exercise their power and influence by totalitarian approach or humanity approach. Humanity approach suggests that in exercising power and influence, managers should develop humanitarian administrative customs. Humanity approach encourages managers to exercise their power and influence to create a workplace climate of open relationships, trust and honesty. If this method can be well applied the result will benefit all around, the organization, the managers, and the employees. Managers will be happy because the productivity and efficiency improved. The employees achieved what they are looking for in the organization, and finally the organization's goal also successfully achieved.

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