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**ORGANIZATIONAL CHANGE AND
INTERVENTION STRATEGIES**



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CONTENTS

No.	Title	Author	Vetter	Page
1	An overview of organisational change	M.C. Garg	K.P. Singh	3
2	Effectiveness and skills of change agents	Kulwant Pathania	B.S. Bodla	26
3	Organisational development (OD)	M.C. Garg	B.S. Bodla	51
4	Organisational climate and culture	B.S. Bodla	M.S. Turan	74
5	The process of empowerment	B.S. Bodla	M.S. Turan	91
6	Organisational learning	V.K. Bishnoi	H. Bansal	118
7	Creativity and innovation	V.K. Bishnoi	H. Bansal	141
8	Conflict and negotiations	Sanjay Tiwari	Ajay Suneja	164
9	Inter-group behaviour and collaboration	Sanjay Tiwari	Ajay Suneja	210
10	Corporate governance and business ethics	B.S. Bodla	M.S. Turan	238
11	Management of gender issues	Sanjeev Kumar	B.S. Bodla	262
12	Power and politics	Sanjay Tiwari	B.S. Bodla	281
13	Cross-cultural dynamics	Sanjay Tiwari	B.S. Bodla	308

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LESSON 1

AN OVERVIEW OF ORGANISATIONAL CHANGE

STRUCTURE

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Concept of organisational change
- 1.3 forces for change
- 1.4 levels of change
- 1.5 Types of change
- 1.6 Steps in managed change
- 1.7 Resistance to change
- 1.8 Implementing change successfully
- 1.9 Methods of introducing change
- 1.10 Summary
- 1.11 Keywords
- 1.12 Reviw Questions
- 1.13 References/suggested readings

1.0 OBJECTIVES

After reading this lesson, you should be able to-

- Discuss the nature and process of change;
- Make aware about the nature and process of change;
- Understand different types of changes;
- Know the reasons and causes of resistance to change; and



- Understand how change can be introduced in an organisation.

1.1 INTRODUCTION

Organisation is a social system. All parts of organisation affect all other parts. That is, there is so much of interrelationship of parts that anything happening at one end is transmitted to the other end. This interrelationship is not only between the elements and parts of organisation, but also with the environment around it. When organisation functions, these relationship and interrelationships get established and gradually organization obtains a systematised and orderly behaviour. The whole system is said to be in equilibrium. This becomes an established way of life and any disturbance to this established way of life naturally exercises pressure on some elements which are accustomed to that way of life. This event evokes a reaction which may suggest acceptance of it, lack of interest in it or there may be counterpressure opposed to the disturbance. In some cases, the impact of accepting or ignoring a disturbance may not be much different, but otherwise, the former connotes cooperation and the latter, lack of interest.

The term 'change' refers to any alternation which occurs in the overall work environment of an organisation. It is to be emphasised that 'change is the law of nature'. Nothing is permanent except change. Change has the following characteristics:

- (i) Change often results from the pressure of forces which are both outside and inside the organisation;
- (ii) The whole organisation tends to be affected by the change in any part of it; and
- (iii) Change takes place in all parts of the organisation, but at varying rates of speed and degrees of significance.



An organisation is an open system which means that it is in a constant interactional and interdependent relationship with its environment. Any change in its external environment, such as changes in consumer tastes and preferences, competition, economic policies of the Government, etc., make it imperative for an organisation to make changes in its internal system. Further, organisation is composed of a number of subsystem, which are also in a dynamic relationship of interaction and interdependence with one another. Any change in a subsystem creates a chain of changes throughout the entire system.

1.2 CONCEPT OF ORGANISATIONAL CHANGE

The term 'organisational change' implies the creation of imbalances in the existing pattern of situation. When an organization operates and functions for a long time, an adjustment between its technical, human and structural set-up is established. It tends to approximate an equilibrium in relation to its environment. In other words, organisation members evolve a tentative set of relations with the environment. They have an adjustment with their job, working conditions, friends and colleagues etc. Change requires individuals to make new adjustments. Hence the fear of adjustment gives rise to the problem of change and resistance to change. Individual comes in to danger. On the other hand, groups resist change where their existence is in danger or a total change in overall work environment is contemplated.

Management of change may be defined as a conscious and concerted initiative by those who are in-charge of the destiny of the business undertaking or firm to keep a constant and intelligent watch over the behaviour of uncontrollable forces, to assess their impact and influence of the controllable forces, and to evolve appropriate strategies and action programmes to maintain a dynamic equilibrium between the controllable and uncontrollable forces. The controllable forces are those forces about which sufficient information is available. Such forces can be managed easily. Uncontrollable forces are those about which not



much is known. These forces exert a powerful influence on the behaviour of controllable forces and limit the scope of managerial action.

1.3 FORCES FOR CHANGE

Organisations encounter many different forces for change. These forces come from external sources outside the organisation and from internal sources. Awareness of these forces can help managers determine when they should consider implementing an organisational change. The external and internal forces for change are as follows:

(a) External Forces

External forces for change originate outside the organisation. Because these forces have global effects, they may cause an organisation to question the essence of what business it is in and the process by which products and services are produced. There are four key external forces for change: demographic characteristics, technological advances, market changes, and social and political pressures.

(i) Demographic Characteristics

Organisations need to effectively manage diversity if they are to receive maximum contribution and commitment from employees.

(ii) Technological Advancements

Both manufacturing and service organisations are increasingly using technology as a means to improve productivity and market competitiveness. Manufacturing companies, for instance, have automated their operations with robotics, computerized numerical control (CNC) which is used for metal cutting operations, and computer-aided design (CAD). CAD is a computerized process of drafting and designing engineering drawings of products. Companies have just begun to work on computer-integrated manufacturing (CIM). This highly technical process attempts to integrate product design with product planning,



control, and operations. Office automation consists of a host of computerized technologies that are used to obtain, store, analyse, retrieve, and communicate information.

(iii) Market Changes

The emergence of a global economy is forcing Indian companies to change the way they do business. Companies are having to forge new partnerships with their suppliers in order to deliver higher quality products at lower prices.

(iv) Social and Political Pressures

These forces are created by social and political events. Personal values affect employees' needs, priorities, and motivation; managers thus may need to adjust their managerial style or approach to fit changing employee values. Political events can create substantial change. For example, the collapse of both the Berlin Wall and communism in Russia created many new business opportunities. Although it is difficult for organisations to predict changes in political forces, many organisations hire lobbyists and consultants to help them detect and respond to social and political changes.

(b) Internal Forces

Internal forces for change come from inside the organisation. These forces may be subtle such as low morale, or can manifest in outward signs such as low productivity and conflict. Internal forces for change come from both human resource problems and managerial behaviour/decisions.

(i) Human Resource Problems/Prospects

These problems stem from employee perceptions about how they are treated at work and the match between individual and organisation needs and desires. Dissatisfaction is a symptom of an underlying employee problem that should be addressed. Unusual or high levels of absenteeism and turnover also represent forces for change. Organisations might respond to these problems by using the



various approaches to job design by implementing realistic job previews, by reducing employees role conflict, overload, and ambiguity, and by removing the different stresses. Prospects for positive change stem from employee participation and suggestions.

(ii) Managerial Behaviour/Decisions

Excessive interpersonal conflict between managers and their subordinates is a sign that change is needed. Both the manager and the employee may need interpersonal skills training, or the two may simply need to be separated: for example, one of the parties might be transferred to a new department. Inappropriate leadership behaviours, such as inadequate direction or support, may result in human resource problems requiring change. Leadership training is one potential solution for this problem.

1.4 LEVELS OF CHANGE

Change can be at individual, group and organisational levels:

(a) Individual Level Change

At the individual level change is reflected in such developments as changes in a job assignment, physical move to a different location, or the change in maturity of a person which occurs overtime. It is said that changes at the individual level will seldom have significant implications for the total organisation. This is not true because a significance change at the individual level will have its repercussions on the group which, in turn, might influence the wider organisation. A manager who desires to implement a major change at the individual level, transferring an employee for instance, must understand that the change will have repercussions beyond the individual.

(b) Group Level Changes

Most organisational changes have their major effects at the group level. This is because most activities in organisations are organised on group basis. The



groups could be departments, or informal work groups. Changes at the group level can affect work flows, job design, social organisation, influence and status systems, and communication patterns.

Managers must consider group factors when implementing change. Informal groups can pose a major barrier to change because of the inherent strengths they contain. Formal groups can resist change, as exemplified by the resistance demonstrated by unions to the changes proposed by management. Because of the powerful influence that groups can have on individuals, effective implementation of change at the group level can frequently overcome resistance at the individual level.

(c) Organization Level Changes

Change at this level involves major programmes that affect both individuals and groups. Decisions regarding these changes are generally made by senior management and are seldom implemented by only a single manager. Frequently they occur over long periods of time and require considerable planning for implementation. Example of these changes would be reorganisation of the organisation structure and responsibilities, revamping of employee remuneration system, or major shifts in an organisation's objectives. Change at the organisational level is generally referred to as organization development.

1.5 TYPES OF CHANGE

There are various areas within the organisational domain where changes can be brought about for operational enhancement of the organisation as well as desirable behaviour of members. The various types of changes that can have considerable impact on the organisational culture are:

a) Strategic Change

This is a change in the very mission of the organisation. A single mission may have to be changed to multiple missions. For example, when British Airways acquired a major part of U.S. Air, the culture of the entire organization had to be



modified to accommodate various aspects of American organisational culture into the British organisational culture.

b) Structural Change

Decentralized operations and participative management style have seen more recent trends in the organisational structure. Since these structural changes shift the authority and responsibility to generally lower level management, it has a major impact on an organisation's social climate and members have to be prepared to develop a team spirit as well as acquire skills to make on-the-spot decisions at points of operations.

c) Process-oriented Change

These changes relate to technological developments, information processing, automation and use of robotics in the manufacturing operations. This means replacing or retraining personnel, heavy capital equipment investment and operational changes. This would affect the organisational culture and hence changes in the behaviour patterns of members.

d) People-oriented Change

Even though, any organisational change affects people in some form, it is important that the behaviour and attitudes of the members be predictable and in accordance with the expectations of the organization and be consistent with the mission and policies of the enterprise. These changes are directed towards performance improvement, group cohesion, dedication and loyalty to the organization as well as developing a sense of self-actualisation among the members. These can be developed by closer interaction with employees and by special behavioural training and modification sessions.

1.6 STEPS IN MANAGED CHANGE

The first step in the change process is to identify the need for change and the area of change as to whether it is strategic change, process-oriented change or



employee-oriented change. This need for change can be identified either through internal factors or through external forces that may be in place. Once this need is identified, the following steps can be taken to implement such change:

1. Develop new goals and objectives

The managers must identify as to what new outcomes they wish to achieve. This may be a modification of previous goals due to changed internal and external environmental or it may be a new set of goals and objectives.

2. Select an agent for change

The management must decide as to who will initiate and oversee this change. A manager may be assigned this duty or even outside specialists and consultants can be brought in to suggest the various methods to bring in the change and monitor the change process.

3. Diagnose the problem

It is important to gather all pertinent data regarding the area or the problem where the change is needed. This data should be critically analysed to pinpoint the key issues. Then the solutions can be focused on those key issues.

4. Select methodology

Because of natural resistance to change, it is very important to chart out a methodology for change which would be correct and acceptable to all. Member's emotions must be taken into consideration when devising such methodology.

5. Develop a plan

This step involves putting together a plan as to what is to be done. For example, if the company wants to develop and implement a flexitime policy, it must decide as to what type of workers will be affected by it or whether flexitime should be given to all members or only to some designated workers.

6. Strategy for implementation of the plan



In this stage, the management must decide on the “when”, “where” and “how” of the plan. This includes the right timing of putting the plan to work, how the plan will be communicated to workers in order to have the least resistance and how the implementation will be monitored.

7. Implementation of the plan

Once the right timing and right channels of communications have been established, the plan is put into action. It may be in the form of simple announcement or it may require briefing sessions or in-house seminars so as to gain acceptance of all the members and specially those who are going to be directly affected by the change.

8. Receive and evaluate feedback

Evaluation consists of comparing actual results to the set goals. Feedback will confirm if these goals are being met so that if there is any deviation between the goals and the actual performance outcomes, then corrective measures can be taken.

1.7 RESISTANCE TO CHANGE

Resistance to change is understood to be a natural phenomenon. But not all change is resisted. In fact, if we look at any organisation closely we would probably find that more changes are accepted than resisted. Accepting the fact that people have a natural instinct to adapt to their environment is the first step towards effective management of change. It has the advantage of placing people in a more positive light, but also suggests that resistance to change is unnatural behaviour. If managers accept this principle, then they can proceed to analyse the situation to find the (unnatural) cause of resistance. Failure to understand this characteristic of resistance can cause many managers to attempt to run through changes rather than try to understand the sources of the resistance.

Sources of resistance to change may be rational or emotional. *Rational resistance* occurs when people do not have the proper knowledge or information to evaluate



the change. Providing information (in the form of data, facts, or other types of concrete information) reduces the resistance. *Emotional resistance* involves the psychological problems of fear, anxiety, suspicion, insecurity, and the like. These feelings are evoked because of people's perception of how the change will affect them.

(a) Causes of Resistance

All changes are not resisted. Some are wanted by the workers. For instance, if the workers have to stand before a machine throughout the shift, they will like the introduction of a new machine which will allow them to sit while working. Thus, resistance to change is offset by their desire to have better working conditions. Sometimes, people themselves want change and new experience as they are fed up with the old practices and procedures.

Resistance to change is caused by individual's attitudes which are influenced by many economic, psychological and social factors.

1. Economic Factors

These factors relate to the basic economic needs of the workers like necessities of life, job security and safety. These factors are:

- (i) Workers apprehend technological unemployment. General new technology is expected to reduce the proportion of labour input and, therefore, people resist such change as it will affect their jobs security;
- (ii) Workers fear that they will be idle for most of the time due to increased efficiency by new technology;
- (iii) Workers may fear that they will be demoted if they do not possess the new skills required for the new jobs; and
- (iv) Workers resist the change of getting higher job standards which may reduce opportunity for bonus or pay incentive.



2. Psychological Factors

These factors arise when workers perceive that factors relating to their psychological needs will be affected adversely by the proposed changes. These needs are sense of pride, achievement, self-fulfilment, etc. These factors are

- (i) Workers may not like criticism implied in a change that the present method is inadequate and unsuitable;
- (ii) Workers may fear that there will be fewer opportunities for developing their personal skills because new work changes will do away with the need for much manual work. This will lead to reduction of their personal pride;
- (iii) Workers may apprehend boredom and monotony in the new jobs as a result of specialisation brought by the new technology;
- (iv) They may fear that harder work will be required to learn and adapt to new ideas;
- (v) Workers may resist a change because they do not want to take trouble in learning the new things; and
- (vi) Workers may not have the knowledge of entire change or they may be incapable of the implications of new ideas or methods.

3. Social Factors

Individual do have certain social needs like friendship, belongingness, etc. for the fulfilment of which they develop informal relations in the organisation. They become members of certain informal groups and act as members of the group to resist change. The social reasons for resistance to change are:

- (i) New organisational set up requires new social adjustments which are not liked by people because these involve stresses and strains. This also means discarding old social ties which is not tolerable to the workers.



- (ii) Workers are carried by the fear that the new social set-up arising out of the change will be less satisfying than the present set up.
- (iii) Workers also resist the changes which are brought abruptly and without consulting them.

Thus, it is obvious that resistance to change tends to focus on human relations problem, although it may appear to be related to the technological aspect of change. Workers resist the changes which will affect their social relationships, upset their status and threaten their security. A change may give them a feeling of insecurity, since it challenges their way of doing things and may bring less labour oriented processes. Moreover, it is difficult for the workers to give up their old habits and customs. They also resist the change if they do not know it well.

(b) Symptoms of Resistance

How does resistance to change manifest itself? There are several ways. But it does not mean that these symptoms always indicate resistance. Sometimes they may be indicators of other difficulties in the organisation.

1. Hostility or aggression is the immediate reaction of an individual to change. The hostility may only be expressed verbally, in the way the individual strikes at the boss, a fellow workers, or even at subordinates, but hostility and aggression can also take physical forms where the striking out is of a more intense character.
2. The individual may develop apathy towards his work. He loses interest in his work. There is more spoilage of materials, excessive idling of time, and decline in performance.
3. Absenteeism and tardiness are often signs of resistance. Perhaps these are forms of apathy or attempts on the part of the individual to escape his work environment. Separation, for example, may be an extreme illustration of this attempt to escape.



4. The development of anxiety and tension is a sure sign that resistance exists. The individual finds himself uncomfortable, shaky, and tensed up on his job.
5. At the group level additional signs of resistance are exhibited. Slow downs and strikes are the usual symptoms of group resistance. Another strategy adopted by a group to resist change is “restriction of output”. Often great care is exercised in timing operations, setting standards, and otherwise working out details of a wage incentive system, and yet at least part of the work group forms into an informal group, under a leader of its own choice. This group decides what a fair days work is and develops methods of keeping the non-conformist in line. The individual who starts to respond to the incentive is held in a check by sanctions which the informal group is able to bring to bear against him.

(c) Benefits of Resistance

Contrary to popular opinion, resistance to change is not bad. Resistance can bring some benefits. It may encourage the management to re-examine its change proposals so that they are appropriate. In this way employees operate as a check and balance to ensure that the management properly plans and implements change. Resistance can also help identify specific problem areas where change is likely to cause difficulties, so that the management can take corrective action before serious problems develop. At the same time, the management may be encouraged to do a better job of communicating the change, an approach that in the long-run should lead to better acceptance. Resistance also gives management information about the intensity of employee emotions on an issue, provides emotional release for pent up employee feelings, and may encourage employee to think and talk more about a change so that they understand it better. This does



not mean that resistance to change should endure. Resistance must be overcome and change introduced.

1.8 IMPLEMENTING CHANGE SUCCESSFULLY

Successful implementation of change requires knowledge about the change process. The change process, propounded by Kurt Lewin, consists of three stages: (1) unfreezing, (2) changing, (3) refreezing (see fig. 1.1). Before describing Lewin's stages, it is desirable to understand how change takes place generally. It is too well-known that people change their customs, habits, and institutions when they become dissatisfied with the status quo or when there is a more desirable substitute. A successful change involves: (1) recognising the need for it, (2) learning a new behaviour or substitute, and (3) feeling comfortable with the new situation. Lewin's stages of unfreezing, change, and refreezing correspond to these three developments in the change process. However, a brief description of each stage is desirable.

Unfreezing		Changing		Refreezing
Recognising the need for change, casting aside old values, behaviour, or Organisational structures	→	New values, behaviours and structures replace old ones. Action-oriented	→	Making change permanent. Practice what was learnt in the second stage

FIG. 1.1: A MODEL OF CHANGE

(a) Unfreezing

This is the first stage in the change process. It involves casting aside existing attitudes and value systems, managerial behaviours, or organisational structure so that new ones can be learnt. Unfreezing creates the need for change.

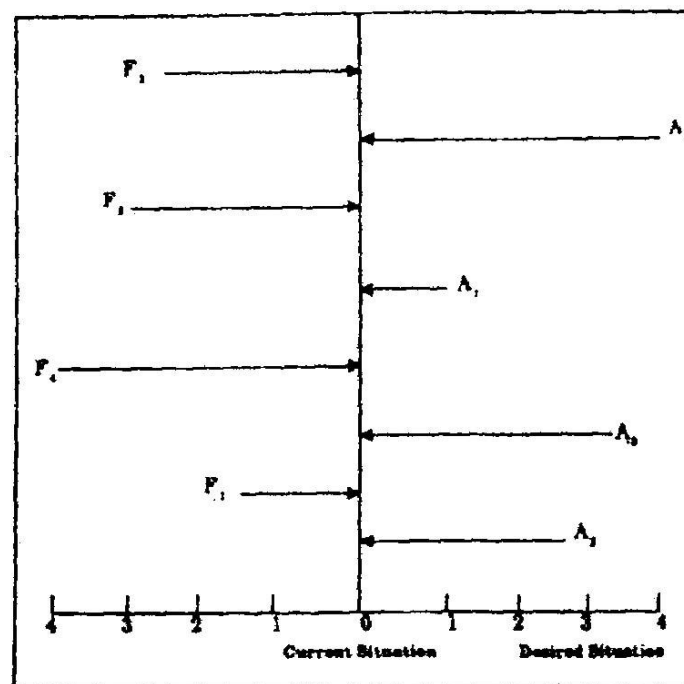
For unfreezing, the manager must understand the causes for resistance to change. It is common knowledge that there are people who desire status quo and



there are also individuals who push for change. And the two groups may be equal in their force as shown in Fig.1.2. The forces against change (labelled A) have strengths equal to those forces pushing for change (labelled F).

An example of four forces pushing in each direction is seen in the case of the organisation that has announced the introduction of a new monthly cost report. After careful analysis, a top manager may find various reasons given by subordinates for resisting change, on the one hand, or for promoting change, on the other hand. Among the reasons given for resisting change might be:

1. The old report is easy to fill out because the data are readily available.
2. The old report takes very little time to think.
3. Top management has never used this report in the past for control purposes.
4. The new report will be very comprehensive and requires more time to fill out.





The reasons for advocating change might be:

1. An organisational streamlining of reporting forms is necessary.
2. Organisational control is getting out of hand.
3. If a report is going to have to be filled out, why not make it a meaningful one?
4. This new report is going to be analysed by staff personnel, and useful recommendations will be forwarded to each manager who has filled one out.

In such a situation, the manager must unfreeze the equilibrium. In doing so, three courses of action are available: (a) increase the strength of forces that push for change; (b) decrease the strength of forces that resist change; and (c) change a resisting force into one supporting the change.

(b) Changing

Actual change occurs at this stage. New value systems, behaviours, or structures replace the old ones. This is the action-oriented stage. This can be a time of confusion, dis-orientation, and despair mixed with hope and discovery.

(c) Refreezing

Here the change becomes permanent. The newly acquired values, beliefs, and structures get refrozen. A new status quo is established at this stage. Refreezing is important because without it there lies a vacuum.

1.9 METHODS OF INTRODUCING CHANGE

Kotter and Schlesinger have suggested six methods of introducing change (see Table 1.1). The change agent must understand that there is no one universal approach to overcome resistance. Depending on each situation a different approach needs to be adopted. Change is situational problem and a realisation of this fact is essential for bringing about a change.



Table 1.1 contains six approaches for introducing change together with the situations where each change intervention is most appropriate. The advantages and drawbacks of each approach are also listed in the table. Management must examine the nature of the resistance and then review the possible approaches to fit the situation.

The six approaches listed in Table 1.1 will help unfreeze and change the values and behaviours of people. In other words, the approaches enable the managers to introduce change successfully. The next crucial stage is to make the change stick otherwise there is the danger of people reverting to the pre-change position. How to make the change permanent? The methods suggested for the purpose are; use of group forces, use of leadership, shared rewards, working with unions, and concern for employees.

(a) Use the Group Forces

The group exercises considerable influence on the behaviour of members. The behaviour, attitudes, beliefs, and values of the individual are all firmly grounded in the groups to which he belongs. How aggressive or co-operative a person is, how much self-respect and self-confidence he has, how energetic and productive his work is, what he aspires to, what he believes to be true and good, when he loves or hates, and what beliefs and prejudices he holds – all these characteristics are highly determined by the individual's group membership. Whether they resist or accept change largely depends on the groups. The change agent must make use of the groups to bring about change.

(b) Change of Change Agent

The change agent must himself change. It is only then that he will be able to reinforce a psychological climate of support for change. Unwillingness of the managers to give up traditional managerial practices and their unpreparedness to accept new methods are the most serious barriers to the introduction of change and to make it permanent in organisations.



TABLE 1.1: METHODS OF DEALING WITH RESISTANCE TO CHANGE

Approach	Commonly used situations	Advantages	Drawbacks
Education+ Communication	Where there is a lack of information or inaccurate information and analysis.	Once persuaded people will often help with the implementation of the change.	Can be very time consuming if lots of people are involved.
Participation+ involvement	Where the initiators do not have all the information they need to design the change and where others have considerable power to resist.	People who participate will be committed to implementing change and any relevant information they have will be integrated into the change plan.	Can be very time consuming if participators design an appropriate change.
Facilitation+ Support	Where people are resisting because of adjustment problems.	No other approach works as well with adjustment problems.	Can be time consuming, expensive, and still fail.
Negotiation+ Agreement	Where someone or some group will clearly lose out in a change and where that group has considerable power to resist.	Sometimes it is a relatively easy way to avoid major resistance.	Can be too expensive in many cases if it alerts others to negotiate for compliance.
Manipulation+ co-optation	Where other tactics will not work are too expensive.	It can be a relatively quick and inexpensive solution to resistance problems.	Can lead to future problems if people feel manipulated.



Approach	Commonly used situations	Advantages	Drawbacks
Explicit+implicit coercion	Where speed is essential and the change initiators possess considerable power.	It is speedy and can overcome any kind of resistance.	Can be risky if it leaves people angry at the initiators.

(Source: “Choosing Strategies for Change” by Kotler and Schlesinger, March-April 1979, Harvard Business Review).

(c) Shares Rewards

Another way to build support for change is to ensure that the people affected derive benefit out of the change. Benefits include increased pay, promotion, training, recognition, and the like.

(d) Co-operation of Unions

Taken into confidence, unions themselves can act as change agents, though they are generally considered to be anti-change. Many union leaders are accepting the installation of CNC machines, though it means displacement of the work force. This has been possible because of their participation before, during, and after the change has been introduced. A change introduced without their support may not stay for long.

(e) Concern for Employees

A change should not be introduced for the sake of it. Change needs to be introduced only when necessary and it must be by evolution and not by revolution. Any change must ultimately benefits employees. In the short-run the needs and requirements of employees should not be affected. Any problem that has taken place because of change needs to be looked into and corrected immediately.



1.10 SUMMARY

Change involves making things different. Change occurs at individual, group and organisational levels. Change is generally resisted. The causes for resistance are rational, psychological and sociological. Resistance manifests itself in the form of hostility, apathy, absenteeism, tension, strikes and slowdown of work. Resistance to change is beneficial to both the change agent and to change targets. It makes both parties take a second look at the problem, identify irritants if any, and overcome them so that change can be implemented successfully.

Implementation of change successfully needs knowledge about the change process. Change process consists of three stages: unfreezing, changing, and refreezing. Unfreezing refers to the casting aside of old beliefs, attitudes, and behaviours. Changing refers to the learning that has taken place. There are six approaches for introducing change. Each technique is appropriate for particular situation. It has its own merits and drawbacks. It is the wisdom of the change agent to use an appropriate technique for a particular situation. Refreezing involves making change permanent.

1.11 KEYWORDS

Reactive change: A response that occurs when events in the environment have already affected the firm's performance; problem-driven change.

Unfreezing: Realizing that current practices are inappropriate and that new behaviour must be enacted.

Strategic management: A process that involves managers from all parts of the organisation in the formulation and implementation of strategic goals and strategies.

Refreezing: Strengthening the new behaviour that support the change.



Proactive change: A response that is initiated before a performance gap has occurred.

Organisational change: The process by which organisations move from their present state to some desired future state to increase their effectiveness.

1.12 REVIEW QUESTIONS

1. “Change for the sake of change is no change at all”. Comment on this statement and show why change for the sake of change could be detrimental to the health of the organization?
2. Differentiate between the external forces and the internal forces that induce change in the organisations.
3. What are the various types of changes? Under what circumstances would each change be desirable?
4. Trace the reasons for human resistance to change in industry. How can this be overcome?
5. A well established manufacturing unit plans to introduce new machines and new methods of production. The workers in the factory numbering two hundred are fearful of the change and are resisting it in many ways. How will you advise the management to tackle the problem?

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LESSON 2

EFFECTIVENESS AND SKILLS OF CHANGE AGENTS

STRUCTURE

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Meaning of change agents
- 2.3 Levels of change leadership skills
- 2.4 Characteristics of successful change agents
- 2.5 Competencies of change agents
- 2.6 Rules of thumb for change agents
- 2.7 Types of change agents
- 2.8 Summary
- 2.9 Keywords
- 2.10 Review questions
- 2.11 References/Suggested readings

2.0 OBJECTIVES

After reading this lesson, you should be able to-

- Describe meaning and characteristics of change agents.
- Understand the levels of change leadership skills.
- Explain competencies of and rules of thumb for change agents.



- Know the types of change agents.

2.1 INTRODUCTION

Change processes and change projects have become major milestones in many organisations' history. Due to the dynamics in the external environment, many organisations find themselves in nearly continuous change. The scope reaches from smaller change projects in particular sub business units up to corporation-wide transformation processes.

Unfortunately, not every change process leads to the expected results. There are multiple reasons for potential failure: Typical barriers to change are unexpected changes in the external conditions, a lack of commitment in implementation, resistance of people involved, or a lack of resources. The implications of failed change projects go beyond missed objectives. More important is the negative symbolism and the de-motivation of people involved. People within the change team may become dissatisfied with their own performance or with the lack of support they received. In the result some of them will probably never again be willing to commit themselves to change initiatives. Similarly, people affected by the (failed) change effort will develop growing scepticism. They might perceive future change projects as “another fancy idea from management”, which brings a lot of work and few benefits.

In the light of the many problems and risks associate with change projects, the change agent has a very important function. The change agent's or change leader's capabilities have a major impact on success or failure of the project, and on the extent of potential unwanted side effects. This lesson describes about the effectiveness and skills of change agents.

2.2 MEANING OF CHANGE AGENTS

The change agent may be in the form of a consultant who helps the client find solutions to the organisational problems. It could also be in the form a trainer who trains the client to achieve a set of skills that could be used in bringing



about the change for optimum outcomes. This change agent must have certain characteristics which would identify it to be more effective than others. According to Shaskin and Morris, the effective change agent is, “an extrovert, has considerable interpersonal skills, is creative and takes risks, and is good in organizing activities”.

One should keep in mind, however, that there is no ‘ideal’ change agent. Particular requirements normally relate to the actual situation in the organization (e.g. corporate culture, strategic relevance of the project, acceptance of the project among management and staff, time frame, resources etc.). Depending on these factors, change agents either may need good project management capabilities in order to guarantee timely progress, or they should be good leader as with the ability to motivate people.

2.3 LEVELS OF CHANGE LEADERSHIP SKILLS

Jim Canterucci defines change leaders on five levels. Although he mainly focuses on leadership capabilities and qualifications, his system can easily be transferred to change projects with varying importance. The leader of an organisation-wide restructuring project will need different capabilities than the one who is responsible for clearly defined project on departmental level.

Levels of Change Leadership Skills, derived from Jim Canterucci

Level I: Accepts the need for change, communicates and defends the need for change throughout the organization, creates an open and receptive environment.

→ small change initiatives with clear direction.

Level II: Defines and initiates change, identifies leverage points for change in processes and work habit

→ change projects at local level



Level III: Leads change, translate the vision of the organisation into the context of a specific change initiative and bring this message to the entire organisation, redirects approaches in the face of new opportunities.

→ transformation of a central vision into change initiatives and organization-wide communication.

Level IV: Manages complex change, understands the cultural dynamics of the current state of an organization, creates a strategic practical course, balancing the current reality with the need for rapid adoption of the desired future reality

→ generates change with a high degree of transformation.

Level V: Champions change, challenges the status quo by comparing it to an ideal or a division of change, causes crisis in order to support dramatic actions and change efforts, transforms the organisation.

→ Ability to revolutionize organizations.

Change agents always need the ability to get all people affected by the project involved, to ensure their support and commitment. This requires a high competency as the basis for acceptance as well as soft skills, which are often summarized as emotional intelligence. This includes the ability to communicate, to understand and to take into account opinions and doubts of others. Change projects involve a great variety of factors and forces. These factors do not only comprise the reasons and objectives for change, but also the existing state of the organisation, values, beliefs and routines of the people there. Many change projects challenge the existing cultural framework of an organisation. Efforts to change such lasting values, however, lead to resistance and denial. More than in technology-related projects (e.g. implementation of new software), it takes the acceptance and the support of all people affected by such projects to make them



succeed. It is the change agent's task to generate this acceptance in order to implement change with the people, not against them.

2.4 CHARACTERISTICS OF SUCCESSFUL CHANGE AGENTS

The way the change agent manages the process of change is indicated by certain factors and characteristics which have been identified by Havelock and Shaskin. The first letters of these factors together spell "HELP SCORES". These are

1. **Homophily:** It is the degree of closeness and similarity between the change agent and the client. The closer the relationship, the easier and more successful is the change. It is similar to listening to our close friend whom we trust and whose advice we seriously take.
2. **Empathy:** It involves understanding of feelings and emotions and thoughts. This sincere understanding leads to improved communications between the client and the change agent which is very helpful in bringing about the desired change.
3. **Linkage:** It refers to the degree of collaboration between the change agent and the client. The tighter the linkage, the more likely is the success.
4. **Promixity:** The change agent and the client should have easy access to each other. The closer the proximity the better is the relationship between the two and easier to develop the collaborative linkage.
5. **Structuring:** This factor involves proper and clear planning of all activities that are related to change. If these activities are planned in clear cut step-by-step sequential factors, then the implementation would be easier.
6. **Capacity:** This factor refers to the organization's capacity to provide the resources that are needed for successful organisational



development effort and implementation. These resources must be adequate and available when needed.

7. **Openness:** Openness refers to the conceptual environment which is conducive to the development of respect and understanding for each other's ideas, needs and feelings. The degree of openness between the change agent and the client would considerably affect the outcome of the programme.
8. **Reward:** All members expect that the change will bring potential benefits. These rewards should be both in the short run as well as in the long run. The greater the potential for rewards, the more determined the effort would be in making the required change.
9. **Energy:** Energy refers to the amount of effort put into the change process. This effort involves both the physical and psychological energy. The client's energy must be well spent and channelled precisely into the change programme itself. The energy of the change agent should not be spread over too many clients, for in that case, each of the clients individually may not receive the needed energy.
10. **Synergy:** Synergy simply means that the whole is more than the sum of its parts. This means that the previous nine factors involving a variety of people, resources, energies and activities together result in synergy, if they support success mutually as well as individually, they are as favourable to the programme as possible.

These ten factors whose initials spell "HELP SCORES", describe the personal characteristics of successful change agents who have profound influence on the organisational development programmes and processes of change.

2.5 COMPETENCIES OF CHANGE AGENTS

Buchanan and Body have carried out a study on the perceived effectiveness of change agents. On that basis, they compiled the fifteen most important



competencies of change agents. These, too, are evidence for the importance of the soft factors.

Objectives

1. Sensitivity to changes in key personnel, top management perceptions and market conditions, and to the way in which these impact the goals of the project.
2. Setting of clearly defined, realistic goals.
3. Flexibility in responding to changes without the control of the project manager, perhaps requiring major shifts in project goals and management style.

Roles

4. Team-building abilities, to bring together key stockholders and establish effective working groups, and to define and delegate respective responsibilities clearly.
5. Networking skills in establishing and maintaining appropriate contacts within and outside the organization.
6. Tolerance of ambiguity, to be able to function comfortably, patiently and effectively in an uncertain environment.

Communication

7. Communication skills to transmit effectively to colleagues and subordinates the need for changes in the project goals and in individual tasks and responsibilities.
8. Interpersonal skills, across the range, including selection, listening, collecting appropriate information, identifying the concerns of others, and managing meetings.
9. Personal enthusiasm in expressing plans and ideas.



10. Stimulating motivation and commitment in others involved.

Negotiation

11. Selling plans and ideas to others by creating a desirable and challenging vision of the future.
12. Negotiating with key players for resources, for changes in procedures, and to resolve conflict.

Managing up

13. Political awareness in identifying potential coalitions, and in balancing conflicting goals and perceptions.
14. Influencing skills, to gain commitment to project plans and ideas from potential sceptics and resisters.
15. Helicopter perspectives, to stand back from the immediate project and take a broader view of priorities.

Rosabeth Moss Kanter also mentions many emotional components among the most important characteristics of change agents. In addition to the factors described above, she stresses the need to question the knowledge of the organization. According to Moss Kanter, existing patterns of thinking and existing assumptions about the organisation, its markets, customers and relationships have to be challenged. Thus, change agents should realize that there is more than one right solution. The change agent has to be able to evaluate facts from different points of view, e.g. from the customer's or competitor's perspective.

Furthermore, Moss Kanter stresses the importance of coalition building, which she describes as an often-ignored step in change processes. Change agents should identify and involve opinion leaders, decision makers on resources, functional experts and other important persons as early as possible in the project-planning phase.



The importance of the factor motivation is well described with the phrases *transferring ownership to a working team and making everyone a hero*. Moss Kanter gives the most important preconditions for successful change management – the involvement of the people – with these two phrases. Members of the change team and other employees affected by the change initiative must not feel like as if they are just the tools for change or the subject of change. But, it may not enough to have a convincing vision. Real commitment can only be gained by giving people the chance to become actively involved, to contribute their own experiences. Every employee needs to know that his contribution to the project is important and is valued. Thus, people will develop a sense of ownership for the project, which, in turn may serve as a major source of motivation when it comes to the inevitable problems and barriers.

Rosabeth Moss Kanter provides a great summary of the characteristics of a good change agents when she writes that the most important things a leader can bring to a changing organisation are passion, conviction, and confidence in others.

2.6 RULES OF THUMB FOR CHANGE AGENTS

The following aphorisms are not so much bits of advice as things to think about when you are being a change agent, a consultant, an organisation or community development specialist - or when you are just being yourself trying to bring about something that involves other people.

Rule I: Stay Alive

This rule counsels against self-sacrifice on behalf of a cause that you do not wish to be your last.

Two exceptionally talented doctoral students came to the realization that the routines they were being put through to get their credentials were absurd, and decided not to complete the degree because they would be untrue to themselves to conform to and support an absurd system. That sort of reasoning is almost



always self-destructive. Behind the noble gesture there are usually some childhood-based conflicts that are neither understood nor admitted. Besides their gesture was unlikely to have any impact whatever on the system they were taking a stand against.

This is not to say that one should never take a stand, or a survival risk. But such risks should be taken as part of a purposeful strategy of change, and appropriately timed and targeted. When they are taken under such circumstances, one is very much alive.

But Rule I is much more than a survival rule. The rule means that you should let your whole being be involved in the undertaking. Since most of us have never even been in touch with our whole being, it means a lot of putting together of parts that have been divided, of using internal communication channels that have been closed or were never opened.

Staying alive means loving yourself. Self-disparagement leads to the suppression of potentials, to a win-lose formulation of the world and to wasting life in defensive manoeuvring.

Staying alive means staying in touch with your purpose. It means using your skills, your emotions, your labels and positions, rather than being used by them. It means not being trapped in other people's games. It means turning yourself on and off, rather than being dependent on the situation. It means choosing with a view to the consequences as well as the impulse. It means going with the flow even while swimming against it. It means living in several worlds without being swallowed up in any. It means seeing dilemmas as opportunities for creativity. It means greeting absurdity with laughter while trying to unscramble it. It means capturing the moment in the light of the future. It means seeing the environment through the eyes of your purpose.

Rules II: Start Where the System is



This is such ancient wisdom that one might expect its meaning had been fully explored and apprehended. Yet in practice the rule - and the system- are often violated.

The rule implies that one should begin by diagnosing the system. But systems do not necessarily like being diagnosed. Even the term “diagnosis” may be offensive. And the system may be even less ready for someone who calls himself a “change agent”. It is easy for the practitioner to forge the hostility of jargon that prevents laymen from understanding the professional mysteries.

Starting where the client is can be called the Empathy Rule. To communicate effectively, to be able to build sound strategy, the change agent needs to understand how the client sees himself and his situation, and needs to understand the culture of the system.

Establishing the required rapport does not mean that the change agent who wants to work in a traditional industrial setting should refrain from growing a beard. It does mean that, if he has a beard, the beard determines where the client is when they first meet, and the client’s curiosity needs to be dealt with. Similarly, the rule does not mean that a female change agent in a male organisation should try to act like one of the boys, or that a young person should try to act like an old person. One thing it does mean is that sometimes where the client is, wondering where the change agent is.

Even unwitting or accidental violations of the empathy rule can destroy the situation. Sometimes starting where the client is, which sounds both ethically and technically virtuous, can lead to some ethically puzzling situations. Robert Frost describes a situation in which a consultant was so empathic with a king who was unfit to rule that the king discovered his own unfitness and had himself shot, whereupon the consultant became king.

Empathy permits the development of a mutual attachment between client and consultant. The resulting relationship may be one in which their creativities are



joined, a mutual growth relationship. But it may also become one in which the client becomes dependent on the consultant, so that he can be manipulated by the consultant. The ethical issues are not associated with starting where the system is, but with where one takes it.

Are the uses of complacency shock, pulling out the rug of familiar structure, and two-by-four on formation of differences violations of this rule? Of course, but they do help to determine and to reveal where the client is, sometimes at the cost of the relationship. They are often productive if the client is committed to the scene and the consultant.

This is a comprehensive rule, and a number of the other rules are corollaries or examples of it. It is an appeal for an organic rather than a mechanistic approach to change, for building strength and building on strength. It has a number of implications that affect the choices the change agent makes about how to use himself, and it says something about life itself. The following are some corollaries.

Rule III: Never Work Uphill

Corollary 1: Don't build hills as you go

This corollary cautions against working in a way that builds resistance to movement in the direction you have chosen as desirable. For example, a programme which has a favourable effect on one portion of a population may have the opposite effect on other portions of the population. Perhaps the commonest error of this kind has been made in the employment of T-group training in organizations - turning on the participants and turning off the non-participants in one easy lesson.

Corollary 2: Work in the most promising arena

The physician-patient relationship is often regarded as analogous to the consultant-client relationship. The results for system change can be unfortunate. For example, the organisation development consultant is likely to



be greeted with delight by executives who see in his speciality the solution to a hopeless situation in an outlying plant. Some organization development consultants have disappeared for years because of the irresistibility of such challenges. Others have whiled away their time trying to counteract by shoring up incompetent managers.

Corollary 3: Don't use one when two could to it.

To be less cryptic; do not do anything alone that could be accomplished more easily or more certainly by a team.

Corollary 4: Do not over-organize

The background of democratic ideology and the theories of participative management that many change agents possess can sometimes interfere with common sense. For example, a teacher offered a course, to be taught by graduate students. The course was over-subscribed. It seemed that a rational process for deciding whom to admit would be desirable, and that participation of the graduate students in the decision would also be desirable. So teacher demanded a good deal of data about themselves from the candidates for admission, and xeroxed their responses. Then the graduate students and teacher held a series of meetings. Then the candidates were informed by letter of the decision. Suppose the teacher spent ten days in this absurd process, and each of the graduate students wasted a day or two. In the end it was concluded that a completely arbitrary decision rule - like first come, first served - would have given as good results with much less anguish for the candidates, the students and teacher.

Corollary 5: Do not argue if any can not win

Sometimes there is a hill in the path of change which must be confronted. Thus one may begin working with people in the middle of a power structure because they are eager to learn and to move – working with them is not working uphill - but the undertaking will become a hill -building exercise unless there is a strategy for gaining the support of the top of the structure. If the strategy



encounters opposition rather than interest, the change agent may consider a confrontation mode for achieving his purpose. Unless he had developed a constituency of support which matches or exceeds the power that the opposition can muster, he should decide against confrontation.

Corollary 6: Play God a Little

The change agent's life is his own, and it is as short as any other man's. It is important to evaluate a given context, opportunity, or need: is it appropriate for your skills and learning needs and fulfillment? Is there as much potential for change in it as in competing opportunities? For example, the primary educational system is a mess. That doesn't mean we know how to save it, or even whether it should survive. It certainly doesn't mean that the change agent is morally obligated to try to improve it, destroy it, or develop a substitute for it. If there is a moral obligation, it is to the development of his own talent and potential.

Rule IV: Innovation Requires a Good Idea, Initiative and A Few Friends

As implied above, little can be accomplished alone, and there is evidence from experiments on the effects of group pressure on individual perception to suggest that the change agent needs a partner, if only to maintain perspective and purpose.

The quality of the partner is just as important as the quality of the idea. Like the change agent, partners must be relatively autonomous people. As an example, the engineering staff of a chemical company designed a new process plant using edge-of-the-art technology. The design departed too radically from the experience of top management, and they were about to reject it. The engineering chief suggested that the design be reviewed by a distinguished chemical engineering professor. The principal designers were in fact former students of the professor. For this reason he accepted the assignment, charged the company a fee for reviewing the design (which he did not trouble to examine), and told the



management the design was brilliantly conceived and executed. By this means the engineers not only implement their innovations, but also grew in the esteem of their management.

An alternative statement of Rule IV is as follows: Find the people who are ready and able to work, introduce them to another, and work with them. Perhaps because many change agents have been trained in the helping professions, perhaps because we have all been trained to think bureaucratically, or mechanically, concepts like organisational position, representativeness or need are likely to guide the change agent's selection of those he works with. A more powerful beginning can be made by finding those persons in the system whose values are congruent with those of the change agent, who possess vitality and imagination, who are willing to work overtime, and who are eager to learn. Such people are usually glad to have someone like the change agent join in getting some-thing important accomplished, and a careful search is likely to turn up quite a few. In fact, there may be enough of them to accomplish general system change, if they can team up in appropriate ways. In building such teamwork the change agent's abilities will be fully challenged, as he joins them in establishing conditions for trust and creativity, dealing with anxieties about being seen as subversive, enhancing leadership, consulting, problem-solving, diagnosing and innovating skills, and developing appropriate group norms and policies.

Certain norms and policies appear to be important for, even critical for, group effectiveness. The group should maintain its information or invisible status; it may have projects which eventuate in legitimized formal bodies, but it should not act as part of the power structure. Any undertaking of the group should be the property of one of its members, with others in support roles. In planning strategies which involve coordinated action on the part of several members, no member should be bound by the decisions emerging from consultation, but should adapt his behaviour according to what he finds in the action scene.

**Rule V: Load Experiments for Success**

This sounds like counsel to avoid risk-taking. But the decision to experiment always entails risk. After that decision has been made, take all precautions. The rule also sounds scientifically immoral. But whether an experiment produces the expected results depends upon the experimenter's depth of insight into the conditions and processes involved. Of course, what is experimental is what is new to the system; it may or may not be new to the change agent.

Build an umbrella over the experiment. A chemical process plant which was to be shut down because of the inefficiency of its operations undertook a union-management cooperation effort to improve efficiency, which involved a modified form of profit-sharing. Such plans were contrary to company policy, but the manufacturing vice president at headquarters was interested in the experiment, and successfully concealed it from his associates. The experiment was successful: the plant became profitable. In this case, the umbrella turned out not to be big enough. The plant was shut down anyway.

Use the Hawthorne effect. Even inadequately conceived experiments are often made to succeed when the participants feel ownership. And conversely, one of the obstacles to the spread of useful innovations is that participants are not likely to feel ownership of them.

Build on strength. For example, if the change agent hopes to use laboratory training as part of his strategy, the first persons to be invited should be those who consistently turn all their experiences into constructive learning. Similarly, in introducing team development processes to a system, begin with the best-functioning team.

Maintain voluntarism. This is not easy to do in systems where invitations are understood to be commands, but nothing vital can be built on such motives as duty, obedience or responsiveness to social pressure.

Rule VI: Light Many Fires



Not only does a large, monolithic development or change programme have high visibility and other qualities of a good target, it also tends to prevent subsystems from developing ownership of, and consequent commitment to the programme.

The positive implication of the rules is more orderly than the random prescription- light many fires - suggests. Any part of a system is the way it is partly because of the way the rest of the system is. To work towards change in one subsystem is to become one more determinant of its performance. Not only is the change agent working uphill, but as soon as he turns his back, other forces in the system will press the subsystem back towards its previous level of performance.

If any interdependent subsystems are catalyzed, and the change agent brings them together to facilitate one another's efforts, the entire system begins to move.

Rule VII: Keep an Optimistic Bias

Our society grinds along with much polarisation and cruelty, and even the helping professions compose their world of grim problems to be "worked through". The change agent is usually folded with the destructive aspects of the situations he enters. People in most systems are impressed with one another's weakness, and stereotype each other with such incompetencies as they can discover.

This rule does not advise ignoring destructive forces. Its positive prescription is that the change agent be especially alert to the constructive forces which are often masked and suppressed in a problem oriented, envious culture.

People have as great an innate capacity for joy as for resentment, but resentment causes them to overlook opportunities for joy. In a workshop where a married couple were discussing their sexual problem and how hard they were working on it, it became clear that it would never be solved, simply because sex is not a problem but an opportunity.



Individuals and groups locked in destructive kinds of conflict focus on their differences. The change agent's job is to help them discover and build on their commonalities. The unhappy partners focus on past wrongs, and continue to destroy the present and future with them. The change agent's job is to help them change the present so that they will have a new past on which to create a future.

Rule VIII: Capture the Moment

A good sense of timing is often treated as though it were a “gift” or “intuition”, rather than something that can be learned, something spontaneous rather than something planned. The opposite is nearer the truth. One captures the moment when everything one has learned is readily available, and when is in touch with the events of the moment.

Perhaps it is our training in linear cause-and-effect thinking that makes us unable to see the multiple potential of the moment. Whatever the reason, the solution is not to enter the situation blank, and hope that spontaneous action will move it forward. It is not enough for the change agent to have a plan or strategy. He needs as many plans as possible. It's not enough for him to have a framework for diagnosis; he needs many framework. It's not enough to involved his head in the system; he has to let his heart be involved too. If he has full access to his organised experience, to himself, and to the situation, he is free to be spontaneous - and capture the moment.

2.7 TYPES OF CHANGE AGENTS

Change Agents (CA's) can be internal or external. Internal CA's are people from the ranks of the organization who have special expertise in some aspect of Organisational Development related to the needs of the organization. The external ones usually are referred to as “consultants” although they usually assume a similar role. Both may be involved in a variety of activities:



- provide specialized perspectives, skills, and knowledge that the organisation does not have available or is limited in use as a formal role,
- help the organization with the problem solving procedures: identify, define and clarify the problem; generate alternatives; anticipate consequences; and plan evaluation.
- provide training and skill building to people.
- assist groups to build “team learning” skills in order to facilitate team building and development.
- develop and conduct surveys of other assessments to gather data on important organisational processes.
- impart skills to the organisation so that it can carry on with the task after the consultant has left.
- they generally do not do, implement plans, take responsibility for decision making (which the organisation can and should do for itself), or remain permanently with the organization.

Advantages and Disadvantages of Internal and External CA's

Following are the advantages of internal and external change agents:

	Internal Change Agent		External Change Agent
1.	Knows the environment, culture, people, issues and hidden agendas	1.	Provides fresh, outside, objective perspective
2.	Develops and keeps expertise and resources internal	2.	Willing to assert, challenge, and question norms
3.	Creates and maintains norms of organization renewal from within	3.	May have more legitimacy to insiders not taking sides



	Internal Change Agent		External Change Agent
4.	Provides higher security and confidentiality	4.	Brings skills and techniques not available from within organization
5.	May have trust and respect of others	5.	Bring diverse organisational experience to bear; benchmark comparisons
6.	Has strong personal investment in success		

Following are the disadvantages of internal and external change agents:

- | | |
|--|--|
| 1. May be biased; has already taken sides, or may be disliked or mistrusted by some stockholders | 1. May or may not be available when needed by the organization; may split time and commitments with other clients. |
| 2. Previous relationships may contribute to subgrouping or fragmentation | 2. High expense |
| 3. Takes CA away from other duties | 3. Takes time to become familiar with system |
| 4. May be enculturated and is “part of the problem” or does not see it | 4. May create co-dependency or may abandon the system. |
| 5. Is subject to organisational sanctions and pressures as an employee | |

Concerns Unique to Internal Change Agents: The decision to assume the role of a change agent within an organisation is an exciting challenge, but also one



froguht with risks - better one should be clear about these risks, potential complications and problems.

- **Confidentiality:** In the role of internal CA, obtain information to which you otherwise would not have access. How is personal or exclusive “inside” information treated? Who has a right to know certain information? To whom are you obligated?
- **Conflict of Interests:** When an internal CA is caught between serving oneself and serving the organisation, this is a conflict of interests. How will you avoid these, or if involved, how will you reconcile these?
- **Dual role:** This occurs when one is in dual or multiple roles that conflict or are incongruent, and therefore potentially compromise the integrity of the role. What are the effects of having CA power over your supervisor, best friends, worst enemies, or over the nature of your own position?
- **Over enthusiasm:** Be cautious in trying to do too much, bring about too many changes, or teach them everything you know too soon. Temper the opportunity to change the organization with patience and timing.
- **Stress:** There can be extreme stress and pressure from all stockholders for you to promote a particular point of view-especially from old alliances. In addition, you may be doing your regular job as well as the CA role, dealing with petty jealousies over your status, or struggling with difficult decisions. Find a way to successfully management stress.
- **Practices vs. Reality.** Be cautious and judicious in applying your novice knowledge from academic course work and simultaneous to



real consequences for real people. You do have expertise, and you also have limits: know them both.

- **Support:** As much as you provide consultation and support to your internal client system, who can you rely on for the same? Who can you go to for reality check, direct and balanced feedback, speculation and sharing ideas, and receiving encouragement and care?
- **Depth:** At what level of problem solving and disclosure should you set limits (organisational, group, interpersonal, psychological)? How is depth related to your level of skill, seriousness of the problems uncovered, and risks in handling?
- **Status:** There is much status derived from serving as an “expert”. Can you sacrifice the power and prestige in order to empower others rather than yourself?
- **Problem Focus:** There can be a temptation to focus efforts on the biggest problem of your “pet” problem, rather than to more strategically focus on the most workable problem. Pick a problem that provides the greatest ownership, has high success potential, and supports the norm to promote continued organisational development.
- **Job effects:** What are the effects of CA time on one’s regular job? Do others have to pick up the burden of your delegated tasks? Are you losing important opportunities? If you still have to do your primary job, are you getting behind, producing lower quality, or don’t have enough time?
- **Relationship effects:** How does your unique position affect others: jealousies, fears, power affiliation, delegated tasks, promotional opportunities, etc.? How will they be different when you return to your regular role?



- **Skill level:** Do you have the range and expertise in skills required for successful change given the nature of the problem(s), personalities, and stage of organisation development? Do you need to refer or request additional expertise?
- **Replaceable models:** Don't become too attached to your conceptual model for understanding the organization. It is not the only one—perhaps not even the best one. Be prepared to change when another first better or is more understandable to the client system.
- **Worst case scenario:** After your commitment and effort, are you prepared for failure and its consequences? How might this affect your prospects with the company, reputation, relationships, and future?

Contingencies that influence the choice of a CA

- Trade-offs between the internal/external advantages/ disadvantages.
- Time and availability and duration of consultations required.
- Expenses of consultation versus cost of not intervening, putting it off longer, and time of internal CA away from work.
- Seriousness of the problem and level of expertise required
- Receptiveness of the organization members and legitimacy of internal and external CA's
- Philosophy and style of a CA and compatibility with organisational culture and values (But it may be that a person with very different culture and values is exactly what is needed to help transition the organisation).

2.8 SUMMARY

A change agent is someone who acts deliberately on the environment in order to facilitate or bring about a specific change. Once the change is in process it is the



agent who takes care of decision-making and is accountable for results. In other words, a change agent is a leader who implements the various components of a previously devised action plan for organisational change by acting on the company's environment in order to bring the change about. The model leader is a change agent who facilitates the emergence of an open process in which all the corporate players have a say, so that decisions as to the advisability, objectives and procedures of the change are reached by consensus. They guide all those involved towards intelligent and shared decisions, placing their resources as facilitators at the disposal of those they work with directly, who will in turn use them to encourage the work team to adopt procedures and approaches enabling the goal to be pursued in an open and lucid manner. Effective team development is a critical factor in the success of a change process of this kind.

2.9 KEYWORDS

Homophily: Degree of closeness and similarity between the change agent and the client is an organisation.

Empathy: Understanding feelings and emotions and thoughts of others.

Change agents: The person or team that will be responsible for actually making the changes and controlling the change process in an organisation. The choices are to employ 'external change agents', outside consultants who are expert in managing change; 'internal change agents', managers from within the organisation who are knowledgeable about the situation; or some combination of both.

Team building: An OD technique in which a facilitator first observes the interactions of group members and then helps them become aware of ways to improve their work interactions.

2.10 REVIEW QUESTIONS

1. Define change agents. Discuss the characteristics of change agents.



2. Describe in detail the competencies of change agents.
3. What are the various rules of thumb for change agents? Explain.
4. Distinguish between internal and external change agents based on their role, advantages and disadvantages.

2.11 REFERENCES/SUGGESTED READINGS

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LESSON 3

ORGANISATIONAL DEVELOPMENT (OD)

STRUCTURE

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Concept of organisational development
- 3.3 Goals of organisation development
- 3.4 Assumptions and steps in organisational development
- 3.5 OD interventions
- 3.6 Summary
- 3.7 Keywords
- 3.8 Review questions
- 3.9 References/suggested readings

3.0 OBJECTIVES

After reading this lesson, you should be able to-

- Understand the concept and characteristics of the term organisational development (OD).
- Describe goods of organisational development.
- Take the assumptions and steps in organisational development.
- Discuss the OD interventions in detail.

3.1 INTRODUCTION

The organisations are complex systems comprising of many subsystems which must work together in harmony and synchronization. The fact that there are a



number of variables that affect subsystems and that the subsystems themselves interact with each other makes the system even more complicated. Adding to the complication is the dynamic nature of the environment in which the organization exists and the rapidly changing values of the variables affecting the system. Accordingly, management must be prepared to achieve a degree of organisational synthesis as well as change the organisational environment to accommodate the change in the conditions. This organisational change must be pre-planned and not be a haphazard one.

3.2 CONCEPT OF ORGANISATIONAL DEVELOPMENT

The term organisation development is used to capture the developmental efforts or the planned changes that are made in organisations on an on-going basis to improve the vitality of the organisation and its members. There are many definitions of organisation development (OD) and we can comprehensively define it as follows:

OD is a planned, systematic, organised, and collaborative effort where behavioural science and organisation theory principles and practices are continuously applied in order to increase the quality of life which is reflected in increased organisational health and vitality, enhanced individual and group members' competence and self-worth, and the general overall well-being of society.

In a sense, OD makes the difference between being and becoming– the former term reflecting a static state of things as they currently are, and the latter denoting a developmental aspect constantly experiencing a state of growing, developing, and reaching new heights. Organisations develop and grow; and so do individuals, groups, and society itself. Thus, OD signifies a planned growth and developmental strategy for organisations, making use of behavioural science, organization theory, comparative management, and other fields of scientific knowledge. Currently, more behavioural science knowledge and techniques are



used as intervention mechanisms, that is, techniques to bring about the desired changes. However, as more and more technological and demographic changes take place in the environment, the technical, structural, cultural and behavioural aspects have to be simultaneously explored, and more comprehensive intervention mechanisms will have to be used. This calls for a good knowledge of the relevant cross-disciplines such as sociology, psychology, anthropology, mathematics and decision sciences (for model building), general systems theory, socio-technical systems, and even theology to some extent, since we are now becoming cognizant of the fact that interventions such as meditation help to reduce stress at the workplace and is especially useful for managers.

OD is an educational strategy which focuses on the whole culture of the organization in order to bring about planned change. It seeks to change beliefs, attitudes, values and structures, in fact, the entire culture of the organization so that the organization may better adapt to technology and live with the pace of change. Thus, organisation development may be defined as a technique for bringing change in the entire aspects of the organization so that change is easily absorbed.

According to Beckhard, “Organisation development is an effort (1) planned (2) organisation-wide and (3) managed from the top to (4) increase organisation effectiveness and health through (5) planned interventions in the organisation’s ‘processes’, using behavioural science knowledge”. The elements of this definition are examined below:

1. **Planned change:** OD is Planned evolution and improvement. This planning includes examining the present and systematically diagnosing the organisation’s needs, formulating specific plan for improvement, and mobilising the organisational resources needed to carry out the change.



2. **Organisation wide:** The goal of OD is to improve the effectiveness of the total organisation, although specific aspects may focus on subsystems. The underlying view is that an organisation is a system of inter-related parts.
3. **Managed from the top:** In an OD effort, the manager is a key element to success. Of the change to work well, commitment from top management is crucial because it serves as a standard for the rest of the organisation's members.
4. **Organisational effectiveness:** The object of OD is to increase the health and effectiveness of the organisation. According to Beckhard, the healthy organisation manages in terms of established goals; the organisation is properly designed; decisions are made at the appropriate level; communications are relatively undistorted; win/lose activities are minimised; there is high 'conflict' regarding projects and the tasks (clash of ideas), but relatively little clash over interpersonal difficulties; there is emphasis on helping each person grow and develop; and the organisation is open and adaptive in an 'action-research' way.
5. **Planned interventions:** These are the strategies an organisation develops for using behavioural science knowledge to help it better understand its current methods of work, its norms and values and to help it examine alternative methods of relating and rewarding its members.

Characteristics of Organisational Development

The characteristics of OD implied in its definition and practice are discussed below:

1. **System Orientation:** Organisation development is system oriented. It is concerned with the interactions of the various parts of the



organisation which affect each other. It lays stress on intergroup and interpersonal relationship. It is concerned with structure and process as well as attitudes. The basic issue to which it is directed is: How do all of these parts work together to be effective? Emphasis is on how the parts relate, not on the parts themselves.

2. **Use of Change Agent:** Organisation development is generally implemented with the help one or more change agents, whose role is to stimulate, facilitate, and coordinate change. The change agent usually acts as a catalyst, sparking change within the system while remaining somewhat independent of it. Although change agents may be either external or internal, they are usually consultants from outside the company. Advantages of using external change agents are that they are more objective and have diverse experiences. They are also able to operate independently without ties to the hierarchy and politics of the firm.
3. **Problem Solving:** Organisation development is concerned with the problem solving. It seeks to solve the problems through practical experiences gained on the work and not merely through theoretical discussion as in a class room. These problems mainly occur at the time when working on the job; hence the organisational members. This focus on improving problem-solving skills by discussing data-based system problems is called action research. In other words, employees are “learning how to learn” from their experiences, so they can solve new problems in the future.
4. **Experimental Learning:** Organisation development provides experimental learning to help the participants learn new behaviour patterns through experience. They can discuss and analyse their own immediate experience and learn from it. This approach tends to



produce more changed behaviour than the traditional lecture and discussion, in which people talk about abstract ideas. Theory is necessary and desirable, but the ultimate test is how it applies in a real situation.

5. **Human Values:** OD programmes are often based on humanistic values. The values are positive beliefs about the potential and desire for growth among employees. To be effective and self-reviewing, an organisation needs employees who want to increase their skills and contributions. The best climate for this to happen is one that creates opportunities for growth by stressing collaboration, open communications, interpersonal trust, shared power, and constructive conformation. They all provide a value base for OD efforts and help ensure that the organisation will be responsive to human needs.
6. **Contingency Orientation:** Organisation development is situational and contingency oriented. As people learn to develop their behavioural concepts through experience, they can suggest various ways to solve a particular problem and to adapt any of them most suited in the present circumstances. Thus, OD is flexible and pragmatic, adapting actions to fit particular needs.
7. **Levels of interventions:** OD programmes are aimed at solving problems that may occur at the individual, interpersonal group, inter-group and total organisational level. OD interventions are designed for each level as for instance career planning at the individual level, team building at the group level.
8. **Feedback:** Organisation development supports feedback to participants so that they may be able to collect the data on which decisions are based. For this purpose participants may be divided into several groups according to the functions. Each such group



takes its own decision on the subjects referred to it, and then, the decisions forward to the other group for feedback. Each group comes to know the impression of other groups about it and then groups meet together to thrash out any misunderstanding developed among them. In this way, decisions of each group are checked by other groups and the final decision is reached.

3.3 GOALS OF ORGANISATION DEVELOPMENT

O.D. seeks to change the organisational environment in which a manager works. It aims at the improvement of the total system to ensure that the full potential of a manager's abilities is utilised, and there is a sustained change in his behaviour which is conducive to a better organisation performance. Some of the common goals of O.D. programmes are to:

- (i) develop a self-renewing, viable system which can be reorganised in a variety of ways, depending on the tasks that are to be performed;
- (ii) increase the level of trust and support among an organization's members;
- (iii) create the environment in which authority-assigned role is augmented by authority based on knowledge and skill.
- (iv) increase the openness and authenticity of communications laterally, vertically, and diagonally;
- (v) increase the level of self and group responsibility in planning and implementation;
- (vi) optimise the effectiveness of both the stable (the basic organisation chart) and the temporary systems (the many projects, committees, etc.) through which much of an organization's work is accomplished by built-in and continuous improvement mechanisms;



- (vii) move towards high collaboration and low competition between inter-dependent units;
- (viii) create conditions in which conflict is effectively managed;
- (ix) reach the point where decisions are taken on the basis of an information source rather than an organisational role;
- (x) enhance the identification of members and groups with the organization as a whole; and
- (xi) assist managers setting challenging but realistic goals for themselves.

The emphasis on the 'people' aspects of organisations does not mean that O.D. practitioners do not try to bring about changes in organization structure, practices or policies, they often, do. But the typical O.D. programme is aimed at changing the attitudes, values and beliefs of the employees, so that they themselves can identify and implement such organisational changes.

Organisation Development (OD) is the discipline directed towards using behavioural science knowledge to assist organisations adjust more rapidly to change. Using a system approach, OD has grown rapidly in response to a needed-the need for organisation to remain viable and to survive in the world of change.

(a) Benefits of OD

The following are benefits of organization development:

1. Provides opportunities for people to function as human beings rather than mere resources in the productive process.
2. Gives each member of the organisation opportunities to develop to his full potential.
3. Seeks to make the organization more effective in meeting all its goals.



4. Tries to create an environment in which exciting and challenging work can be found.
5. Gives people in organisation the chance to influence how they relate to work, the organization, and the work environment.
6. Treats each human being as a person with a complex set of needs, all of which are important in his or her work and life.

(b) Limitations of Organisation Development

Organisation development is an important technique of inducing change. It has certain limitations also which are listed below:

1. OD can be no more powerful than the behaviour science concepts on which it is based. Behavioural science has many limitations which are applicable to organisation development also.
2. OD requires use of certain persons who can take initiative to bring about change. Complacent people cannot be helpful in implementing organisation development.
3. OD cannot be applied without giving due consideration to the local circumstances existing within the organisation. The local circumstances may pose a problem in adapting to change.

3.4 ASSUMPTIONS AND STEPS IN ORGANISATIONAL DEVELOPMENT

(a) Assumptions of OD

Organisation development is based on certain assumptions which are as follows:

1. Most individuals have drives towards personal growth and development. However, the work habits are a response to work environment rather than personality traits. Accordingly, efforts to change work-habits should be directed towards changing how the person is treated than towards attempting to change the person.



2. Highest productivity can be achieved when the individual goals are integrated with the organisational goals.
3. Cooperation is more effective than conflict. Conflict tends to erode trust, prohibit collaboration and eventually limit the effectiveness of the organisation. In healthy organisations, efforts are made at all levels to treat conflict as a problem subject to problem solving methods.
4. Suppression of feelings adversely affects problem solving, personal growth and satisfaction with one's work. Accordingly, free expression of feelings is an important ingredient for commitment to work.
5. Growth of individuals is facilitated by relationships which are open, supportive, and trusting. According, the level of interpersonal trust, support and cooperation should be as high as possible.
6. The difference between commitment and agreement must be fully understood, agreeing to do something totally different from being committed to do something. Sense of commitment makes it easier when this commitment is based upon participation in the process.
7. Organisation development must be reinforced by the organisation's total human-resources system.

(b) Steps in Organisation Development

The steps in OD are explained below:

1. Diagnosis of Problem

OD programme starts with the identification of the problem in the Organisation. Analysis of various symptoms-both overt and covert-may help in identifying the problem. Diagnosis of a problem will provide its causes and determine the nature of future action needed. A lot of bad decisions are taken because the decision-maker does not have a good grasp of the problem. Therefore, adequate



information should be gathered to identify the real problem. If proper care is not taken at this stage, what may appear at first sight to be the real problem may ultimately turn out to be a mere symptom. The manager should try to have an overall view of the situation to find the real problem.

2. Planning Strategy for Change

Many firms employ management consultants to suggest strategies for change. The management consultants or OD practitioners should analyse the need for change and plan strategies of change. Various change strategies are discussed later in this chapter.

3. Collection of Data

Surveys may be made to determine organisational climate and behavioural problems. The consultant usually meets with groups away from work to develop information from questions such as these:

- (a) What kinds of conditions contribute most to your job effectiveness?
- (b) What kinds of conditions interfere with your job effectiveness?
- (c) What would you most like to change in the way this organisation operates?

4. Action Planning and Problem Solving

Work groups are assigned to review the data collected, to mediate among themselves areas of disagreement, and to establish priorities for changes. Groups use the data to develop specific recommendations for change. Discussion focuses on actual problems in their organisation. Plans are specific, including who is responsible and when the action should be completed.

5. Evaluation

Organisation development is generally a long process. Therefore, it is essential to carefully monitor the programme and get feedback regarding what is going on after the initiation of the OD programme. This will help in introducing



modifications, wherever necessary. For effective appraisal of OD programme, the use of critique sessions, systematic appraisal of change efforts, and the comparison pre-and post-training behavioural pattern is very effective.

3.5 OD INTERVENTIONS

OD interventions are the building blocks which are the planned activities designed to improve the organisation's functioning through participation of the organisational members.

OD interventions include team development, laboratory training, managerial grid training, brain storming and intergroup team building. The intervention should take place at all the three levels, namely, individual, group and organisation.

We can classify the OD interventions into three categories as follows:

- 1. Behavioural Techniques:** These techniques are designed to affect the behaviour of individuals and group. These include:
 - (i) Sensitivity Training
 - (ii) Role Playing
 - (iii) Management by Objectives
 - (iv) Grid Organisation Development.
- 2. Non-Behavioural Techniques:** These techniques are much more structured than the behavioural techniques. These include:
 - (i) Changes in organisation structure.
 - (ii) Work design
 - (iii) Job enrichment
- 3. Miscellaneous Techniques:** In addition to the above techniques, there are certain other techniques which are used in organisation development, such as:
 - (i) Survey feedback



- (ii) Process consultation
- (iii) Team building.

Some of these intervention techniques are discussed briefly:

(A) Sensitivity Training

The purpose of sensitivity training sessions, or T-groups (T for training) is to change the behaviour of people through unstructured group interaction. Members (ten to fifteen individuals) are brought together in a free and open environment, away from work places, in which participants discuss themselves freely, aided by a facilitator. No formal agenda is provided. Instead, individual personalities and group interaction, processes, and relationships become the focus of discussion. The facilitator is no teacher. Rather his role is to create an opportunity for members to express their ideas, beliefs, and attitudes.

The objectives of the T-groups are to provide the participants with increased awareness of their own behaviour and how others perceive the, greater sensitivity to the behaviour of others, and increased understanding of group processes. Specific results sought include increased ability to emphasise with others, improved listening skills, greater openness, increased tolerance of individual difference, and improved conflict resolution skills. But critics point out that all these positive effects are felt only during the training period. Away for the course the individuals are themselves with the same frailties which they possessed before participating in sensitivity sessions. Besides, the contribution of sensitivity training to individual and group performance is questioned.

(B) Role Playing

Role playing may be described as a technique of creating a life situation, usually one involving conflict between people, and then having persons in group play the parts or roles of specific personalities. In industry, it is used primarily as a technique of or modifying attitudes and interpersonal skills. Typically, the situations structured by setting forth the facts of the situation, the event that led



up to present situation and other relevant information described. For instance, two trainees may play the roles of a superior and a subordinate to discuss the latter's grievances. The purpose of role playing is to aid trainees to understand certain business problems and to enable observers to evaluate reactions to them. Role playing is generally used for human relations and sales training. This technique makes trainees self-conscious and imaginative and analytical of their own behaviour.

Role playing brings about the following benefits:

- (a) When one is asked to put one's self in someone else's place and play the role of that person, it generally increases awareness of the other's problems.
- (b) The process helps the participants to appreciate that the behaviour often is a consequence not only of their personalities but also of the situation, and helps them to identify and reconcile some of their own faults.
- (c) The trainee can broaden his experience by trying different approaches, while in a real situation he has only one chance. By evaluating the different ways of handling the same situation, he is able to see the strengths and weaknesses of these.
- (d) In a sense, role laying is more than an experience because it permits observation, discussion and emphasis that are not customarily a part of experience.

(C) Management by Objectives

Managing by objectives is a dynamic system which integrated the company's need to achieve its goals for profit and growth with the manager's need to contribute and develop himself.



Management by objectives (MBO) is a technique designed to (1) increase the precision of the planning process at the organisational level, and (2) reduce the gap between employee and organisational goals. MBO encourages performance appraisal through a process of shared goal setting and evaluation.

The key elements of MBO are:

1. Effective planning and goal setting by top management.
2. Setting of individual goals related to the organisation's goals by managers and subordinates.
3. Considerable autonomy in developing and selecting means for achieving objectives.
4. Regular review of performance in relation to objective.

Fig. 3.1 shows the MBO cycle. The actual MBO programme may vary from organisation to organisation. But the results of its application are uniform: higher morale and improved attitude, improved level of performance and contributions and a better understanding of overall organisational goals.

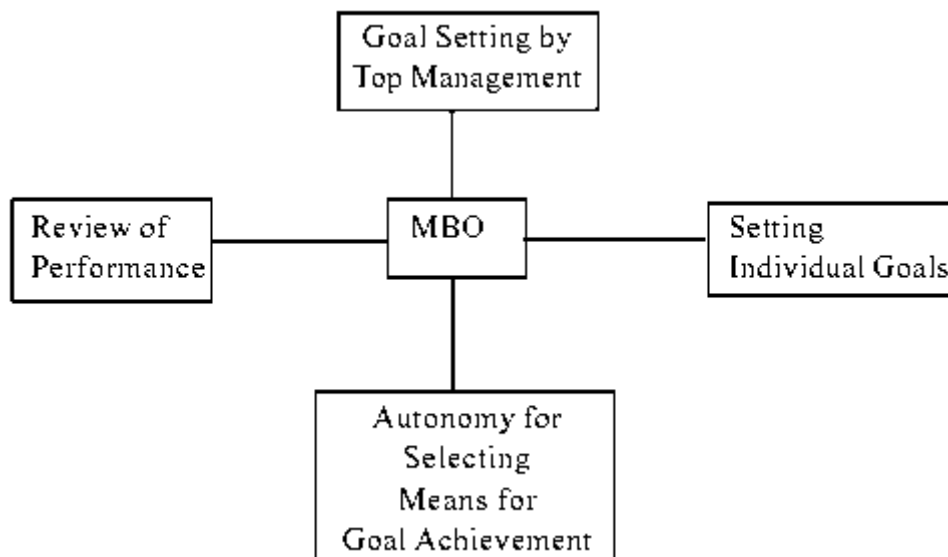


FIG.3.1: THE MBO CYCLE

**(D) Grid development**

Grid organisational development is based on Blake and Mouton's model of leadership called the managerial Grid. Their model depicts two prevailing concerns found in all organisations-concern for productivity and concern for people. Some managers are high in concern for productivity but low in concern for people; others are high in concern for people but low in concern for productivity. Besides helping managers evaluate their concern for proper and productivity, the Managerial Grid stresses the importance of developing a team-management leadership style.

In grid OD, change agents use a questionnaire to determine the existing styles of managers, help them to re-examine their own styles and work towards maximum effectiveness. A grid OD programme commonly has six phases/stages:

1. **Setting Organisational Goal:** Top managers together create an ideal model of the organisation. They set goals to be tested, evaluated, and refined by managers and subordinates working together throughout the organisation.
2. **Goal Attainment:** Organisation members seek to make the ideal model a reality. Each subunit examines how their activities should be carried out in order to achieve excellence and they proceed to take whatever corrective actions are necessary.
3. **Stabilisation:** Eventually, the results of all the phases are evaluated to determine which areas of the organisation still need improvement or alteration. Efforts are made to stabilize positive changes and to identify new areas of opportunity for the organisation.
4. **Training:** Key managers learn about grid concepts and how they are applied in a week-long seminar. They assess their own managerial styles and work on improving such skills as team development, group problem-solving, and communication. After appropriate instruction,



these key managers will work to implement the grid programme throughout the organisation.

5. **Team Development:** The trained managers bring their new understanding of Managerial Grid concepts to the work situation. Emphasis is placed on improving both manager-subordinate relationship between the organisation's work groups to improve coordination and cooperation.
6. **Intergroup Development:** This stage focuses on the relationship between the organisation's work groups to improve coordination and cooperation. Intergroup tensions are dealt with openly and joint problem-solving procedures are developed

(E) Organizational Redesign

The organisation's structure may be changed to make it more efficient by redefining the flow of authority. There can also be changes in functional responsibility, such as a move from product to matrix organisational structure.

Organisational structure often reflects the personal desires, needs, and values of the chief executive. Changing structure, therefore, may create resistance and concern because people are worried about their power or status, or how the change will affect their work groups.

(F) Job Enrichment

Job enrichment implies increasing the content of a job or the deliberate upgrading of the responsibility, scope and challenge in work. "Job enrichment is a motivational technique which emphasises the need for challenging and interesting work. It suggests that jobs be redesigned, so that intrinsic satisfaction is derived from doing the job. In its best application, it leads to a vertically enhanced job by adding functions from other organisational levels, making it contain more variety and challenge and offer autonomy and pride to employee". The job holder is given a measure of discretion in making operational



decisions concerning his job. In this sense, he gains a feeling of higher status influence and power.

(G) Work Design

Work design is a broad term meaning the process of defining tasks and jobs to achieve both organisational and employee goals, it must, therefore, take into account the nature of the business (organisational interest), the organisational structure, the information flow and decision process, the differences among employees, and the reward system. Within the broad scope of work design is the design of individual jobs, that is, job design. Job analysis is the process of obtaining information about jobs. Job redesign makes use of job analysis to redefine a job in terms of tasks, behaviours, education, skills, relationships, and responsibilities required.

When job design or redesign is the objective, job analysis is indispensable, fortunately, job designers hardly ever have to start from scratch because few functions are entirely new. Much of job design, therefore, consists of redistributing activities and reconfiguring existing jobs. Even under circumstances where jobs are entirely new, imaginative job designers have been able to describe future activities accurately.

(H) Survey Feedback

Survey feedback is one of the most popular and widely used intervention techniques, in the field of OD. It involves two basic activities: (1) collecting data about the organisation through the use of surveys of questionnaires, and (2) conducting feedback meetings and workshops in which the data are presented to organisational members.

Using standardised questionnaires, data are collected from organisational members about individual attitudes, organisational climate, and the general health of the enterprise. The questionnaires are distributed to all organisational or work unit members, completed, and returned to the change agent for tallying



and analysis. These data are then feedback to top management and other participating groups down through the hierarchy. During the final step of the process, organisational leaders conduct group meetings with the change agents, help in when the questionnaire results are discussed, problems are identified, and corrective strategies are developed.

Survey feedback is useful in as much as it helps bring about changes in attitudes and perceptions of participants. Used along with team building the impact of the survey feedback is much more positive.

(I) Process Consultation

Process consultation includes “ a set of activities on the part of a consultant which help the client to perceive, understand, and act upon process events which occur in the client’s environment”. Process consultation assumes that an organisation’s effectiveness depends on how well its people relate to one another. An organisation’s problems, therefore, often can be traced to the breakdown of critical human processes at key places. Process consultation concentrates on certain specific areas as communication, functional roles of members, group problem-solving and decision-making; group norms and growth, leadership and authority, and intergroup cooperation and competition.

Process consultation has four steps. First, an agenda setting meeting is held. Next, the group is told how well it functions. Third, individuals and groups of people are coached and counselled. Finally, structural changes are made in the group. This process typically involves a professional consultant from outside the company.

(J) Team Building

Team building is a process of diagnosing and improving the effectiveness of a work group with particular attentint to work procedures and intr-personal relationship smith in it, especially the role of the leader ion relation to other group members. Both the group’s task procedures and its human interactions



are the subjects of study in team building. The basic assumption of team building is that increasing the effectiveness of teams will improve the organization's overall effectiveness.

Team building can be directed at two different types of teams of working groups: first, an existing or permanent team made up of a manager and his subordinates, often called family group; and second a new group which may have been created through a manager or other structural change in the organisation or formed to solve a specific problem, which may be called the special group.

For both kinds of groups, team building activities aim at diagnosing barriers to effective team performance; improving task accomplishments; improving relationships among team members; and improving processes operative in the team such as communication and task assignment. Table shows the team building activities applicable to family and special groups.

TABLE 3.1: APPROACHES TO TEAM BUILDING

	Family Groups		Special Groups
1.	Task accomplishment (for example, problem-solving, decision-making, role clarification, and goal setting).	1.	Task accomplishment (for example, special problems, role and goal clarification, resource utilisation, etc.)
2.	Building and maintaining effective inter-personal relationships (for example, boss-subordinate relationships and peer relationships).	2.	Relationships (for example, inter-personal or inter-unit conflict and under utilisation of each other as resources).
3.	Understanding and managing group processes and culture.	3.	Process (for example, communications, decision-making, and task allocations).



	Family Groups		Special Groups
4.	Role analysis technique for role clarification and definition.	4.	Role analysis technique for role clarification and definition.
5.	Role negotiation techniques	5.	Role negotiation

(Source: Feed Luthans, Organisational Behaviour, op. cit., p. 603)

3.6 SUMMARY

The term organisation development is used to capture the developmental efforts or the planned changes that are made in organisations on an on-going basis to improve the vitality of the organisation and its members. OD is a planned, systematic, organised, and collaborative effort where behavioural science and organisation theory principles and practices are continuously applied in order to increase the quality of life which is reflected in increased organisational health and vitality, enhanced individual and group members' competence and self-worth, and the general overall well-being of society.

O.D. seeks to change the organisational environment in which a manager works. It aims at the improvement of the total system to ensure that the full potential of a manager's abilities is utilised, and there is a sustained change in his behaviour which is conducive to a better organisation performance.

OD interventions are the building blocks which are the planned activities designed to improve the organisation's functioning through participation of the organisational members. OD interventions include team development, laboratory training, managerial grid training, brain storming and intergroup team building. The intervention should take place at all the three levels, namely, individual, group and organisation.

3.7 KEYWORDS



Sensitivity Training: An OD technique that consists of intense counselling in which group members, aided by a facilitator, learn how others perceive them and may learn how to deal more sensitivity with others.

Process consultation: An OD technique in which a facilitator works closely with a manager on the job to help the manager improve his or her interactions with other group members.

Team building: An OD technique in which a facilitator first observes the interactions of group members and then helps them become aware of ways to improve their work interactions.

Shapers: Companies that try to change the structure of their industries, creating a future competitive landscape of their own design.

Training: Teaching lower-level employees how to perform their present jobs.

Job enrichment: Changing a task to make it inherently more rewarding, motivating, and satisfying.

Roles: Different sets of expectations for how different individuals should behave.

3.8 REVIEW QUESTIONS

1. What do you understand by Organization Development? Discuss the assumptions underlying Organization Development.
2. Explain the need for Organization Development? Briefly discuss the steps involved in this process.
3. Discuss the nature of O.D. What are the assumptions underlying O.D.?
4. Discuss the various steps involved in Organization Development. What are the limitations of Organisation Development?
5. O.D. is not the panacea for all organisational evils". Examine this statement.



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LESSON 4

ORGANISATIONAL CLIMATE AND CULTURE

STRUCTURE

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Features of organisational climate
- 4.3 Components of Organisational Climate
- 4.4 Significance of organisational climate
- 4.5 Factors influencing organisational climate
- 4.6 Techniques for improving organisational climate
- 4.7 Organisation culture: Meaning and features
- 4.8 Impact of culture on modern organisations
- 4.9 Socialisation: Familiarisation with organization culture
- 4.10 Summary
- 4.11 Keywords
- 4.12 Review questions
- 4.13 Suggested readings

4.0 OBJECTIVES

After reading this lesson, you should be able to-

- Discuss the concept, components and significance of organisational climate.
- Understand the factors influencing organisational climate.



- Suggest the appropriate techniques for improving organisational climate.
- Differentiate between values and norms and understand the way culture is shared by an organisation's members.
- Understand how culture effects the modern organisations.

4.1 INTRODUCTION

Organisational climate is the summary perception which people have about an organization. It is a global expression of what the organisation is. Organisation climate is the manifestation of the attitudes of organisational members toward the organisation itself. An organisation tends to attract and keep people who fit its climate so, that is patterns are perpetuated at least to some extent.

Forehand and Gilmer have defined organisational climate as “a set of characteristics that describe an organisation and that: (a) distinguish one organisation from another, (b) are relatively enduring over a period of time, and (c) influence the behaviour of people in the organisation.

It is often felt that any one individual may influence the organisational climate to some degree, but the tracing of the effects of individual behaviour on the climate would be quite complex and beyond the scope of this chapter. However, it may be possible to have “as many climates as there are people in the organisation”. When considered collectively, the actions of the individuals become more meaningful for viewing the total impact upon the climate and determining the stability of the work environment. It should be noted that the climate is to be viewed from a total system perspective. While there may be differences in climates within subsystems (departments), these will be integrated to a certain extent to denote overall organisational climate.

4.2 FEATURES OF ORGANISATIONAL CLIMATE

The nature of organisational climate will be clear from its following features:



- (a) **General Perception:** Organisation climate is a general express of what the organisation is. It represents the summary perception which people have about an organisation.
- (b) **Quantitative Concept:** It is an abstract and intangible concept. It is difficult to explain the components of organisation climate in quantifiable units.
- (c) **Distinct Identity:** It reflects how an organisational is different from other organisations. It gives a distinct identity to the organisation.
- (d) **Enduring Quality:** It is built up over a period of time. It represents a relatively enduring quality of the internal environment that is experienced by the organisational members.
- (e) **Multi-dimensional concept:** There are several dimensions of the concept of organisational climate such as individual autonomy, authority structure, leadership style, pattern of communication, degree of conflicts and cooperation, etc.

4.3 COMPONENTS OF ORGANISATIONAL CLIMATE

The important components that collectively represent the climate of an organisation are as discussed below:

(i) **Members' Concern**

The dominant orientation of an organisation is the main concern of its members, and this is an important determinant of climate. If the dominant orientation or concern is to adhere to established rules and regulations, the climate will be characterised by control; on the other hand, if the orientation is to produce excellence, the climate will be characterised by achievement.

(ii) **Interpersonal relationships**

An organisation's interpersonal-relations are reflected in the ways informal groups are formed, and operate to satisfy the social needs of members. If



informal relations supplement the formal procedures, the organisation will be benefited. But if some powerful groups develop who acquire power in the organisation, they may displace the goals of the organisation. Conflicts in the organisation might also be common.

(iii) Degree of Control

The control systems may be either rigid or flexible. If the control is rigidly followed, there will be impersonal or bureaucratic atmosphere in the organisation. The scope for self-regulation will be the minimum.

(iv) Individual Freedom

If the individuals are given sufficient freedom or autonomy to work and exercise authority, there will be efficiency in operations. Self-control will lighten the burden of the higher level executives.

(v) Type of Structure

It clarifies who is to direct whom and who is responsible to whom. It serves as the basis of inter-personal relations between superiors and subordinates. If the authority is centralised at the top level, the scope for participation in decision-making by the subordinates will be low. Where authority is delegated to the subordinates, there will be an atmosphere of participative decision-making.

(vi) Management Orientation (Style)

The dominant style of managers and supervisors maybe task-oriented or relations-oriented. If the task-orientation is predominant, the leadership style will be autocratic. The employees will have to increase their productivity or face punishment. Their morale will be low in the long-run.

(vii) Reward System

The system of rewards and punishments is an important component of organisational climate. When the rewards are based on merit and productivity, there will be an atmosphere of competition among employees for higher



performance. They will put more and more hard work to develop themselves and earn higher rewards such as increments and promotions.

(viii) Risk-taking

How members respond to risks and whose help is sought in situations involving risk are important in any organisation. If individuals feel free to try out new ideas without any fear, they will not hesitate in taking risks. Such an atmosphere will be conducive to innovative ideas.

(viii) Conflict Management

Differences among people and groups in organisations are not uncommon. If they are managed effectively, there will be an atmosphere of cooperation in the organisation. If they are suppressed or not handled properly, people will be unhappy and there will be an atmosphere of distrust and non-cooperation.

(ix) Degree of Trust

The degree of trust or lack of trust among various members and groups in the organisation affects the climate. If there is Mutual trust between different individuals, groups and also between management and workers, there will be peace in the organisation. The members will cooperate with one another for the attainment of organisation objectives.

The above dimensions often overlap with each other; they are not mutually exclusive. The way in which these dimensions operate in an organisation also indicates the underlying philosophy of its management.

4.4 SIGNIFICANCE OF ORGANISATIONAL CLIMATE

The study of the climate of an organisation is necessary for an insight into important dimensions such as communication, cooperation, creativity, employee satisfaction, morale, etc. All these factors determine the effectiveness of the organisation. An organisation is likely to be more effective if there is two-way communication and employees are cooperative and have better perception of the



organisation. Such employees have higher job satisfaction and feel committed to the organisation. Their productivity will also be higher.

Thus, good organisational climate is instrumented to higher employee satisfaction, better human relations and higher productivity.

The role of climate in employee's satisfaction and organisational effectiveness can be shown with a hypothetical model that specifies the relation ship between the major sets of variables. Along with structure, technology, external environment and managerial policies and practices exert important influences on climate. The emerging climate represents the arena which is influenced by managerial policies, organisation structure and technology and external environment. When climate is conducive to the needs of individuals, we would expect goal directed behaviour to be high. The ultimate behaviour or outcomes are determined by the interaction of individuals needs and perceived organisational environment. The feedback regarding resulting level of performance contributes not only to the climate of the particular work environment, but also to possible changes in managerial policies and practices. Thus, climate has an important influence on performance and satisfaction of the employees. If the climate is favourable, there would be greater organisational effectiveness.

4.5 FACTORS INFLUENCING ORGANISATIONAL CLIMATE

Organisational climate is a manifestation of the attitudes of organisational members towards the organisation. These attitudes are based upon such things as management policies, supervisory techniques, the 'fairness' of management, labour's reactions to management, and literally anything that affects the work environment. Lawrence James and Allan Jones have classified the factors that influence organisational climate into five major components:

1. Organisational Context



The management philosophy of an organisation will be evident from the goals, policies and functions of the organisation and the manner in which the goals are put into operation. For instance, the reputation of a particular company regarding the treatment of employees would provide some indication of the managerial philosophy regarding the utilisation of human resources. This philosophy of management is expressed by policies, rules, regulations and, of course, by the actions of managers. The reaction of the employees and the degree to which they agree within management's philosophy is critical to the development of a favourable climate. If management is able to match employee's goals to organisational goals, it is most likely to put a positive influence on climate. The management's attitude towards employees is indeed a major determinant to the overall organisation climate.

2. Organisation Structure

An organisation structure is the framework of authority-responsibility relationships in an organisation. It clarifies who is to supervise whom and who is responsible to whom. It serves as the basis of inter-personal relationships between the superiors and the subordinates and the peers (people of same rank in the organisation).

The organisation structure followed by management is critical organisational climate. If the top management feels the need of giving greater importance to the subordinates, it will follow a decentralised structure. There will be fewer layers in the organisational hierarchy and participative decision-making will be encouraged. The organisational climate will be conducive to the development of the employees. But if the top management likes to maintain a greater degree of consistency in decision-making, it would follow a centralized structure. This would enable greater control over decisions; and organisational climate will encourage centralised information management and decision-making.

3. Relationship between superior and subordinates



Every employee has to interact with his superior or boss for necessary instructions and guidance. It is the immediate superior who allows (or disallows) the subordinate to participate in decision-making, gives assignments, does performance appraisals, conducts performance reviews, interprets policies, determines pay increments, and decides who has the potential to be promoted. These functions are inherent in managing and every manager is concerned with these functions.

The relationship between superior and subordinate is not only of an interpersonal nature, but it also represents the primary interface between the organisation and the employee. All managers must therefore be aware of the possible influence on climate when deciding the type of leadership (autocratic or participative) to be provided to the subordinates. The effectiveness of a leadership style is determined mainly by the particular situation. In other words, the leadership style must suit the situation faced by the manager. If it is not so, the motivation level of the workers will be low, they will feel frustrated and dissatisfied and productivity may also go down. If the workers are not satisfied with the type of leadership provided, effective communication will be hindered and their morale will also be low. Therefore, every manager must consider the likely impact of this style of functioning on the organisational climate.

4. Physical environment

It has been observed that office decor, office size and the physical space allotted to a person at work (private office or general office) etc. have an important influence on the development of a favourable attitude towards the job. Noise has also been considered instrumental in influencing the climate of organisation. High level of noise may bring a bad feeling and lead to frustration, nervousness and aggression and thus have a negative effect on organisational climate. Some degree of immunity to noise may be possible when it is a steady part of the



external environment. Therefore, noise to a tolerable extent may not adversely affect the organisational climate.

5. Values and Norms

Over a period of time every organisation develops a culture of its own. Culture is the social or normality glue that holds an organisation together. It expounds the values or social ideals and beliefs that organisation members come to share. In the words of Bro Utal, “Organisation culture is a system of shared values (what is important) and the beliefs (how things work) that interact with a company’s people, organization structures, and control systems to produce behavioural norms (the way we do things).

The above quotation suggests that organisations have different cultures goals and values, managerial styles, and norms - for carrying out activities. We have already discussed as to how organisational goals and managerial styles influence the organisational climate. Now we shall study the impact of values and norms.

How Managers and Employees influence Climate?

Management plays an important role in shaping the climate of the organization. It does so by determining organisational goals, laying down organisational structure and pattern of communication and decision-making processes and also shaping of organisational norms and values. Besides, management also has direct control over the physical environment under which the employees work. In fact, management’s control over these comments means that management has the ability to affect changes in climate through adjustments in any of the components. Given the nature of the make-up of an organisation’s climate, the real effect of any action by management can never be accurately predicted. Nonetheless, management must take the initiative in improving the subordinate-manager relationship and the organisational climate. The role of managers in establishing a favourable climate is primarily action-oriented while the employees’ role is one of reaction.



The employees also exert their influence on organisational environment. They do so by trying to control their environment and bring about changes that will make their lot more endurable.

4.6 TECHNIQUES FOR IMPROVING ORGANISATIONAL CLIMATE

The following techniques may be helpful in improving the organisational climate:

- (i) **Open Communication:** There should be two-way communication in the organization so that the employees know what is going on and react to it. The management can modify its decisions on the basis of employees' reactions.
- (ii) **Concern for People:** The management should show concern for the workers. It should work for their welfare and improvement of working conditions. It should also be interested in human resource development.
- (iii) **Participative Decision-making:** The employees should be involved in goal setting and taking decisions influencing their lot. They will feel committed to the organisation and show cooperative attitude.
- (iv) **Change in Policies:** The management can influence organization climate by changing policies, procedures and rules. This may take time, but the change is long lasting if the workers see the change in policies procedures and rules as favourable to them.
- (v) **Technological Changes:** It is often said that workers resist changes. But where technological changes will improve the working conditions of the employees, the change is easily accepted. There will be a better climate if the management adopts improved methods of work in consultation with the employees.

4.7 ORGANISATION CULTURE: MEANING AND FEATURES



According to Vijay Sathe, “Culture is the set of important understandings that members of a community share in common.” It consists of patterned ways of thinking, feeling, and reacting that are acquired by language and symbols that create a distinctiveness among human groups. A system of shared values is the building block of culture.

“Culture is to a human collectivise what personality is to an individual.... Culture could be defined as the interactive aggregate of common characteristics that influence a human group’s response to its environment. Culture determines the identity of a human group in the same way as personality determines the identity of an individual. Moreover, the two interact; “culture and personality” is a classic name of psychological anthropology. Cultural traits sometimes can be measured by personality tests.

The study of organization culture is important because of the following reasons:

1. No organization can operate in isolation to its cultural environment. In other words, organisations are social systems that must inevitably operate to survive within the framework of a larger cultural system.
2. People in organization come from different cultural backgrounds. They have different beliefs, customs, understandings, preferences, etc.

Features of Organization Culture

Features of organisational culture are as follows:

- (i) The degree of responsibility and freedom and opportunities of exercising initiative that individuals in the organization have.
- (ii) The rules and regulations, and the amount of direct supervision that is used to oversee and control employee behaviour.
- (iii) The degree of assistance and warmth provided by managers to their subordinates.



- (iv) The degree to which members identify with the organization as a whole rather than with their particular work-group or field of professional expertise.
- (v) The degree to which reward system in the organization (i.e., salary increases, promotions) is based on employee performance criteria.
- (vi) The degree of conflict present in relationships between peers and work-groups as well as the willingness to be honest and open about differences.
- (vii) The degree to which employees are encouraged to be innovative and risk taking.

4.8 IMPACT OF CULTURE ON MODERN ORGANISATIONS

According to Keith Davis, the following values affect the modern organisations:

1. **Equality:** This value states that all people are equal, having equal rights. However, this value gives due recognition to different mental, emotional and social differences and hence different rewards. Another associated idea is equity which states that there should be justice in rewarding performance. The rewards should be based on performance which should be measured objectively.
2. **Security:** People seek security of job and personal life. Some sort of mental tension prevails in the mind of an employee as long as he feels insecure.
3. **Freedom:** It represents a basic cultural value that affects work in modern organisations. Freedom here refers to freedom from authority and freedom to do as one feels like, of course, subject to the constraints imposed by the society. That is to say, this freedom is within some prescribed limits. Freedom may mean different things to different people. For instance, for a employee freedom may be have a



voice in the joint council meeting, for another it may mean right to work without restrictions etc.

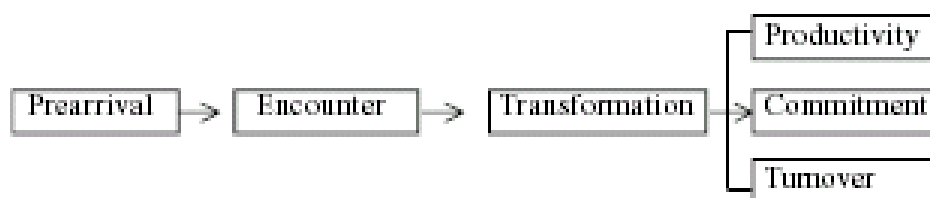
4. **Opportunity:** Another value that affects people in organisations is the opportunity. People expect many opportunities to climb the ladder in organisation.

4.9 SOCIALISATION: FAMILIARISATION WITH ORGANIZATION CULTURE

Socialisation is a process of indoctrinating the new employees into the organization culture. The organization takes steps to get them adapt to its existing culture. It socialises the new employees and moulds them to accept its standards and norms.

Socialisation is a process of adaptation by which employees are able to understand the basic values, norms and customs for becoming the accepted members of organization and assuming organisational roles. People who do not learn to adjust with the culture of organisation are labelled as 'rebels' or 'nonconformists' and may even be turned out of the organization. Socialisation performs two functions: (i) it creates uniform behaviour in members, increases understanding, reduces conflicts, etc., and (ii) it reduces role ambiguity of employees as they will come to know what is expected of them.

Maanen and Schein have conceptualised three stages in the process of socialisation: pre-arrival, encounter and metamorphosis or transformation. These are briefly discussed below:



1. Prearrival Stage



It denotes the period of learning in the socialisation process that occurs before a new worker joins the organization. The new worker has a set of values, beliefs, attitudes and expectations. Such factors must be taken care of at the selection stage. Those types of people should be selected who might be able to fit into the organization's culture. The candidates must be made aware of the organisation's values and expectations during the selection process so that the chances of wrong selection are reduced to the minimum.

2. Encounter Stage

The employee enters this stage when he joins the organization. He comes to know what the organization is really like and may find divergence between his expectations and those of the organisation. If this is so, the new employee must undergo socialisation that will detach him from his previous notions and assumptions about the organisation and make him learn another set the organization deems desirable. This induction process is helpful in many of the cases. But if the employee is not able to change his expectations and adapt to the requirements of the organization, he might have to leave the organisation.

3. Metamorphosis or Transformation Stage

Under this stage, the real transformation in the new employee takes place. He adjusts to his work group's values and norm's and becomes comfortable with the organisation and his job. His internalisation of organisation's culture wins him acceptability among his colleagues and creates confidence in him. This makes him a contented employee and he likes the place of work and enjoys the company of his colleagues. As a result, he will feel committed to the organisation and his productivity will increase. His search for job elsewhere will also come to an end. If, in any case, the employee is not able to adapt himself to the organisation culture, the result will be low productivity, lack of commitment and even leaving the organisation.



4.10 SUMMARY

Organisational climate is the summary perception which people have about an organization. It is a global expression of what the organisation is. Organisation climate is the manifestation of the attitudes of organisational members toward the organisation itself. The important components that collectively represent the climate of an organisation are- members' concern, interpersonal relationships, degree of control, individual freedom, type of structure, management orientation style, reward system, risk-taking, conflict management and degree of trust. The study of the climate of an organisation is necessary for an insight into important dimensions such as communication, cooperation, creativity, employee satisfaction, morale, etc. All these factors determine the effectiveness of the organisation. Factors influencing organisational climate include organisational context, structure, relationship between superior and subordinates, physical environment, values and norms. There are various techniques which are helpful in improving the organisational climate. These are- open communication, concern for people, participative decision-making and technological change, etc.

Culture is the set of important understandings that members of a community share in common. It consists of patterned ways of thinking, feeling, and reacting that are acquired by language and symbols that create a distinctiveness among human groups. A system of shared values is the building block of culture.

4.11 KEYWORDS

Organisational climate: It is the manifestation of attitude of organisational members towards organisation itself.

Organisational culture: The set of shared values and norms that controls organisational members' interactions with each other and with people outside the organisation.



Values: General criteria, standards, or guiding principles that people use to determine which types of behaviours, events, situations, and outcomes are desirable or undesirable.

Norms: Standards or styles of behaviour that are considered acceptable or typical for a group of people.

Socialization: The process by which members learn and internalise the values and norms of an organisation's culture.

4.12 REVIEW QUESTIONS

1. What is meant by Organisational Climate? Why is organisation climate of different organisations different?
2. Examine the factors that determine the climate of an industrial organization.
3. How do management and employees exercise their influence on the organisational climate of a firm? Discuss the techniques of improving organisational climate.
4. Explain the features of Organisational Climate. What factors influence the climate of an organisational? Discuss in brief.
5. Examine the dimensions of organisational climate. How does leadership style influence the organisational climate?

4.13 SUGGESTED READINGS

- Prasad Manmohan: Management Concepts and Practices
- M. Rokeach, The Nature of Human Values, New York, The Free Press, 1973.
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LESSON 5

THE PROCESS OF EMPOWERMENT

STRUCTURE

5.0 Objectives

- 5.1 Introduction
- 5.2 empowerment and vedic values
- 5.3 Factors fuelling the empowerment
- 5.4 Some examples of companies that have implemented empowerment
- 5.5 Empowering customer-contact employees
- 5.6 Need for empowerment
- 5.7 Process of empowering
- 5.8 Costs of empowering
- 5.9 Managerial imperatives for successful empowerment
- 5.10 Summary
- 5.11 Keywords
- 5.11 Review questions
- 5.12 References/suggested readings

5.0 OBJECTIVES

After reading this lesson, you should be able to-

- Understand and explain the concept and significance of empowerment.
- Describe the factors fuelling the empowerment need and trend.
- Explain the process of empowering in organisations.



5.1 INTRODUCTION

Empowerment is in vogue. The concepts of power and empowerment are of great interest today to people throughout the global village. Alvin Toffler (1991)¹ terms this the 'powershift era' - a deep level transformation that power can bring. The challenges posed by the ushering of liberalisation, privatisation and globalisation (domestically and globally) need new management thought, processes and new paradigm shifts. To cope up with the challenges or to transform them into opportunity, there is a need to upgrade work methods, work norms, technical and managerial skills and employee motivation in organisations. Employee's empowerment, today, is in the forefront to facilitate management efforts to bring about increased productivity and quality improvements in every sphere of activity in the organisations and to build high morale among employees which are the cornerstones of survival, competitive edge and progress.

The concept of empowerment has its roots even in Indian scriptures and philosophy. The Vedanta asserts 'Tattvamasi' (you are that). You are infinitely powerful. You have power within you. Likewise, the Bhagwad Gita (XVIII-46) specifies: 'SvaKarmana tan abhyarachya siddhim vendate Manava' [Human being can attain the 'sidhi' - the final accomplishment, by worshipping God by his work - Dwivedi (1995)]². On exploration of Indian religious literature one can discover several examples which enforce empowerment of self.

According to Vogt and Murrell, (1997)³ empowering of individuals, groups, organisations and societies is a noble, necessary and natural part of human development. Empowerment, today, is a part of the radical changes being incorporated by modern management practices in organisations. The presence of empowerment in organisations may not always be a conscious decision. However, of late its need and importance has increased multifold and is often introduced for realising organisational goals or as means of increasing efficiency.



5.2 EMPOWERMENT AND VEDIC VALUES

The sum of knowledge dawned in India. The spirit of “Vasudhaiva Kutumbakam” (The world is a family) was preached from this very soil. ‘Aham Brahmasmi (I am the lord) was propagated from this very part of the Globe. The infinite power of self in congruence with Cosmos can create infinite galaxies housing spectra of Universes. Thus was the wisdom of India. This nectar emanated from Vedas-our priceless ancient scriptures. The theme of “Empowerment” is very relevant because the two guiding elements of “Worthiness” & ‘Growth have been practised in ancient India in all forms of management. An empowering leader as a mentor removes impediments in the path of progress and creates a trust based climate of the subordinate or the team member to develop. In the generic sense it has a deep value linkage. The values of fairness and opportunity to nurture and grow are the essential drivers, Empowerment is a trust based process of making people strong enough to be able to make decision.

In the ancient Indian model, the Guru (Mentor) empowered his discipline after interpreting his ‘Patrata’ (Worthiness). The deeds of the ‘Ashram’ cycled the discipline through discipline for understanding the meaning of ‘Artha’, Vartta, Dharma.

Artha: the aspect of social power, Vartta, the aspect of economic Power & Dharma: the aspect of duty together create a fabric for experiencing the power of inner self which strives for strength in the empowerment reality. It is this strength which gives dimensions to decisions in social, economic and integrated organization from. Empowerment is that process of intrinsic energy which triggers the need and desire to perform and excel creating benchmarks of excellence. It is an unending thirst of a developer leader who creates performers.

‘Karmayoga’ is the soul of empowerment. ‘Karma’ enables people to perform and those who perform are empowered by the leader/mentor. Empowerment enables people to gain power. ‘Power’ here has a specific linkage to the ability of one to



influence other. The proximal, legitimate, relational and knowledge power gain worth and value in a value based working culture. The conscious self is aware of the power within and in an empowering climate resonates with the expectations of the leader and performs. Growth follows while meeting challenges which further reinforces trust. The performer then is 'Yogi' A 'Yogi' does everything with excellence and only for the good of others. In context to an organisation a performer in the framework of organisation systems empowers himself through performance directed towards excellence for the well being of the organisation itself. In the cosmic context every empowered individual is a bundle of infinite energy which truly reflects the power of Universe or the 'Brahama'. In Gita⁴, much before the war started; Lord Krishna urged Arjuna to become a 'Yogi'.

अनाश्रितः कर्मफलं कार्यं कर्म करोति यः।

स सन्यासी च योगी च न निरर्गुन चाक्रियः ॥

“Anashritah Karmaphalam Karyam Karm Kroti yah
Sa Sannyasi Cha Yogi Cha Na Niragnir Chakriya”

It is the seriousness to self which decides the course. An empowering leader is conscious of the detrimental impact of depowering activities viz. coercion, suppression, fear, threat and negative strokes to weaknesses of others. Even loyalty and obedience in negative connotation are depowering when they limit the domains of excellence in the framework of strictures. The energy infinite does not experience then an unfold towards the cosmos of infinite potential. The urge and zeal to excel then lack expression and always look towards the mentor for deciding the course of action which in principles is depowering.

In various roles viz. Action based, interpersonal and self, one should be conscious of powering and depowering triggers for the ultimate betterment of the organisation. In an action based situation while encounter with creativity is empowering a routine is depowering. In an international situation; help and linkage are empowering while hostility and isolation are depowering. When



coming to 'self' an urge to personal growth and development are empowering whereas stagnation, distancing and alienation are depowering.

A manager in true sense follows the theory of 'Karma' with the essence of 'Nishkama' i.e. control the process not the desirability of result or availability of circumstances.

This philosophy in itself supports the Saptasheela principles in management of self:⁵

* Atmano Mokshartham jagat hitayacha आत्मनो मोक्षार्थम् जगत् हिताय च'	Synchronize private ambition with public welfare
* Yagnarthat Karma यग्नार्थत् कर्म	Action in the spirit of worship
* Seva सेवा	Attitude of service
* Tyaga त्याग	Progressive learning
* Paraspam Bhavayantah परस्परम् भावयन्ताः	Nurturing each other
* Yogah Karmasu Kaushalam योगः कर्मसु कौशलम्	Excellence in work is yoga
* Aham Brahmasmi Tattvamasi अहम् ब्रह्मस्मि त्वमसि	I have infinite potential. You have potential

The Saptasheela principle reflect the spirit of an empowering climate. The concept of empowerment lies in belief and practice of the following:

- The deserving need to be trusted and developed



- Create a climate of trust for others to be trustworthy
- Relate infinite potential of self with excellence in work
- Yoga in true sense is the merger of attitude and action
- Empowerment is the belief in 'HIM' for 'HE' is infinite and nothing stands impossible in the journey to excellence.
- A true leader not only performs but creates performers.

The Rig Veda⁶, The earliest religious scripture in the world offers a comprehensive vision of Corporate life which is based on the vedic vision of the essential solidarity of all life.

Samgacchadhavam Samvadadhvam

Sambomanasmi Janatam

Samani Ba Akuti Samana hridayanis Ba

Samana mastu Bo Mano Yatha Va Susahasti (Rig Veda)

Common be your progress, Common be your God

Common be your purpose, Common be your deliberations

Common be your desires, unified be your hearts

United be your intentions, perfect be the amongst you

What could be a better transaction of value for a performing leader in an organisation when he starts reflecting the above lines for practising empowerment. The goal of the organisation symbolizes 'God', purpose and deliberations refer to process realities and ownership, desire and heart refer to organisation culture and partnership, intention and union refer to well being extended relationships with purpose and goal.

In value framework empowerment has a close linkage with TQM. In generic sense TQM-Total Quality Management is defined as an effective management of Business Enterprise through focus on people and processes by company wide



customer driven leadership. Thus internal customer satisfaction and external customer delight are closely linked. Let us look at the following matrix:

Determinants of organisation leadership - TQM ref:

Sr. No.	Parameter	Empowerment Linkage	Value Linkage
1.	People focus	Growth and Development through developmental supervision	People have infinite potential to perform and grow
2.	Process focus	Challenge, creativity empower	Ownership is important for collective well being
3.	Customer focus	Take care of the processed result would follow the right course.	Service and true respect purpose. Work as worship.

Enthusiasm → Endeavour/Effort Empower



Excellence

Empowerment is the preparation for ultimate organisation process worship. Let us with all dedicating to purpose in true spirit excellence in all our activities for the well being of humanity. Here, we can give a quote from Bhagvad Gita:

परस्परम् भवयन्ताः श्रेयः परम् अवप्यस्थः

“Parasparam Bhavayantah Sreyah Param avapsyatha”

By mutual co-operation, respect and fellow feeling, all of us will enjoy the highest good, both material and spiritual.

5.3 FACTORS FUELLING THE EMPOWERMENT

According to Macoby (2000)⁷ the three major factors fuelling the empowerment trend are the following:



Technology

Computers and other hi-tech tools now perform all the routine tasks that formerly required human efforts. This empowers employees by freeing them to perform more high-end work that takes creativity and initiative, which means that employees should be provided with training and information. They need to move beyond the mundane to make work tasks.

Customers

Today's customers are also empowering employees by depending on them more than ever before. When something like that happens support the employee and reward his or her work.

Organisations

Companies empower customers through the internet, where they can make their own decisions and purchases without assistance. Employees will need to find better ways to serve them, since it is also easier than ever for customers to move to a competitor.

5.3 (a) Elements of Empowerment

Simply stated, empowerment means to enable, to give power, to allow or to permit. Empowerment has been defined in several ways. Ken Murrell (1997)⁸ defines empowerment as “an act of building, development and increasing power” Conger and Kanungo(1983)⁹ sees empowerment as a motivational concept associated with ‘enabling’ rather than delegating. Gupta and Murrari (1996)¹⁰ define empowerment as “a process of making the organisation responsive and flexible, providing a climate for continuous learning, developing a culture which values initiative, honesty and encouraging the employees to take more responsibility through sharing of power and responsibility by working together.” Amalgamating the above definitions one can conclude that empowering employees means entrusting them – their intellect, their creativity, and



innovation, their commitment towards organization, which would yield a performance beyond expectations.

The most visible features of empowerment in organisations include the following:

- (i) a flatter organisation structure facilitating dispersion of authority;
- (ii) participative decision making and allied activities in the organisation;
- (iii) open communication systems and exchange of information; and
- (iv) resource sharing

As emphasized earlier, organisations today are recognising empowerment as a powerful tool, which facilitates realizing organisational objectives effectively and efficiently and brings sustainable quality improvements.

5.4 SOME EXAMPLES OF COMPANIES THAT HAVE IMPLEMENTED EMPOWERMENT

Sears, Roebuck and Co., in the early 1990's started to provide increased value of service to customers when authority was delegated to employees and individual stores.

Eastman Kodak Co. has 1,500 employees who work in self-managed teams. The Zebras (called this because they make black-and-white files) control anything from schedules to the development of new products.

General Electric, Intel Ford, Saturn, Sandinavian Airline Systems, Harley-Davidson, NCR, Goodyer, and Conrail are some of the several companies which have integrated employee empowerment as part of their TQM programs.

Enterprise Rent-A-Car is also empowering their employees to help business grow. One of the things that employees have done is offer clients fresh donuts from a customized Enterprise Rent-A-Car donut box. Resultantly, they noticed some revenue growth.



Delta Airport Inn in Richmond, British Columbia empowers their employees. Front desk clerks are entitled to give away free hotel nights if anything goes wrong with a guest regarding their guaranteed housekeeping. They have an employee empowerment policy called “License to Please” and it is strictly enforced.

Great Plains was recently recognised by Arthur Andersen with two awards: “Exceeding Customer Expectations” and “Motivating and Retaining Employees”. The company commented that the base for its superior customer service is smart, “happy and empowered employees”

United Airlines Inc. have several ways to empower their employees. Front liners and customer relations agents must, whenever possible, resolve customers’ complaints on the first contact. Travel credits, expense refunds, meal hotel and ground transportation vouchers may be given to customers who have experienced irregular flight operations.

Source: Heloisa Frago, (1999), “An overview of Employee Empowerment Do’s and Dont’s” Operations Management, P 301.

5.5 EMPOWERING CUSTOMER-CONTACT EMPLOYEES

Human resources are the most important asset of an organisation. More importantly, they are most responsive; in the sense, that any change in management’s outlook, systems, processes etc. have maximum impact on their working, their efficiency, their enthusiasm towards job and their overall commitment and loyalty towards organisation.

Customer contact employees are also a very important segment of the employee population of the organisation. Although there does not exist any specified definition of customer - contact employees (or, frontline personnel) they can be best described as people who form the vital link with the customer, are



essentially needed to deliver services and usually remain in high contact with the customers. Examples include:

- (i) Frontline personnel of service industries (hotels, airlines, hospitals etc.)
- (ii) Personal-selling sales force.
- (iii) Customer relation agents and allied personnel.

Customer contact employee play a vital role in the survival, growth and success of the organisation; for apart from performing according to their job specifications they also act as full time ambassadors of their organisations. Their attitude towards customers, job performance, skills and efficiency, reflect that of the organization. Quite often it is they who provide the much needed service differentiation which eventually paves way for the competitive edge and success of the organisation.

Customer Contact Employees reach out to customer market via interactive marketing process. Interactive marketing means that perceived quality of service depends heavily on quality of buyer-sellers interaction during the service encounter (Kotler and Armstrong, (1997)¹¹ . According to them, to satisfy customers, technical service or product has to be matched with interactive marketing skills and functions.

Customer contact employees or frontline personnel are the ones who carry the interactive marketing process and it is their skills, attitudes and commitment which directly influences the quality of service encounters or interactive marketing process (Fig. 5.1).

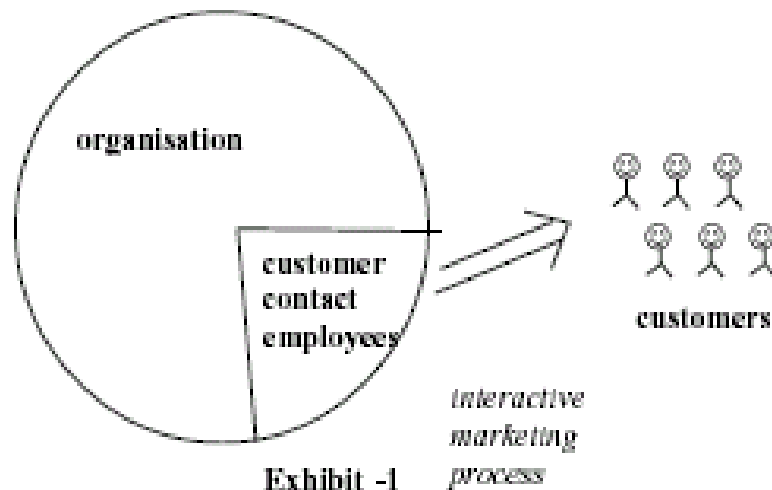


FIG. 5.1

5.6 NEED FOR EMPOWERMENT

Empowering frontline or customer contact employees no longer remains an optional decision but has become a necessity. The *reasons* are many, the *benefits* immense and the *costs* low. Why empowerment is so relevant for employees is discussed as follows:

(1) To gain customer satisfaction

Exceptional customer service gives a business an edge over its competitors. Employee empowerment is the most potent tool to achieve customer satisfaction and beyond. John Tschohl (2001)¹² has defined empowerment as “where an employee can do whatever he has to do on the spot to take care of a customer to that customer’s satisfaction-not to the company’s satisfaction”.

Thus, employee empowerment helps not only in performing the task or job efficiently as expected by customer or as specified by management but it gives the adequate leeway to satisfy or delight the customer beyond what was expected or specified.

**Disney World**

Disney believes that frontline employees should be the first and last customer contact. Employees are highly trained and given the authority to do whatever is necessary to make customers happy. Even if a supervisor sees a front line employee “giving away the store”, the supervisor will not intervene, but will discuss it with the employee later.

Motorola

Empowered employees work in teams and have authority to carry out a wide range of functions. They create their own production schedules, develop and manage budgets, schedule their training, select new team members, and choose their own leaders.

Source: Mosley, Megginson, Pietri (2001) “Supervisory Management – the art of empowering and developing people” 5th edition, South Western College Publishing, Thomson Learning, U.S.A.

(2) Customization

Customer contact employees have a high degree of personal contact with customers (particularly in service sector). Therefore it gives them the opportunity to identify their needs and requirements closely and offer products, services or solutions that are just right for the customer. This special level of customization (wherever possible) paves way to cultivating long-term relations and delighting the customer.

Midas Muffler

At most Midas Muffler shops, a mechanic’s job is narrowly defined .. lift the car on the rack, determine what’s needed, get a go-ahead from the service manager, and repair the vehicle as directed. But at some Midas shops, mechanics are empowered to do much, much more. A mechanic may handle phone customers, greet walk-in-customers, inspect a vehicle, write up an estimate and discuss it



with the customer, perform the repairs, test the car (as needed), explain and offer to sell an extended warranty, collect payment, and even adjust customers' bills when they are dissatisfied. One of the Midas manager said, "My mechanics have much more pride in their work and better understand our total operation. Also, we have customers who have identified with their service representative and only want to talk with that person."

Source: Mosley, Megginson, Pietri (2001) "Supervisory Management – the art of empowering and developing people" 5th edition, South Western College Publishing, Thomsan Learning, U.S.A.

(3) Aids complaint management

Perhaps one of the biggest advantages empowerment provides is handling any kind of complaints or crisis on the spot, or at the first step itself. "Customers want their needs met without having to pass through layers of approvals, referrals or excuses; they want 'on the spot' discussion; they want to hear what can be done instead of what cannot" (Sitterly, 1998)¹³

The Ritz-Carlton

At the Ritz, top management has empowered its employees to assure ownership of customer problems. So when a customer comes to you with a problem, it's your problem. Employees can spend up to \$2,000 to handle customer problems, ranging from mailing items, let in a room by a checked-out guest to arranging for free accommodations or complimentary meals to remedy an error.

AT&T Universal Card Services

When a cardmember calls in for help, telephone associates at the second largest card service in the industry (behind the Discover card) are empowered to do what it takes even if it includes bending the rules.



Source: Mosley, Megginson, Pietri (2001) “Supervisory Management – the art of empowering and developing people” 5th edition, South Western College Publishing, Thomsan Learning, U.S.A.

(4) Increased productivity and cost efficiency

Empowerment makes employee's feel better about their contribution towards organisational performance and, therefore, put forward their best to meet the objectives of their organisation.

‘Empowerment exercises employee's mind to find alternative and better ways to execute their jobs’ (Boone & Kurtz, 1988)¹⁴. An empowered employee can make decision in those critical and crucial movements that help save organisation from trouble later. Research has shown that when superiors share power and control with their subordinates, organisational effectiveness increases (R.J. House, 1998)¹⁵.

General Electric's Financial Services Operation

Its centralised accounting unit, faced declining morale and decreasing productivity in 1988, and set about revolutionizing its service orientation as part of a firm-wide program of cultural change dictated by CEO Jack Welch. The program included the formation of customer-focused work-teams with the authority to identify and fix problems on their own. Periodic surveys of employee morale and job satisfaction showed strong improvement, including increases in feelings of motivation, responsibility and empowerment. It resulted in productivity improvements upto 34%.

Source: Rust, Zahorik & Keningham (1999), “Service Marketing”, Eastern Press Bangalore.

(5) Employee satisfaction commitment and loyalty

It is human nature to respond favourably when given respect, importance, attention and authority. Empowerment offers all these and, therefore, results in



improving the confidence and self-esteem of employees. This in turn provides them a sense of great personal and professional satisfaction.

According to Gupta and Murari(2001)¹⁶ ‘Employee empowerment results in higher employee commitment as empowerment develops a feeling of ownership among them. They become empowered to measure and influence their individual success as well as success of their departments and their company.

(6) Potent tool for ‘Internal Marketing’

Internal marketing is an upcoming concept which works on a simple principle that satisfied employees can satisfy customers, therefore organizations should deem their customer contact employees as ‘internal market’ and give them equal importance as external market (customers). As evident from preceeding discussion, empowerment provides employees with a deep rooted satisfaction and therefore helps inculcate a strong customer-orientation.

Encapsulating the above one can simply say that empowerment helps customer contact employees meet all the marketing objectives, particularly, customer-satisfaction. It creates a win-win situation for the organisation for empowerment strikes a compatibility between organisational objectives and individual satisfactions.

5.7 PROCESS OF EMPOWERING

The process of empowerment will differ from organisation to organisation depending on their:

- concept of empowerment;
- their organisational objectives and strategies;
- their resources, financial and non financial ;
- attitudes towards customers and employees; and
- employee’s knowledge, skills, enthusiasm towards job and loyalty to organisation, etc.



The process of empowering is one of a 'planned change' i.e. it is not one which takes place with time or changes in working environment, rather it has to be ushered in very carefully. The whole process can therefore be spread in three phases.

Phase-I: Studying the work environment of the employees.

Phase-II: Redefining tasks and reallocating resources

Phase -III: Focussing on the psychological and motivational needs of employees in empowered position.

Phase-I: Studying the work environment of the customer contact employees: Empowerment is brought in to meet several objectives, such as improving the quality of service encounters, increasing efficiency and productivity, etc. Therefore it is of utmost importance to study the work environment where employee-customer interactions take place. It is therefore important to consider the following:

- (i) present quality of service encounters or customer-employee interactions and how they will improve with empowerment;
- (ii) extent to which customers are satisfied by the service-encounters and how empowerment will contribute towards it;
- (iii) present level of employee- skills, confidence, and enthusiasm towards job etc;
- (iv) financial and physical resources of the organisation;
- (v) present level of decision making authority with customer contact employees etc.; and
- (vi) Relationship between frontline employees and next, organisational hierarchy.

Such a preliminary analysis or study provides a framework that helps management design the empowering process for customer-contract employees,



so that the ultimate objectives of empowering (such as customer satisfaction etc.) are effectively met. The adage, “well begun is half done “ is very apt for this situation because careful analysis and planning will ensure that whole empowerment process goes smoothly and the purpose for which empowerment is incorporated is met without any chaos.

Biswajeet Pattanayak (2001)¹⁷ has proposed the following guidelines for empowerment process

- Understand why the organisation is making the change and what it wants to achieve
- Select strong leaders to head the change
- Involve people in planning how to introduce empowerment
- Create transition project teams to test and co-ordinate efforts and communicate results
- Provide training in new skills and behaviours
- Acknowledge and reward achievements.

Phase-II: Redefining tasks and reallocating resources: As pointed out earlier in this article, every organization will have its own concept about empowerment. There is no specified process which can be universally applied to organisations and therefore, every organisation has to design the empowerment on individual basis. What exactly needs to be done to empower will be based on the analysis of management in

Phase-I. It would include a number of activities such as *information sharing, redesigning communication system, job enrichment, allocating resources or providing decision making authority.*

Pailin (1992)¹⁸ has defined empowerment as having three major dimensions



- **Influence over standards/participative decision making:** Frontline employees know best what must be done to improve customer service. They have first-hand experience with the wide range of customer requests, and they know what is required to satisfy them. Employee input is essential to job design and setting of appropriate performance standards, and it should be taken seriously. Therefore, decision making should be participative so that employees can give continuous feedback to management on how to improve service delivery.
- **Resource availability:** To be truly empowered, employees must be given adequate tools to do the job. They need information about customers, about their organisation, its products, and its performance. They must have access to the basic equipment and supplies necessary to serve customers well. They may also require the assistance of support personnel to expedite their tasks, and they definitely need full support of senior management.
- **Decision-making authority:** Empowered employees must have the authority to make timely decisions so as to be able to take the appropriate actions during the initial moment of truth. Such decisions might have clearly identified limits that are instilled through training. This component of empowerment affects customer satisfaction most directly.

Further, *Bowen and Lawler (1992)*¹⁹ defined empowerment as the sharing of four commodities with frontline employees

- Information about organisation's performance
- Rewards linked to the organization's performance.



- Knowledge that, allows the workers to understand the organisation's performance and make contributions to it.
- Power to make decisions that influence the organizational performance.

Once again it may be emphasized that the range and continuum of activities incorporated by the organisation to empower eventually would be contingent upon the operating environment of the customer-contact employees and the organisational objectives.

Phase-III: Focussing on the psychological and motivational needs of employees in empowered position: It is not enough to mechanically undertake steps or activities to empower. Cogner and Kanungo (1988)²⁰ point out that delegating authority to employees may be necessary to empower them, but it doesn't guarantee that they will have the *will* or *incentive* to use it. They propose that employment should be thought as a motivational construct - the act of giving a person a sense of power. It is therefore important to psychologically enable employees by instilling in them a belief that their actions can make a difference.

The founder of a restaurant chain that evolved into an empowered organization found that its employee progressed through several stages. At first they were wary of using the broad authority they were told they had to delight customers. Only after considerable coaxing and demonstrations of sincerity on the part of senior management did employees come to believe in its stated commitment and embrace it wholeheartedly.

(Source: Rust, Zahorik L. Keiningham, 1999, Service Marketing).

5.8 COSTS OF EMPOWERING

Several benefits of empowerment notwithstanding, it would be worthwhile to compare them with the costs of empowering. The following are the costs which are generally involved in the empowerment process.



- **Recruitment and training costs:** Empowerment puts new demands on employees. They are responsible for determining customer needs and in showing initiative to solve service problems. Not everyone wants these responsibilities or is capable of performing the tasks required. Therefore, recruitment must be organized to identify and attract people who will thrive in an empowered organization. This process is more costly than standard recruitment. After hiring, employees in an empowered organization will need training to make sure that they understand the company and its products, their roles and the limitations of their discretion, and have the teamwork and communication skills needed to work effectively in such a culture. These training costs are also much higher than those of a non empowered employee.
- **Labour costs:** Hiring and retaining employees with the initiative and abilities to work successfully in an empowering organization may require higher wages.
- **The costs of errors:** Empowering workers also means allowing them to make mistakes, which can also be costly. For example, employees may be overly generous to aggrieved customers when helping the organization to recover from mistakes. However, empowering employees requires that the firm absorbs such mistakes as learning experiences, rather than use them as grounds to “punish the guilty”. It is the role of training to reduce the occurrence of such errors of judgement in the future.
- **Service inefficiencies and inequities:** The reduction of standardisation and increase in employee discretion that empowerment brings can also lead to ill will and calms of unfairness if customers feel that some servers are more generous or helpful or



accommodating than others. There are times when customers prefer a machine-like system that moves high volumes of customers efficiently. In these circumstances, customers will accept limited options as the trade off for smoothly run operations.

- **Role stress on employees:** When workers are empowered, middle managers must make the transformation from being a supervisor of frontline workers to a facilitator, motivator, and coach of frontline workers. This can become a very difficult, even threatening change for many managers. Frontline workers also feel stress, as they must now learn to make judgements between alternatives that satisfy customers vs. those that protect the company's profits.

In most of the cases the benefits of empowerment would outweigh the costs. Therefore the costs should not intimidate the empowerment process. Some of the costs which are non-monetary in nature such as service inequities and role stress etc. can be minimised by training, continuous management support and by having check on employee discretion.

5.9 MANAGERIAL IMPERATIVES FOR SUCCESSFUL EMPOWERMENT

The role of lower and middle level managers is vital for the success of empowerment programs for frontline. Rust, Zaharik & Kenningham (1999)²¹ have highlighted new duties at the managerial level, which are as follows:

- *Mentoring* employees in problem solving, decision making, and teamwork skills. Managers must foster a spirit of trust, treat workers with respect, and listen carefully to their ideas. They must be able to help teams and individuals make decisions for themselves.
- *Coaching* employees to do their work better. This approach requires that managers recognize achievement and provide encouragement and psychological support. They must also get away from the mind



set of punishing “wrongdoers”, and rather help employees to build from successes and learn from mistakes.

- *Setting goals* and providing incentives through compensation and special awards, both monetary and otherwise. Managers must ensure that the goals of lower level units are consistent with the goals of the organisation as a whole.
- *Facilitating* the work of the front line by making available necessary resources and training. The need for adequate resources to do the job required is clear. Continuous learning is also essential in a company that hopes to produce quality. But teams and individuals should be responsible for their own learning. It is the manager’s job to help them identify their training needs and to teach them how to learn and how to train others.
- *Coordinating* the work of teams, helping to resolve problems within and between teams, allocating resources among them, and helping them to share their best practices with other parts of the company.
- *Monitoring and evaluating* internal and external performance. Producing consistent quality requires that diagnostic measures be regularly monitored. Several measures seem to be obvious candidates for tracking the progress of an empowerment system. Measures of the effectiveness of the process itself should include surveys of employee satisfaction and employee turnover, and measures of employees’ perceptions of the extent of their empowerment.

Apart from the above, other important task is to make the *reward system* compatible with the empowerment process. Most empowered organisations find it necessary to boost the enthusiasm of their employees for their expanded roles by offering monetary incentives for well done. Sally Roberts (1994)²² has cited the following example:



Zurich-American Insurance determined that its policyholders considered it important that their phone calls were quickly answered, it set up a policy of rewards and penalties for its customer service representatives based on the number of rings of a phone before it is answered. In the words of the president, now when a phone rings in the service centre “people dive for it”.

It is important to highlight that both monetary and non-monetary incentives carry equal importance for the success of empowerment process. The value of kind words, appreciation and praise should never be underestimated.

5.10 SUMMARY

Empowerment has come to play a major role in corporate excellence. In this era of cut throat competition, (human resources) in the organisation are likely to play a decisive role and the employees which are the link between organisation and its markets, are not exception to it. Empowering them, therefore, results in greater customer satisfaction, increased capability of the organisation to customize its offering, increased productivity and vastly contributes to employee’s motivation, job satisfaction and loyalty to their organisation.

The process of empowering employees involves-studying their operating environment, reallocating resources and providing a psychological and motivational support. The success of empowerment programs would depend upon management’s sincerity as reflected by continuous support, open communication and a compatible reward system. Though empowering involves both monetary and non-monetary costs, but they can be minimised by training and monitoring programs. Eventually the benefits would always exceed costs.

Organisations, globally, have thrown open their gates to empowerment. However this concept is still in the nascent stage in so far as India is concerned. In the face of challenges brought in by the process of privatisation and globalisation, the Indian corporates are facing intensive competition both from domestic as well as multinational companies. Therefore, empowerment can be used by Indian



managers as a tool to competitive advantage. As Indian corporations have always been receptive towards modern management approaches which are practiced globally, we can foresee that it would not be long before they recognize the benefits of empowerment and incorporate it in a big way.

5.11 KEYWORDS

Empowerment: The act of delegating power and authority to a subordinate so as to facilitate him to achieve the goals of the manager.

Values: Relatively permanent desires that seem to be good in themselves.

Internal Marketing: This is the concept where organisations deem their customer contact employees as 'internal market' and give them importance as external market (customers).

Customization: The process of identifying the needs and requirements of customers and offering products, services or solutions that are just right for the customer

5.11 REVIEW QUESTIONS

1. Describe the concept of empowerment with examples.
2. Bring out the need of Empowerment. Also discuss the costs associated with employee empowerment.
3. Discuss the process of empowerment in service organisations.
4. What are the managerial imperatives for the successful implementation of employee empowerment. Discuss.

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LESSON 6

ORGANISATIONAL LEARNING

STRUCTURE

- 6.0 Objective
- 6.1 Introduction
- 6.2 Meaning of organisational learning
- 6.3 Levels of Organizational Learning
- 6.4 Necessity of organizational learning
- 6.5 The organizational learning: curve for change
- 6.6 General approaches for changing an equilibrium
- 6.7 Theory of organizational Learning
- 6.8 Goals of the organizational learning system
- 6.9 Seven steps for starting the organizational learning
- 6.10 Decision making and organization learning
- 6.11 Summary
- 6.12 Keywords
- 6.13 Review questions
- 6.14 References/suggested readings

6.0 OBJECTIVE

After reading this lesson, you should be able to-

- Explain meaning and levels of organisational learning.
- Understand the general approaches for changing an equilibrium.
- Describe theory of organisational learning and its goals.



- Know the steps for starting the organisational learning.

6.1 INTRODUCTION

Organizations are routine-based, history-dependent and target-oriented. Levitt and March (1988), in a review of research on organizational learning, find that organizations learn by encoding inferences learned from history into routines that guide behaviour. Organizations learn from direct experience as well as from the experience of others and develop conceptual frameworks for interpreting their experience.

In the new millennium, we have entered a new era in the evolution of organizational life and structure. The immense changes in the economic environment caused by globalization and technology have forced organizations across the world to make significant transformations in order to adapt, survive, and succeed in the new world.

6.2 MEANING OF ORGANISATIONAL LEARNING

Learning can be defined as a relatively permanent change in behaviour or potential behaviour that results from direct or indirect experience. Each part of this definition deserves attention. First, learning involves change. After we have learned, we are somehow different from what we were before—for better or worse. We learn new job skills and new ideas, we may also learn to steal and to avoid work.

Second, the change brought about by learning tends to be long-lasting. Thus a student memorises material for an exam, and then promptly forgets it has not really learnt anything. Like work, workers who work less at the end of the day than in the morning have not learnt to work more steadily. They are simply tired.

Third, learning affects behaviour or potential behaviour. Because we can not read minds, we must depend on observation to see how much learning has occurred. Suppose a new fellow who has been arriving at work on time sees the



boss scold some workers who come late. The punctual worker now has an added reason to be on time everyday. Even though actual behaviour has not been altered, learning has taken place because potential behaviour- the likelihood of being late-has been reduced.

Finally, the changes brought about by learning result from direct or indirect experience. The Secretary probably sat and practiced at an actual keyboard during the training session and learned, is an example of direct experience. But the punctual employee learned about punishment for tardiness only by observing what the boss said to co-workers: nothing was done or said to him directly. This is called vicarious learning. Hence, with this background let's discuss various facts of learning in the organisations. So, the organizational learning is the process through which managers seek to improve organization members' desire and ability to understand and manage the organization and its environment so that they can make decisions that continuously raise organizational effectiveness.

6.3 LEVELS OF ORGANIZATIONAL LEARNING

We can classify the learning levels of an organisation in four parts (Fig. 6.1).

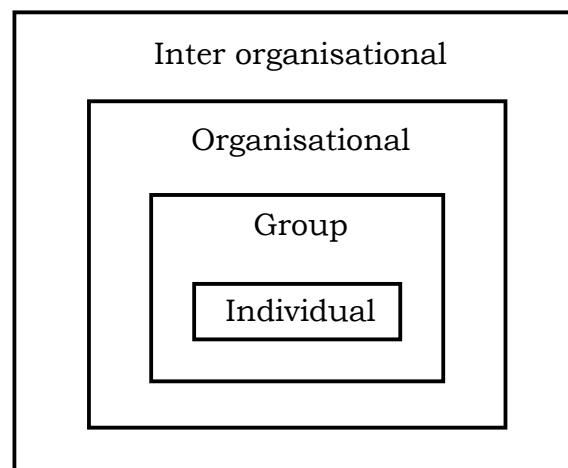


FIG. 6.1: LEVELS OF ORGANISATIONAL LEARNING

Individuality



At the individual level, managers need to do all they can to facilitate the learning of new skills, norms, and values so that individuals can increase their own personal skills and abilities and thereby he builds the organization's core competence.

Group

At the group level, managers need to encourage learning by promoting the use of various kinds of groups- such as self-managed groups or cross-functional teams- so that individuals can share or pool their skills and abilities to solve problems. Groups allow for the creation of synergism- the idea that the whole is much more than the sum of its parts-which can enhance performance.

Organizational

At the organizational level, managers can promote organizational learning through the way they create an organization's structure and culture. An organization's structure can be designed to inhibit or facilitate inter-group communication and problem solving, and this affects team members approach to learning.

Inter organizational

Organizational structure and culture not only established the shared vision or framework of common assumptions that guide learning inside an organization, but also determine how learning takes place at the inter-organizational level.

6.4 NECESSITY OF ORGANIZATIONAL LEARNING

Today, there are a growing number of organizational people becoming increasingly aware that the knowledge, the strategies, the leadership and the technology of yesterday will not lead to success in tomorrow's world. It has become obvious to them that companies have to increase their corporate capacity to learn if they are to function successfully in an environment that



includes continual mergers, rapid technological changes, massive societal changes, and increasing competition.

To obtain and sustain competitive advantage in this new world, companies realize that they have to transform the way they work and, even more importantly, transform the way they learn.

The demands put on organizations now require learning to be delivered faster, cheaper, and more effectively to a fluid workplace, and mobile workforce dramatically affected by daily changes in the marketplace than ever before. And what are some of these critical issues facing today's corporation?

- Reorganization, restructuring, and reengineering for success, it not just survival.
- Increased skill shortages with schools unable to adequately prepare for work in the 21st century.
- Doubling of knowledge every 2 to 3 years.
- Global competition from the world's most powerful companies.
- Overwhelming breakthroughs of new and advanced technologies.
- Spiraling need for organizations to adapt to change.

So, keeping all these challenges in mind, organisations should consider the following issues:

Organizational Learning and/or individual learning

Learning means change. It is not simply a matter of adding something. There is always reorganization or restructuring. There may be unlearning. Learning involves a change in behavior; learning may make us respond differently. Learning may also involve a change in the organism, and over time in the personality (Kidd, 1959). Inherent in this definition is the assumption that if a person learns there is a progression and/or a survival element that will justify the learning in some cause-effect relation.



Organizational Learning or Organizational Change

Change should, therefore, be defined as a function of both performance and learning. This definition originates from a sociological perspective and has been interpreted as $\text{Change} = \text{Performance} + \text{Learning}$. For our purposes we have defined this relation as $\text{Change} = \text{Performance} \times \text{Learning}$.

Organizational Learning or the Learning Organization

The learning organization is a representation of a desired end. Organizational learning is a representation of the dynamic human processes required to increase the cognitive capacity of the total organization.

Is it important that we make a distinction between these two terms? The answer to this question lies in our ability, or inability, as an organization to implement the actions required for reaching the end result-the learning organization.

6.5 THE ORGANIZATIONAL LEARNING: CURVE FOR CHANGE

Organizational learning curve of change

It is the period of adaptation that follows change and it typically means there will be a temporary decline in effectiveness before a group reaches a new equilibrium. Employees need time to understand and adapt in order to accept change. During this period they are trying to integrate the change, and they are likely to be less effective than they originally were. They have to get rid of old habits (unfreeze) and apply the new ones (refreeze). There are many problems to be worked out. Procedures are upset, and communication patterns are disrupted. Conflicts develop about the change, and cooperation declines. Problems arise and time must be taken to resolve them. The result is that, as the statement goes, “Things are likely to get worse before they get better.”

Building Support for Change

Assuming that management is following the model of the change process, then forces of support need to be built before, during, and after a change. Selected activities to build support are described below.

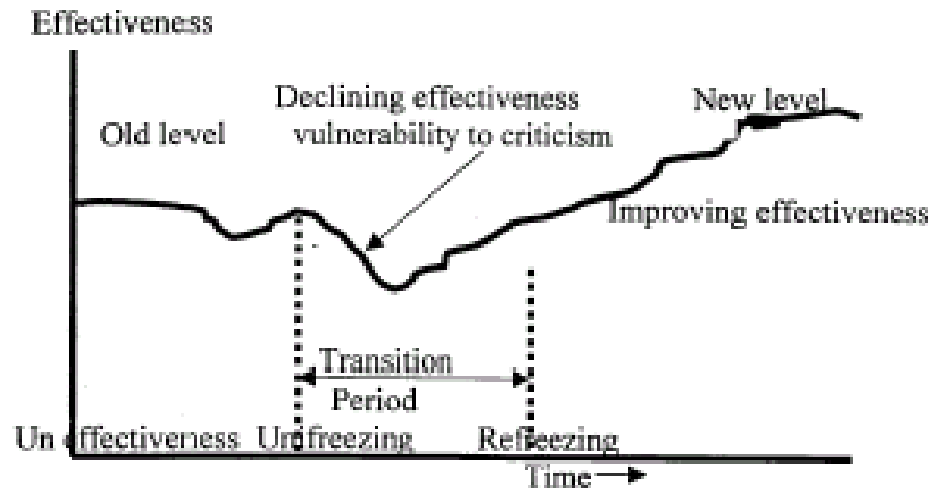


FIG. 6.2: A TYPICAL ORGANIZATIONAL LEARNING CURVE
FOR CHANGE

Use of group forces brings effective change that focuses on the group along with the individuals. Usually more than one person is involved, but more importantly the group is an instrument for bringing strong pressure on its members to change.

Providing a rationale for change capable leadership reinforces a climate of psychological support for change. The leader presents change on the basis of the impersonal requirements of the situation, rather than on personal grounds.

6.6 GENERAL APPROACHES FOR CHANGING AN EQUILIBRIUM

1. Adding new supporting forces
2. Removing restraining forces
3. Increasing the strength of a supporting force
4. Decreasing the strength of a restraining force
5. Converting a restraining force into a supporting force

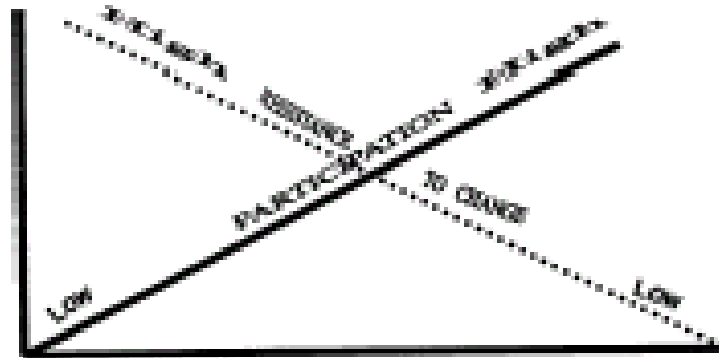


FIG. 6.3: A MODEL OF PARTICIPATION AND RESISTANCE TO CHANGE

Participation

A fundamental way to build support for change is through participation. It encourages employees to discuss, to communicate, to make suggestions, and to become interested in change. Participation encourages commitment rather than mere compliance with change. Commitment implies motivation to support a change and to work to ensure that it operates effectively.

A general model of participation and change indicates that as participation increases, resistance to change tends to decrease. Resistance declines because employees have less cause to resist. Since their needs are being considered, they feel secure in a changing situation.

Shared rewards

Another way to build employee support for change is to be sure that there are enough rewards for employees in the changed situation. It is only natural for employees to ask, “What’s in this for me?” If they see that a change brings them losses and not gains, they can hardly be enthusiastic about it.

Employee Security

Along with shared rewards, existing employee benefits need to be protected. Security during a change is essential. Many employers guarantee workers’



protection from reduced earnings when new machines and methods are introduced.

Communication

Communication is essential in gaining support for change. Even though a change will affect only one or two in a work group of ten, all of them need to know about the change in order to feel secure and to maintain group cooperation.

Stimulating Employee Readiness

Closely related to communication is the idea of helping employees become aware of the need for a change. This approach builds on the premise that *change is more likely to be accepted if the people affected by it recognize a need for it before it occurs*. This awareness may happen naturally, as when a crisis occurs, or it can be induced by management through sharing operating information with employees.

Working with Unions

Management in the performance of its function is primarily an initiator of change. The union, on the other hand, serves more as a restraint on management and as a protector of security for its members. It frequently is cast in the role of resisting change.

Working with the total system resistance to change can be reduced by helping employees to recognize the need for each change and to participate in it and gain from it. Five management guidelines for responsible change may be summed up as follows:

1. Made only necessary and useful change. Avoid unnecessary change.
2. Change by evolution, not revolution (that is, gradually, not dramatically).



3. Recognize the possible effects of change, and introduce it with adequate attention to human needs.
4. Share the benefits of change with employees.
5. Diagnose the problems remaining after a change occurs, and treat them.

Change is everywhere, and its pace is increasing. The work environment is filled with change that, while positive in intent, upsets the social system and requires employees to adjust. When they do, employees respond with their emotions as well as rational reasoning. Resistance to change can focus on the change itself or on the way it was introduced. Further, it can be logical, psychological, or sociological.

6.7 THEORY OF ORGANIZATIONAL LEARNING

The General Theory of Action

Parsons describes the General Theory of Action in terms of four subsystems: the biological organism (later renamed behavior), personality, culture, and social. Each of these subsystems of actions contributes to the survival of the total system of actions by carrying out a specific function that enables the system to adapt to its environment.

This theory provides not only a descriptive dimension of the system of organizational action, but also a conceptual framework that allows us to explain the operation or functioning of the subsystems with respect to each other and to the action system as a whole.

1. Adaptation is the complex of unit acts which serves to establish relations between the system and its external environment.
2. Goal attainment is the complex of actions which serves to define the goals of the system and to mobilize and manage resources and effort to attain goals and gratification.



3. Integration is the complex of action, the purpose of which is to establish control inhibiting deviant tendencies, maintain coordination between parts and avoid too-serious disturbances.
4. Pattern maintenance is a complex of actions that accumulates and distributes energy in the form of motivation. It is the point of contact between systems, of action and the symbolic and cultural universe.

The Organizational Learning System Model

As the environment grows in complexity it is becoming more apparent that the rate at which the organizations learn may be the deciding factor in their ability to survive or adapt to the environment. By describing the organization as a social action system and extending Parsons' General Theory of Action, we can pose questions concerning the processes used by the organizations to understand their external and internal environments. Some Persons' function allow the organization to

- Survive as a viable system of actions, to take actions different from past actions
- To know if present actions are different from the past or not, and to understand the reasons for this difference.
- To allow the collective to retain its knowledge over a period to time
- To ensure that knowledge is available to inform the actions of the entire organization

Performance- The “Other” System of Learning

As previously stated, change is a function of both learning and performance. Just as Parsons explained the system of actions in terms of subsystems, the organizational learning and performance systems are made up of subsystems of actions.



A system of organizational actions can produce change through performance. Performance consists of all behavior by which an organization disrupts its situation to a greater or lesser degree. Functions of this system are describe below

- The exchange subsystem provides the performance system with the adaptation function.
- The production subsystem provides the human performance system with the goal attainment function.
- The coordination subsystem provides the human performance system with the integration function.
- The reinforcement subsystem provides the human performance system with the pattern maintenance function.

6.8 GOALS OF THE ORGANIZATIONAL LEARNING SYSTEM

The goal of the organizational learning system is defined as transforming information into valued knowledge. This, in turn, increases the adaptive capacity of the organization in a changing environment. Goal reference knowledge is the interchange media output of the action/reflection subsystem of action. We must be careful here to differentiate between two sets of goals: there are goals associated with the actions of the organization's performance system, and there are the goals associated with the organization's learning system. In changing of the organization with the both sets of goals are identical- the changing of the organization with the purpose of survival. However, the goal of the learning system is to adapt through learning, which the goal of the performance system is to adapt through performance.

Solving Problems Via Actions/Reflection at General Electric



Probably one of the most well-known and successful of all corporate action/reflection programs is GE's workout, which began in 1989. Among the key goals of workout are:

- Solve critical system-wide problems
- Develop learning capacities of employees.
- Improve responsiveness to customers.
- Minimize vertical and horizontal barriers.
- Rid the company of boundaries and needless bureaucracy.

Action learning- A key action tool for organizational learning

Action learning is a dynamic process that involves a small group of people solving real problems while at the same time focusing on what they are learning and how their learning can benefit each group member and the organization as the whole. Benefits of action learning are:

- Shared learning throughout various levels of the organization
- Greater self-awareness and self-confidence due to new insights and feedback
- Ability to ask better questions and be more reflective
- Improved communications and teamwork.

The action learning program derives its power and benefits from six interactive and interdependent components (Fig. 6.4).

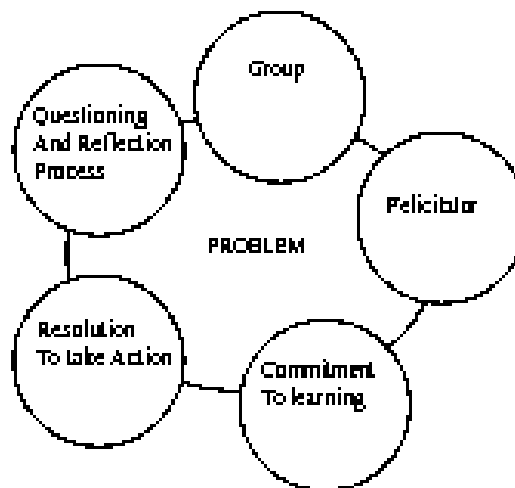


FIG. 6.4

Problem (Project, Challenge, Opportunity, Issue, or task)

Action learning is built around a problem (be it a project, a challenge, an issue, or task), the resolution of which is of high importance to an individual, team, and/or organization. Why is the selection of the problem so important? Because it is one of the fundamental beliefs of action learning that we learn best when undertaking some action, which we later reflect upon and learn from.

Action Learning Group or Team

The core entity in action learning is the action learning group (also called a set or team). The group is composed of four to eight individuals who examine an organizational problem that has no easily identifiable solution. Ideally, the makeup of the group is diverse so as to maximize various perspectives and to obtain fresh viewpoints.

Process That Emphasizes insightful questioning and Reflective Listening

Action learning takes problems through a process of first asking questions to clarify the exact nature of the problem, reflecting and identifying possible solutions, and only then taking action.

Action learning employs the formula: $L = P + Q + R$; i.e.,



Learning = Programmed knowledge + Questioning + Reflection

Resolution to take Action

For action learning advocates, there is no real learning unless action is taken, for one is never sure the idea or plan will be effective until it has been implemented. Therefore, members of the action learning group must have the power to take action themselves or be assured that their recommendations will be implemented.

Commitment to learning

Solving organizational problems provides immediate, short-term benefits to the company. The greater, longer-term, multiplier benefit, however, is the learning gained by each group member and how the group's learnings can be applied on a system-wide basis through out the organization (Fig. 6.5).

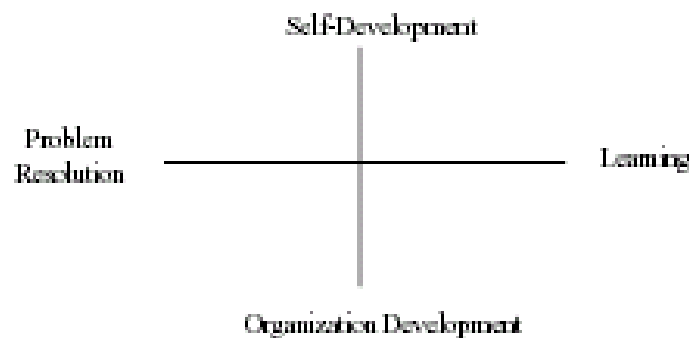


FIG. 6.5

Group Facilitator

Facilitation is important to help the group slow down its process in order to allow sufficient time to reflect on learning. A facilitator (also referred to as a learning coach or a set advisor) may be a working group member.

The facilitator is very important in helping participants reflect both on what they are learning and how they are solving problems.

6.9 SEVEN STEPS FOR STARTING THE ORGANIZATIONAL LEARNING



The process of increasing an organization's learning capabilities do not start by selecting your favourite consultant (and his or her model) or by merely having a vision or as to what you want your organization to become. It must start with an understanding of what represents the organization's present capabilities in both the performance and learning systems (Fig. 6.6).

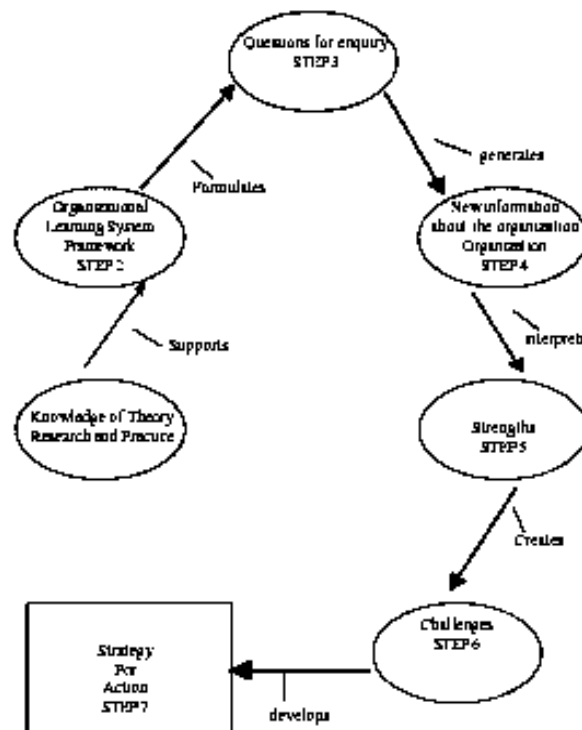


FIG. 6.6

Step 1: Knowledge of theory, Research, and Practice

By reading this chapter, you have already taken the first step. Understanding that there are multiple theories (and associated research) that address, in some cases, only parts of an organizational learning system builds a foundation for valuing information about your organization's actions. Remember that theories are not natural laws, they are simply explanations of social phenomena that have to be continuously tested within the context of any organization.

Step 2: Understanding or Organization Learning Systems Model



If you accept these arguments you also have a framework that allows you to integrate many theories, research results, and stories of practices into a quilt or map. The organizational learning system provides a dynamic social basis for judging organizational actions of both learning and performing.

Step 3: Asking Questions for Inquiry

Using the Organizational Learning Systems Model as a framework offers four sets of introspective questions, one set for each of the subsystems of learning actions. By asking these questions, the organization begins the process of generating new information concerning its learning system.

New Information and the Environmental Interface Subsystem

- How does the organization define its organizational environment?
- What are the processes used to scan the environment?
- What segments of the environment are scanned?
- What criteria are used to determine the nature of the environmental scan?
- What kind of information does the organization create?

Goal Referenced knowledge and Action/Reflection subsystem

- What criteria does the organization employ to distinguish routine issues from exceptional issues?
- At what organizational level are our problems defined?
- To what extent are employees involved in the decision-making processes?
- How open is the organization to critical inquiry and dialogue?
- Does the organization support experimentation
- Are there mechanisms in place for reflection of the collective and specifically the executive/managerial levels?

**Structuring and Dissemination and Diffusion Subsystem**

- To what extent are performance data available: individual and strategic?
- How is the role of leadership defined in the organization?
- How are knowledge and information shared: vertically and horizontally?
- How are success and failure documented?
- How is the organization structured to facilitate the integration of information and knowledge at the necessary levels.
- How are well-established technical methods communicated throughout the organization? How are new methods?

Sense making and Memory and Meaning subsystem

- How is information about technical expertise stored?
- How do you access this information when you need it?
- How does the organizational culture facilitate or inhibit information sharing?
- How does the collective create meaning?
- What value is placed on learning? Performance?
- What are the basic assumptions of the organization concerning learning?

Step 4: Convert the New Information into meaningful knowledge

These questions will generate new information about the organization that can be valued as to its meaning. Information is not knowledge. If it is converted directly into actions associated with performance, then the organization is not learning; it is simply moving information. The process of learning begins with understanding and assigning meaning to the information through reflection.

**Step 5: Analyze the inputs and Outputs of Each Subsystem**

The system's nature of organizational learning requires us to examine the inputs of each of the subsystems to ascertain the nature of the outputs. The analysis of the new information, using the context of the organizational learning system, allows the organization to develop knowledge of its strength and challenges.

Step 6: Respond to the Challenges of Each subsystem**Challenges of the Environmental Interface Subsystem**

The environmental interface subsystem of actions requires the input of sense making, structuring, and goal reference knowledge to understand the influence of these actions and the production of new information.

The analysis provides us three patterns that the learning organization must be aware of to maintain quality new information and its learning capacity:

Challenge I- Inappropriate Screening

Challenge II- Lack of Variety of Environmental Interface Actions

Challenge III- Lack of Understanding of the Role of Managemental Cognition and the Environmental Interface Subsystem

Challenges of the Action/Reflection Subsystem

The Action/Reflection subsystem of actions requires the input of sense- making, structuring, and new information understand the influence of these actions on the production of goal reference knowledge

The analysis provides us three additional patterns that the learning organization must understand and appreciate:

Challenge IV- Lack of Organizational Reflection

Challenge V- Resistance to the Dual nature of Knowledge

Challenge VI- Lack of Readiness

**Challenges of the Dissemination and Diffusion Subsystem**

The dissemination and diffusion subsystem of actions requires the input of sense making, goal reference knowledge, and new information to understand the influence of these actions on the production of structuring.

The following three challenges encounter organizations as they attempt to maintain effective structuring and to support its learning capacity:

Challenge VII- Lack of Information Movement

Challenge VIII- Inappropriate Alignment of Roles

Challenge IX- Lack of Understandable Policy Regarding Information

Challenges of the Meaning and Memory Subsystem

The meaning and memory subsystem of actions requires the input of structuring, goal reference knowledge, and new information to understand the influence of these actions on the production of sense making.

The following three patterns that the learning organization must be aware of the maintain effective sense making and to support its learning capacity:

Challenge X- Lack of Alignment in Multiple Organizational Memory.

Challenge XI- Lack of Cultural Profile.

Challenge XII- Thinking you Can Fix Only One Subsystem at a Time

Step 7: Take Action

One of the questions that occurs in this reflection process is “Once we have the information and have identified the challenges, where should we start from?” Not all of the learning subsystems are equal in their influence on the organizational learning system. They all have necessary functions; however, the guiding function of the meaning and memory subsystem is the most influential and is also the most remote and penetrable to change.



It is apparent through this cybernetic relationship, that the pattern maintenance function, as enacted through the meaning and memory subsystem, is a critical factor in understanding and possibly adjusting the organization's learning capacity.

6.10 DECISION MAKING AND ORGANIZATION LEARNING

1. Try to guard against blindness and rigidity in decision making, be on the lookout for new problems, and be open to new solutions.
2. Develop a questioning attitude, and never discount warnings that problems are impending.
3. Analyze the cognitive structures through which you and your subunit define problems. Question whether these beliefs or values reflect the realities of the situation.
4. Examine your decision making to determine whether cognitive biases are affecting the quality of your decisions.
5. To protect the quality of your decision making, develop strategies to enhance organizational learning. For example, listen to your opponents, experiment with new solutions, encourage diversity, and use dialectical inquiry.

6.11 SUMMARY

Organisational learning is the process through which managers seek to improve organisation members' desire and ability to understand and manage the organisation and its environment so that they can make decisions that continuously raise organisational effectiveness.

Broadly, there are four levels of organisational learning i.e. at individual level, group level, organisational level, and at inter-organisational level. It has become a necessity to understand organisational learning is to obtain and sustain competitive advantage in this new world. The demand put on organisations now



require learning to be delivered faster, cheaper, and move effectively to a fluid workplace. There are few general approaches for changing an equilibrium like adding new supporting forces, removing restraining forces, increasing the strength of supporting force, decreasing the strength of a restraining force and converting a restraining force into a supporting force.

In the theories of organisational learning emphasis has been laid on dynamic nature of the general theory of action where it is stressed that subsystems of the biological organisms contributes to the survival of the total system of actions by carrying out a specific function that enables the system to adopt to its environment. In the goals of organisational learning system, stress has been given to solving problems via action and action learning is key tool for organisational learning.

6.12 KEYWORDS

Organisation learning: The process through which managers seek to improve organisation members' capacity to understand and manage the organisation and its environment so that they can make decisions that continuously raise organisational effectiveness.

Communication: The transmission of information and meaning from one party to another through the use of shared symbols.

Organisational change: The process by which organisations move from their present state to some desired future state to increase their effectiveness.

6.13 REVIEW QUESTIONS

1. Define organisational learning? What are the various levels of organisational learning?
2. Describe in detail the organisational learning curve for change.
3. Elaborate the general approaches for changing an equilibrium.
4. Write down in brief the various theories of organisational learning.



5. Define goals of the organisational learning system? Also elaborate the seven steps towards organisational learning.

6.14 REFERENCES/SUGGESTED READINGS

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LESSON 7

CREATIVITY AND INNOVATION

STRUCTURE

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Meaning and definitions
- 7.3 Factors affecting creativity
 - 7.4 Stimulating creativity in organisations (K. Himes Gary)
 - 7.5 Twelve ways to kill creativity (described by K. Badawy Micheal)
- 7.6 The creative process
- 7.7 The human aspects of creativity
- 7.8 Creativity is not enough
- 7.9 From creativity to innovation
- 7.10 Inspiring innovation
- 7.11 Obstacles to corporate innovation
- 7.12 Overcoming obstacles
- 7.13 Summary
- 7.14 Keywords
- 7.15 Review questions
- 7.16 References/suggested readings

7.0 OBJECTIVES

After reading this lesson, you should be able to-



- Understand and explain meaning, definition and factors affecting creativity.
- Explain the ways to stimulate and kill creativity in organisations.
- Describe the creative process, human aspect of creativity and method to shift from creativity to innovation.
- Know various obstacles to corporate innovation and how to overcome them.

7.1 INTRODUCTION

Innovation and creativity have been credited with being the spark that makes companies great, and the power that has changed our lives in the last century. Yet the topic is not central to courses in business schools, while it can be found frequently in engineering schools and academic environments around the world. We will examine in this chapter the various important aspects related to creativity and innovation.

The science of matter began 400 years ago with Copernicus opposing the Ptolemaic theory that the earth was the centre of the universe. Newton's theories of motion, gravitation, and light as well as his invention of calculus demonstrated that modelling could provide powerful explanations of how systems of matter worked. Adam Smith, Karl Marx, and Sigmund Freud used concepts from physical models to describe how their system functioned. This stream of thinking has created an organizational design that inhibits creativity and therefore innovation.

Creativity requires a mental process that is unfettered by past dogma and deductive reasoning, but it is not non-scientific. It is a critical part of the scientific process because it generates hypotheses that are later tested with experimental data and deductive thinking. The unfettered nature of creative people makes them unpopular with institutions such as churches, businesses,



and governments that attempt to control people with dogma, rules, deductive analysis, and the control of information. Most organisations have a heavy investment in teaching deductive analysis and related control mechanisms. But as knowledge becomes the driving force in companies, it breaks down functional areas, and hierarchical organisations because no one person at the top can keep track of the rapid growth of knowledge. Now there is a clear cut paradigm shift from the science of matter to the science of knowledge. With this background let's discuss about two aspects of science of knowledge i.e. creativity and innovation.

7.2 MEANING AND DEFINITIONS

- Thinking beyond apparent dimension.
- Curiosity about life in all its aspects and dimensions is creativity.
- Creativity is to perceive, to feel, to think and to act in an off beat way...

“What is creativity? It is an illusive, subtle thing. If several people were asked to define creativity, they might call it “imagination, vision or ingenuity” others might say that it is inspiration or genius until recently, there was an acceptable belief by many that a person is born with this talent. Some authors describe it as the application of a person's mental ability and curiosity to discover something new. The act of relating previously unselected things. Too deep? Think about it as being a way of looking at things through fresh eyes” (*Schaeffer Dorothy*)

A more useful definition of creativity is the generation of ideas that result in the improvement in the efficiency or effectiveness of a system. The advantages of this conceptualization of creativity are that 1). It is results-oriented, thus establishing some objective criteria for the evaluation of creative input and 2) it opens the door to a proper valuation of creative activities that may be overlooked because they are not spectacular. The secret to creative supervision is in making the familiar strange. This means more than just drawing charts and revising



policies and procedures. The creative manager is never afraid to explore the novel approach. In fact, lack of creativity can be unwillingness to do somethings differently, not to make any waves. Putting it very bluntly, mentally and physically lazy creativity is a natural expression that each person possesses to the degree he or her wishes to exercise it. It has been said that human rights to creativity are part of the same coin. Without one, the other is impossible. The individual payoff for creativity does not necessarily come in the parycheck but in the satisfaction of working is an environment where one can experiment and develop his or her full range of potential in meeting challenges. It is more than a fashionable addition to modern management. It is a requirement demanded by rapidly changing technology and human values.

7.3 FACTORS AFFECTING CREATIVITY

1. Problem sensitivity
2. Idea fluency
3. Originality
4. Flexibility

1. Problem Sensitivity

This is basically the ability to recognize that a problem exists or to be able to cut through consider standing, false impression, lack of facts or other hurdles and recognize the fact problem.

2. Idea Fluency

This term simply means that a person can pile up a large number of alternative solutions to a given problem in a given time. The value of this lies in the fact that the more ideas you have, the greater are the chances of finding a usable one. The more plentiful your opportunities to get out of the same old ways of doing things Idea fluency depends largely upon personal mental habits.

3. Originality



“Originality” means discovering something entirely new. But the originality required of the business executives is more likely to be that of finding new ways to very existing conditions, or new ways to adapt existing ideas to new conditions, or modification of something that will fit in an existing condition.

4. Flexibility

Creative flexibility is largely concerned with willingness to consider a wide variety of approaches to a problem. This is largely a matter of attitude. Another name of creative flexibility is “creative expectancy” meaning the creative person just expects to solve the problem no matter how many failures temporarily delay the solution.

7.4 STIMULATING CREATIVITY IN ORGANISATIONS (K. HIMES GARY)

While a variety of methods have been used to simulate group creativity, several methods are more useful in a manufacturing environment. The methods are: brainstorming, circular approach, value analysis and check list techniques.

Brainstorming is extremely valuable for problems that need creative solutions. Ideally, the problem is defined and specific in scope. Several days before the session, give a subject, cluster of subjects or a problem to each participant. This gives people an opportunity to think about the matter and write down any ideas in advance. During the session, the leader’s role is to keep ideas flowing and centered around the announced topic. Get participation from everyone; do not let one person monopolize. The questions are asked about each working component in order to increase its value: What is it? What must it do? What does it do? What does it cost? What else will do the job? What will that cost?

A method of obtaining leads is to use the checklist technique. Items on a previously prepared list are checked against the problem or subject being considered. This method produces a number of general ideas for follow-up purposes.



Some items on the checklist are eliminated since they apparently do not contribute to the difficulty.

Once the checklist or a series of lists has been developed, the individual employee can easily use the appropriate list during either normal operating or emergencies. If creativity is not stimulated in the organisations, people tend to develop ways to kill creativity.

7.5 TWELVE WAYS TO KILL CREATIVITY (DESCRIBED BY K. BADAWEY MICHEAL)

1. Drag your feet. Who can argue with the painstaking manager who wants to run it through again?
2. Say yes, but do not do it. This touch of diplomacy leaves almost everyone pleased-for a while.
3. Wait for full analysis. Logic seems to be on your side.
4. Do not follow up. Drop the idea among your associates and let them worry about it.
5. Call many meetings. This will kill time and the interest of others.
6. Put the idea into channels. That way you can forget about it.
7. Boost the cost estimates. A hero's role is guaranteed for saving the company money when the idea is vetoed.
8. Wait for market surveys. They take time-may be too much.
9. Stick to protocol. Red tape will be around a long time after the dead idea.
10. Worry about the budget. Why spend money when things are going well?
11. Lack a sense of urgency. Your business has existed and will exist for a long time, so why rush?



12. Cultivate the “Not Invented Here” syndrome. If a good idea is someone else’s, do not be guilty of pushing it.

Sixty One Ways to block creativity

A good idea but ...

Against company policy.

Ahead of the times.

All right in theory.

Be practical.

Can you put it into practice?

Costs too much.

Don't start anything yet.

Have you considered...

I know it won't work.

It can't work.

Too many projects now.

It doesn't fit human nature.

It has been done before.

It needs more study

It's not budgeted.

It's not good enough.

It's not part of your job.

Let me add to that...

Let's discuss it.

Let's form a committee

Let's make a survey first.

Let's not step on toes.

Let's put it off for a while.

Let's think it over for a while

Not ready for it yet.

Of course it won't work.

Our plan is different.

Some other time.

Surely you know better.

The new people won't understand.

The old timers won't use it.

The timing is off.

The union won't go for it.

There are better ways.

They won't go for it.

Too academic.

Too hard to administer.

Too hard to implement.

Too late.

Too much paper work.

Too old fashioned.

Too soon.

We have been doing it this way for

a long time and it works.

We haven't the manpower.

We haven't the time.

We're too big.

We're too small

We've never done it that way.

We've tried it before.

What bubble head thought that up?

What will the customers think?

What will the union think.

Who do you think you are?

Who else has tried it?

Why hasn't someone suggested it before if it's good idea?

You are off base.



That's not our problem.
The boss won't go for it.

7.6 THE CREATIVE PROCESS

Ten steps to the creative process are as follows:

Step 1

The creative process is primarily perceptual, not analytical. Thus, the way your creative people see the problem at hand will affect the outcome more than any thing else. Knowing this, be careful to paint a clear picture of what you expect from the creative process. The clearer the presentation of the problem, the better the solution can be.

Step 2

Recruit and hire talented creative people, and be willing to invest in them. You must have good writers, artists, and production people working on your projects to get good results. Talent can provide you with unlimited problem-solving possibilities; a lack of talent will seriously limit what you can accomplish.

Step 3

Know your creative people's styles, moods, interests, etc. Since certain problems require certain talents, match your people to the problems by determining who is most likely to be motivated by the specific challenge. Knowing your creative personnel takes time, but the rewards are more than what you pay for this effort.

Step 4

Once the problem is clear, the talent is good, and the people are matched to the problem, turn your attention to nurturing the right environment. A good fit between talent and surroundings can have a synergy effect. Convey confidence and encourage risk-taking. Once you've turned the problem over to your creatives, let go. Defer your judgement of the process until later.



Step 5

Observe from a distance and don't interfere, but be willing to help if problems surface, such as creatives may not be working together as team. You're now a socio-emotional leader, not a taskmaster, so smooth the ruffled feathers and encourage them to move forward. Be a good listener.

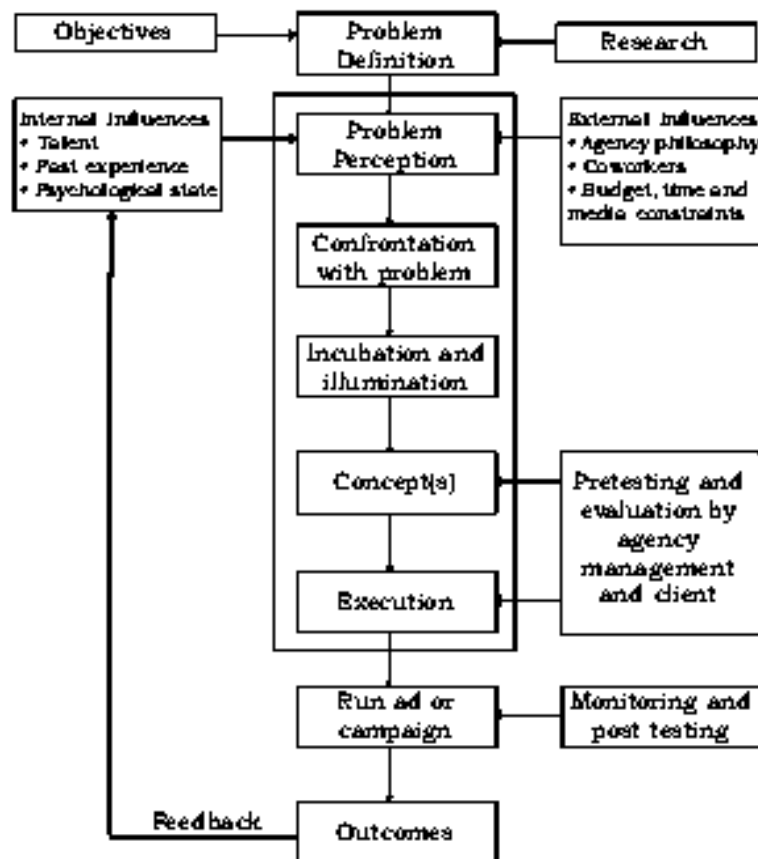


FIG. 7.1: THE CREATIVE PROCESS

Step 6

At this stage it's necessary for the creatives to get little crazy (that's how they get their ideas). First, they will attack the problem with a vengeance. Some will get irritable, others will gnash teeth, still others will appear placid. This stage is idiosyncratic and unpredictable, but let it unfold. If you want unique ideas that



solve the problem differently and better than before, let their minds race from one possibility to another.

Step 7

Let it simmer. Many creative need a period where they can get away from the problem and let it incubate. They need time. Give your creatives a free rein. But demand that the work get done on time. This a balancing act. It takes experience to know when you've reached the point where the reins need to be tightened.

Step 8

Get back to reality. There's still a problem to solve. Now is the time to judge and evaluate. Ideally, you'll have more than two good ideas to compare. Do your critical thinking out of range of your creatives. Then, carefully prepare your evaluation of their work. Be clear and specific, but also considerate. Massage their egos, but get the solution you want.

Step 9

The creative process is dynamic. Although you might be nearing the end of the project, your reaction to their creative work will affect how well the process works in the future. Always be constructive, and make sure the process ends with a sense of self-fulfillment for the creatives. Point out good aspects of all alternatives and let them know the final ideas are theirs.

Step 10

The process we've just described is depicted in Figure 1. It provides a structure for solving creative problems and identifying the most sensitive stages of the process.

Source: G. Vanden Bergh Bruce & Keith Adler

7.7 THE HUMAN ASPECTS OF CREATIVITY

1. Creativity and personal growth are interrelated



When employees are treated as adults who can creatively contribute to the success of the organization, they mature as human being. An environment conducive to creativity is a prerequisite for self fulfillment since creativity is in the mainly an expression of one's self. The individual releases creative energies that provide personal fulfillment and satisfaction, which according to Abraham Maslow is an indication of a "Healthy personality".

2. Employee creativity is not the result of planned management action

Creativity exists independent of management's actions. Management's role is should be direct the creative behaviour. As an example, one researcher found that where work methods were strictly prescribed, employees engaged in a variety of creative activities, including different types of games, purposeless antics, and singing. In this case, the creative behaviour that was used to counter job monotony was harmless. Creativity can, however, have more harmful manifestations, including clever methods to restrict output, even sabotage. As a result of smothered creativity the frustrated employees may either withdraw by engaging in day-dreaming and absenteeism, or exhibit aggressive behaviour in overt violations of organizational rules.

3. It is untrue to say that there is no proven correlation between creativity and employee performance

Many managers feel that creativity has a detrimental effect upon productivity. They believe that employees who are thinking about ideas are wasting time that should be spend producing. But researches show that there exists a statistically significant correlation between employee creativity and job performance. Creative employees seem to have a zealous regard for long hours and hard work.

4. Creative problem-solving is a function of the right hemisphere of the brain

The right half of the brain controls the creative thought process used in solving problems. It is also the source of thought initiating new programs and analyzing



contingencies. The left half of the brain controls logic and decision making based on the routine and familiar. While right hemisphere thought leads to new hypotheses, it is the left side that verifies and rationally analyzes those hypotheses. Studies have shown that in the proper environment people can be induced to utilize the right half of their brains and thus develop their creative abilities.

5. There are no techniques of measuring creativity

There is already a considerable body of research regarding the measurement of creativity. The problem is putting those findings to work.

7.8 CREATIVITY IS NOT ENOUGH

Creativity is not a miracle that leads to business growth that is so abundantly claimed these days. Because the generation of ideas and their implementation are two different things and one should understand the operating executive's day to day problems and intricate complexity of business organizations. However, ideas are often judged more by their novelty than by their potential usefulness to consumers or to the company. Moreover, a powerful new idea may remain unused in a company for years not because its merits are not recognized, but because nobody has assumed the responsibility for converting it from words into action. What is often lacking is not creativity in the idea-creating sense but innovation in the action producing sense i.e., putting ideas to work. Many people who are full of ideas simply do not understand how an organisation must operate to get things done. Advocates of creativity must understand the pressing facts to the executive's life. Every time an idea is submitted to him it creates more problems for him-and he already has enough.

7.9 FROM CREATIVITY TO INNOVATION

What does the term innovation mean?

The term "innovation" makes most people think first of technology-new products and new methods for making them. Typically, the word creates an image of an



invention, a new piece of technical apparatus, or perhaps some thing of conventionally scientific character. When asked to list some of the major innovations of the last few years, most people mention microprocessors and computer-related devices. Few people mention new tax laws or the creation of enterprise zones, even though these too are innovations. Fewer still, if any, mention such innovations as quality circles or problem-solving task forces.

This situation is unfortunate, for our competitive world requires more social and organizational innovation runs far ahead of our ability to use it because of lack of organizational change, we are simply wasting money (e.g. using expensive computers as typewriters because no one's changed the office system).

Innovation thus refers to the process of bringing any new, problem-solving or opportunity-addressing idea into use. Ideas for reorganizing, cutting costs, putting in new budgeting systems, improving communication, or assembling produces in teams are also innovations. (*Moss Kanter Rosabeth*)

7.10 INSPIRING INNOVATION

1. Make it the norm

Many companies make innovation front page news, and that special attention has a peeradonical effect by serving it up as something anoetic, you isolate it from what's normal. Companies don't trumpet their quality assurance processes or their peenaging as special practices because they are pent of the fibre of what they do they are ordinary business. The same has to be true of Innovation.

2. Put aside ego

One of the hardest things about innovation is getting people to accept that the way they work just might not be the best. For being innovative, people must broaden their perspective.

3. Mix people up



One of the surest ways to get a job done more innovatively is, quite simply, to reorganize frequently. When you put people into a new structure, it stimulates them to rethink what they're doing on a day to day basis.

4. Don't Fear Failure

Innovation is about taking risks and learning from failure. You need to encourage innovation when your company's doing well. The last thing you want to do when you are in the lead is become complacent.

5. Hire Outsiders

Employing people with diverse skills and talents helps us challenge the status quo when developing business strategies. Most banks, for example, look at in-store banking as a service for existing customer.

6. Abandon the Crowd

A nearly universal misconception about innovation is that the ideal goal is to create the next hot product. That's why most companies focus their R & D money there. But because it's increasingly easy for other companies to copy any new product, you rarely get a return on those investments. So the first thing that needs to be done to encourage innovation is to help people see that there are actually different types of innovations and product innovation is just one type; and innovation in customer service, in business models, in networking, etc. too might be exercised.

7. Let Go of Your Ideas

It's essential to build a culture where there's no such thing as a bad idea. We don't debate their value. Our priority should be simply to get as many ideas as possible out of individuals' heads.

8. Don't Underestimate Science



One primary obstacle to innovation is getting funds. There's a general belief among non scientists that particle physics will not yield the kind of commercial applications that physics research did in the twentieth century.

9. Fight Negativity

Innovation is like professional sports: It looks easy, but when you're on the field, you see how complicated and difficult it is. When companies get discouraged by these challenges and lose conviction, they make mistakes.

10. Merge Patience and Passion

If the tools you're working with the hammers, you don't want all problems to be seen as nails.

11. Make It Meaningful

One way we try to foster innovation-both the technological innovation that leads to new drugs and the organizational innovation that improves the way we do business is to align our business objectives with our ideals. Doing so reaches people's intrinsic motivation.

"People do a better job when they believe in what they do and in how the company behaves, when they see that their work does more than enriching shareholders.

12. Don't Innovate, Solve Problems

Innovation is good only if it's useful. Some companies reorganize every six months just to do something different what they really need is better internal communication, not a new reporting structure.

So how do you encourage useful innovation? By doing two things. One you have to promote risk taking-be open to experimentation and be philosophical about things that go wrong.

And two, you have to give people a reason to be enthusiastic about trying new tools, whether you're selling the tools or trying to get them used internally.



7.11 OBSTACLES TO CORPORATE INNOVATION

1. Very Large organizations foster resistance to change

A large corporation is a formalized structure which maintains and manages the successes of the past. Procedures have been designed to achieve efficiency in “doing what we do best”. Innovation may disrupt the stable state of corporate society and interfere with the corporation’s vigorous and continuing efforts to be efficient. In a large, established organization, innovation thus meets a wall of resistance.

2. Innovation may threaten current successes

Frequently, large corporations are reluctant to innovate in areas which would compete with their already existing products, markets, and/or technologies. Honeywell, for instance might not be expected to develop a digital thermostat because it currently commands the dominant position in the mechanical thermostat market. In addition, huge sums have been spent to automate the production of its mechanical thermostat. The company is not likely to risk losing market share and its capital investment for the sake of innovation.

3. The corporate Hierarchy breeds conservative subordinates

The relationship of boss and subordinate may lead to conservatism. Subordinates who take risks are exposed to the possibility of bad outcomes. Since bosses tend to spend more time worrying about problems than thinking about successes, bad outcomes are more likely to be noticed and remembered than good outcomes. The subordinate who takes risks thus may turn up as the one who seems to cause the most problems. When the subordinate and the boss are not in daily contact, it is difficult for the boss to evaluate the appropriateness of the subordinate’s risk taking. At higher levels, where subordinates and bosses have even less frequent contact, negative consequences of risk taking by subordinates may be more pronounced. To the extent that this observation of corporate life pertains, truly innovative people are not as likely to be promoted



and rewarded vis-a-vis their conservative counterparts. As a result, large corporations tend to be staffed with more conservative people.

4. Product/market boundary charters sometimes preclude innovation

When development work goes on within a corporate divisional structure, division business charters sometimes cut off potentially successful innovations because they do not match the current narrow objectives of that division.

5. In a large organization, the separation of power constitutes a “weakest link” constraint on innovation

Innovation requires both development and marketing of the product. These functions are usually separated in large organizations because specialization is believed to enhance efficiency. As a result, coordination is more difficult, and inflexibility is likely. The separation of development and marketing may lead to a “propose and dispose syndrome”, where each function is free to propose something which must be disposed of, or acted upon, by the other function. Since enthusiasm and vision are critical to innovation, it is difficult for one function to sell its idea to the other. The result is conservative moves that satisfy the minimal vision of both functions.

6. The politics of large organizations can lead to compromises that decreases the effectiveness of attempts at innovation

The balance of organizational power can lead to other difficulties as is exemplified by the old adage that “a camel is a horse designed by a committee”. V. Stefflre observes that new product champions sometimes try to form a coalition of committed advocates to a project by delegating selected components of the development process so that each group involved gets something that they personally want. However, the net result might be seen by consumers as a nothing product-not because it doesn't have striking components because the components might not be compatible with each other and hence and cancel each



other out. Each member of the coalition can then, with justification, blame participants other than himself for the product's failure.

7. The large firms tend to emphasize short-run efficiency

Large organizations use management control systems which emphasize financial measures such as short-term profits, the bottom line, and return on investment become the objectives. These are measured on a yearly basis. But the payoff from innovation is typically for at least five or more years.

8. The rotation system of training managers at large corporations develop a short-run perspective in managers

Large enterprises train their managers by rotating them through the organization. Assignments for fast-track, bright managers are seldom made for more than two years. Thus, these individuals do not see innovations are being within their horizons on any particular assignment.

9. Large organizations can only get excited about something big

Frequently, large corporations view a given market opportunity as too small to be interesting. However, these small market niches sometimes mushroom into sizable markets over time when proper market development is practiced (as happened, for instance, with the markets for granola, fiber optics, and lasers). Spin-off firms are often started by individuals who leave a large firm because it does not allow them to pursue an innovative project. Some times these spin-offs become very successful. The Control Data corporation is a prime example. CDC was a spin-off from the Univac division of Sperry Rand in 1957; now CDS dwarfs its parent organization.

10. Large firms have marketing departments that follow, rather than lead the market

Narrow and inappropriate application of the marketing concept has sometimes led companies to be driven by market needs which are existent and to ignore



latent or potential needs. If too much reliance is placed on market surveys, consumer questionnaires, and test panels for new product ideas, the tendency is to develop incremental product improvements or changes in existing products rather than to develop new products for which there may be no readily perceived or existing market.

11. For large organization, growth opportunities exist through acquisition

Sometimes large organizations think in terms of achieving acquisition. Such a strategy is essentially evidence of the greater difficulty of being innovative within the existing corporate structure. But the decision to emphasize a strategy of absorbing already successful innovations may discourage new developments at home.

7.12 OVERCOMING OBSTACLES

1. Goals are set for innovative achievement

At 3M, for instance, every division is expected to get 25 per cent of its sales each year from products that did not exist five years earlier. As Daniel J. Mac Donald, general manager of 3M's Occupational Health and Safety Products Division, comments: "Our top executives are never interested in what you've already got on the market. They want to know what's new".

2. Managers are encouraged to take a long-term perspective

As Dr. J. Elder, General Manager of the New Business Ventures Division of 3M, notes: "We only think of Cinderella on the night of the Ball, but we tend to forget she was around being formed for eighteen years before that, So it is with new technology and new ventures".

3. Successful innovation is rewarded

At International harvester, inventors are given large cash bonuses and lavish praise. An \$ 11,000 banquet was recently thrown for one inventor.

4. Failures are accepted as part of the game



Managers and researchers who spawn a loser often are given a second and third chance by companies which realize that even the most effective innovator faces a high risk of failure in the extremely complex and competitive business of innovation.

5. Engineers and research scientists are encouraged to meet the customer

A recent survey of high technology firms noted that business units managers in successful, high technology companies encourage their product development engineers to go out into the field. These managers want their designers to meet users directly in their own environment rather than having user's needs communicated to designers via the marketing department. Hank Gauthier, a division manager at Coherent Corporations, notes:

There is a danger that the marketing identification of an opportunity will not get translated down to the lab inventors in a way that they can completely appreciate. To overcome that, you have to have the lab people, get out to see the customer, to appreciate his point of view. These are, things that are very difficult to communicate through a written report. These customer interactions can trigger creative thought on the part of the design engineer that may never really come to the mind of the marketer. This relationship between the design engineers and the customer also has a motivational component. The marketing department doesn't have to work as hard to sell the designer what features and characteristics the product needs to have.

6. Special unrestricted funds are made available to explore innovative ideas without upper-level approval

For instance, Texas Instruments has a program called IDEA which allows forty program representatives throughout the company to finance long-shot projects without any higher-level approval.



7. Customers are carefully screened to identify new ideas

User groups and customer conferences are continually held to identify customer reactions, problems, ideas, and innovative suggestions. Hewlett-Packard and Wang Laboratories have institutionalized these procedures.

Large corporations face substantial obstacles to innovation. If top management is not vigorous enough at encouraging and stimulating innovation, it is unlikely to occur. But the obstacles to corporate innovation can be overcome, and some leading corporations have created the appropriate climate. There appears to be no panacea, such as the much touted corporate-venture groups approach. It takes creative, planned, long-term determination and emphasis by top management to generate the innovative result.

7.13 SUMMARY

Creativity is the application of a person's mental ability and curiosity to discover something new. It is also known as the generation of ideas that result in the improvement of the efficiency or effectiveness of a system. There are mainly four factors that affect creativity i.e. problem sensitivity, idea fluency, originality and flexibility. While a variety of methods have been used to stimulate group creativity, several methods are more useful in a business environment. The methods are: brainstorming, circular approach, value analysis and checklist techniques. The creative process begins with perceptual aspects instead of analytical. In the human aspects, creativity and present growth are interrelated and employee's creativity is the result of planned management action. But creativity alone is not the kind of miraculous that leads to business growth.

Innovation can be defined as using creativity to add value. It refers to the process of bringing any new, problem solving or opportunity addressing idea into use. Following are the ways to inspire innovation. Make it the norm, put aside ego, mix people up, don't fear the future, hire the outsiders, abandon the crowd, let go of your ideas, don't underestimate science, and fight negativity etc.



There are certain obstacles to corporate innovation like large organisations foster resistance to change, innovation may threaten current successes, the corporate hierarchy breaks conservative subordinates, and product/market boundary charters sometimes preclude innovation. But these obstacles can be removed if following things are taken care of. Goals are set for innovative achievement, managers are encouraged to take a long-term perspective, successful innovation is rewarded, failures are accepted as part of the game, engineers and research scientists are encouraged to meet the customer and special unrestricted funds are made available to explore innovative ideas without upper-level approval.

7.14 KEYWORDS

Creativity: Ideas going beyond the current boundaries, whether those boundaries are based on technology, knowledge, social norms, or beliefs.

Innovation: The process by which organisations use their skills and resources to develop new goods and services or to develop new production and operating systems so that they can better respond to the needs of their customers.

Quantum technology change: A fundamental shift in technology that revolutionizes products or the way they are produced.

7.15 REVIEW QUESTIONS

1. Elaborate the concept of creativity and innovation.
2. Describe the process of creativity.
3. Narrate in detail the corporate obstacles to innovation.
4. Write short notes on the following:
 - i) Human aspects of creativity.
 - ii) Factors affecting creativity.
 - iii) Stimulating creativity in organisations
 - iv) Methods of inspiring innovations



7.16 REFERENCES/SUGGESTED READINGS

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LESSON 8

CONFLICT AND NEGOTIATIONS

STRUCTURE

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Nature of conflict
- 8.3 types of conflict
- 8.4 The role of conflict in today's organizations
- 8.5 Types of conflict situation
- 8.6 aspects of conflict
- 8.7 Resolving conflict
- 8.8 Negotiations
- 8.9 Summary
- 8.10 Keywords
- 8.11 Reveiw questions
- 8.12 References/suggested readings

8.0 OBJECTIVES

After reading this lesson, you should be able to-

- Describe nature, types and role of conflict in organisations.
- Understand the methods of conflict resolution and negotiations.
- Identify the levels of conflict in organisations.



8.1 INTRODUCTION

An organisation is a collection of individuals and groups. As the situation and requirements demand, the individuals from various groups. The success of the organization as a whole depends upon the hormonal relations among all interdependent groups, even though same intergroup conflicts in organizations is inevitable. The idea is to study intergroup behaviours within an organization so that any conflict can be recognized and dealt with by the management.

To understand how groups interact with each other, such variables that characterize and affect Inter-group behaviour must be identified. The extent of group interaction would depend upon the extent of interdependence as well as the extent of differentiation among these groups.

Conflict is a part of everyday life of an individual or of an organization. Conflict has considerable influence on employee behaviour, performance, and satisfaction. It also affects an organization's effectiveness.

8.2 NATURE OF CONFLICT

Conflict is defined as “the struggle between incompatible or opposing needs, wishes, ideas, interests, or people. Conflict arises when individuals or groups encounter goals that both parties cannot obtain satisfactorily.

The concept of conflict, being an outcome of behaviours, is an integral part of human life. Wherever there is interaction, there is conflict. Conflict can be defined in many ways and can be considered as an expression of hostility, negative attitudes, antagonism, aggression, rivalry and misunderstanding. It is also associated with situations that involve contradictory or Irreconcilable interests between two opposing groups. It can be defined as disagreement between two or more individuals or groups, with each individual or group trying to gain acceptance of its view or objectives over others.

Conflict must be distinguished from competition, even though sometimes intense competition leads to conflict. Competition is directed towards obtaining a goal and



one group does not interfere with the efforts of another group while conflict is directed against another group and actions are taken to frustrate the other group's actions towards goal achievement.

TABLE 8.1: TRADITIONAL AND CURRENT VIEWS OF CONFLICT

	Traditional View		Current View
1.	Conflict is avoidable	1.	Conflict is inevitable.
2.	Conflict is caused by management error in designing organisations or by trouble makers	2.	Conflict arises from many causes including organisational structure, unavoidable differences in goals, differences in perceptions and values of specialised personnel, and so on.
3.	Conflict disrupts the organisation and prevents optimal performance.	3.	Conflict contributes and detracts from organisational performance in varying degrees.
4.	The task of management is to eliminate conflict.	4.	The task of management is to manage the level of conflict and its resolution for optimal organisational performance.
5.	Optimal organisational performance requires the removal of conflict.	5.	Optimal organisational performance requires a Moderate level of conflict

Source: Stoner, Management

8.3 TYPES OF CONFLICT

8.3.1 Functional and Dysfunctional Conflict

Functional conflict refers to confrontation between two ideas, goals and parties that improve employees and the organization's Performance. Well managed conflict helps workers anticipate and solve problems, feel confident, strengthen their relationship, and be committed to the organization. Constructive conflict is crucial for effective



functioning of organisations. Speciality and potential benefits of conflict are the following:

- Conflict increases awareness of what problems exist, who is involved, and how to solve the problem.
- Conflict motivates organisational members to consider problems. They are energised and psychologically focused on the problems and motivated to put plans into action.
- Conflict promotes change. Persons are more aware of injustices, inefficiencies, and frustrations, and see the need to correct them.
- Conflict enhances morale and cohesion. Organisational members deal with and clear up their frustrations and resentments. They conclude that their relationships are strong enough to withstand stress and to handle difficulties. They also learn about each other's needs, styles, and values through conflict.
- High quality decisions result when persons express their opposing views and perspectives. They share their information and check each other's reasoning to develop new decisions.
- Conflict stimulate interest and creativity. Being in conflict often sparks curiosity and stimulates viewing problems from several perspectives and combining the best of these positions to form a creative solution. Conflict is exciting as people learn about what makes them and others angry, frustrated, and willing to fight.
- Conflict adds to the fun of working with others when not taken seriously. Many people find conflict enjoyable to competitive sports, games, movies, plays, books, and in teasing.

There is a close relationship between conflict and organisational performance (Fig. 1.1). Organisational performance is low when conflict is extremely high or extremely



low, while moderate or optimum level conflict contributes to high organisational performance. When the level of conflict is low, such as at point A on the curve, performance suffers because of a lack of arousal and stimulation. Employees find the environment too comfortable and they become complacent. When they are not challenged and confronted, they fail to search for environmental changes. On the other hand, when the level of conflict is extremely high (Point C), performance suffers because of inadequate coordination and cooperation. The organisation is in a state of chaos because of disruption and interference to critical activities. Individuals spend more time defending themselves or attacking others than accomplishing productive work.

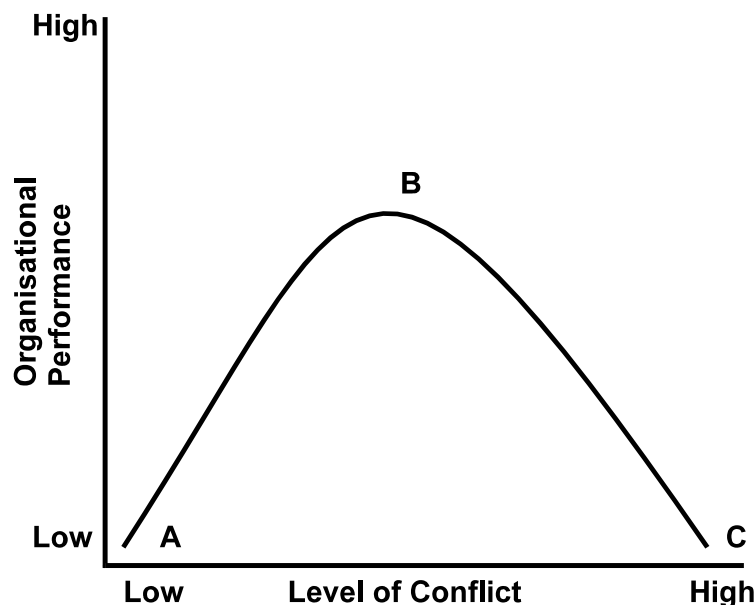


FIG. 1.1: RELATION BETWEEN ORGANIZATIONAL PERFORMANCE AND CONFLICT

Maximum organisational performance occurs somewhere between these two extremes, where there is an optimal level of conflict. In this situation, at point B on the curve, there is sufficient conflict to stimulate new ideas and a creative search for solutions to problems.

Dysfunctional Conflict: True, conflict is inevitable in organizations and also desirable. But without an effective means for handling it, conflict can tear relationships apart



and interference with the exchange of ideas, information and resources in groups and between departments. Dysfunctional conflict hinders and prevents organisational goals from being achieved.

8.3.2 Levels of Conflict

There are three levels of conflict in organisational life:

1. Intra-individual conflict
2. Inter-individual conflict
3. Inter-group conflict.

The causes for each level of conflict are analysed in the paragraphs as follow:

1. Intra Individual Conflict

This refers to conflict within an individual. Intra-individual conflict arises from frustration, numerous roles which demand equal attention but is not always possible to devote, and goals having both negative and positive aspects.

Conflict from frustration: Frustration occurs when a motivated individual is blocked before a person reaches a desired goal. Fig. 8.2 illustrates the way frustration occurs.

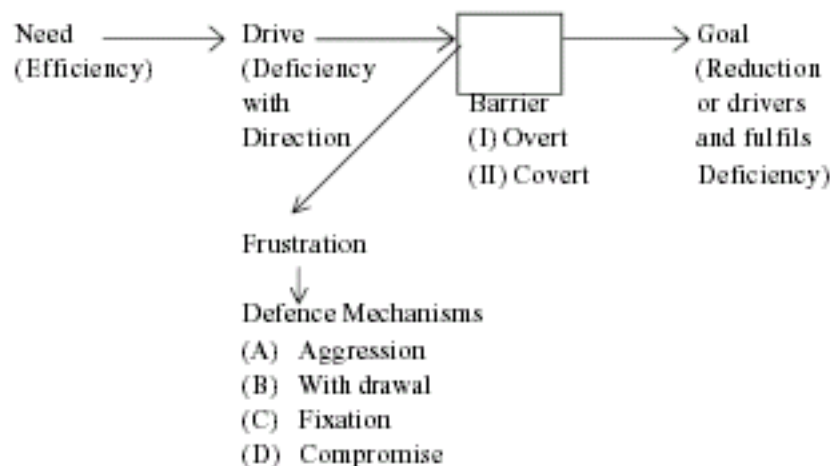


FIG. 1.2: FRUSTRATION MODEL

Source: Fred Luthans, Organizational Behaviour



An individual driven by an inner state of deficiency engages himself in some action to fulfil the deficiency. But these attempts to reach the goal are checked by barriers which may be overt (external) or covert (internal). External barriers include floods, power failures, and breakdown transportation. These are non-social in nature. There are external barriers which are social - they are placed by others in the way of reaching one's goals. Examples of social barriers are parents forcing a child sit on the toilet, making him refrain from sex play, making him stay the room, or denying him the pleasure of watching television.

Internal barriers are: personal limitations and disabilities which thwart one's aspirations. Weakness, physical deformities, lack of skills, low intelligence may stand in the way of achievement. Internal barriers are more lasting than external ones.

Blocked by overt or covert barriers, the individual becomes frustrated by the is unable to reach his goal. Frustration normally triggers defence mechanisms in the person. Defence mechanisms (the term first used by Freud) refer to unconscious processes that protect an individual from anxiety. They protect him from external threats or against internal anxiety arousing impulses by distorting reality in some way. Defence mechanisms do not alter the objective conditions of danger, they simply change the way he perceives it. They all involve an element of self deception. The frustrated individual adopts any of four defence mechanisms: aggression, withdrawal, fixation, or compromise (see Fig.) Aggression refers to the attack of the barrier, physically or symbolically. Withdrawal refers to backing away from the barrier. Fixation refers to the continuation of efforts to break the barrier. Compromise refers to the search for a new goal. Conflict occurs in all the defence mechanism situations.

Goal conflict: Goal conflict is more complex than conflict from frustration. Goal conflict occurs when the attainment of one goal excludes the possibility of attaining another. Three major forms of goal conflict may be distinguished:

1. Approach-approach conflict,



2. Approach-avoidance conflict, and
3. Avoidance-avoidance conflict.

Approach-Approach Conflict: This conflict arises when the individual is caught between two or more positive but mutually exclusive goals. Approach approach conflict is hardly a conflict at all, because whichever choice the individual makes, he will attain a positively valued outcome. But the problem, arises when desirabilities of the choices are more or less equal. The proverbial donkey which starved flanked as it ways by equally enticing and equidistant bales of hay, comes to one's memory. The approach-approach conflict is shown in Fig 8.3.



FIG. 1.3: APPROACH-APPROACH CONFLICT

Approach-approach Conflict: This conflict occurs when an individual is simultaneously attracted to and repelled by a single goal object. For example, a person picks up the telephone receiver and begins to dial the number of someone from whom he wants to ask a favour, but fearing he may insult the other person or be turned down, he quickly puts the receiver back on the hook.

Generally, the approach-avoidance conflicts that are most pervasive and difficult to resolve take place in the following areas:

1. Independence Versus Dependence

In times of stress one feels like resorting to the dependency characteristic of childhood, to have someone to take care of a person and solve his problems. But he is taught to stand on his own feet which is a mark of maturity.

2. Co-operation Versus Competition

One is taught to compete with others and make a success of one's efforts. At the same time one is taught to cooperate and be helpful to others.

3. Impulsive Expression Versus Moral Standards

All societies place some degree of regulation upon impulse control. Sex and aggression are two areas in which one's impulses most frequently conflict with moral standards, and violation of these standards may generate strong feelings of guilt.

The approach-avoidance conflict is most relevant to the study of organisational behaviour. Generally, organisational goals have both positive and negative aspects for organisational participants. For example, superior performance on the job and consequent accolades from management, contrasted with sacrifice of family and outside pursuits. Naturally, the organisational goals will arouse a great deal of conflict within a person and can actually cause the person to vacillate anxiously at the point, where approach equals avoidance. Fig. 8.4 diagrams approach avoidance conflict.

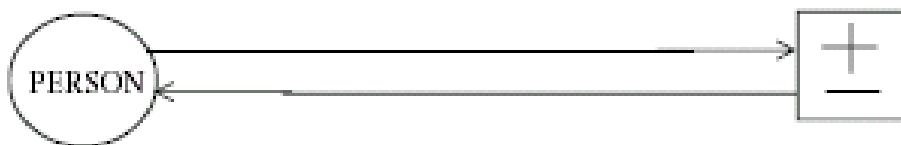


FIG. 8.4: APPROACH-AVOIDANCE CONFLICT

Avoidance-Avoidance Conflict: This occurs when an individual is forced to choose between two mutually exclusive goals, each of which possesses unattractive qualities, for example, the choice between a very dangerous surgical operation and the possibility of prolonged illness. Avoidance-avoidance conflict is shown in Fig. In the context of an organisation, avoidance-avoidance conflict may be exemplified by a worker who is caught in the dilemma of bearing with the supervisor whom he (worker) detests most and quitting the organization and remaining jobless.



FIG. 8.5: AVOIDANCE-AVOIDANCE CONFLICT

Source: Introduction to Psychology by NL Munn, et al., pp. 499-500)



Role conflict: The final reason for intra-personal conflict is the need of an individual to pay several roles simultaneously but finding time and resources inadequate to do so. For example, it is not uncommon for an adult middle class male to be simultaneously playing the roles of husband, father, son to elderly parents, worker or manager, student (evening MBA programme), member of a social club and the like. Although all the roles which individuals bring into the organization are relevant to their behaviour in the study of organizational behaviour, the organizational role is the most important. Roles such as assembly line workers, clerk, supervisor, sales person, engineering, systems analyst, department head, and chairman of the board often carry conflicting demands and expectations. The classic example of an organisational role in constant conflict is that of the foreman. The foreman is generally a promotee from among workers. Till yesterday, the foreman was a part of workers. Today he finds himself in the cadre of management. The dilemma of the foreman becomes acute when there is a dispute between labour and management.

2. Inter Individual Conflict

Inter-individual conflict occurs between two individuals in an organisation. It arises mainly because of differences in perception, temperaments, personalities, values systems, socio-cultural factors, and role ambiguities. Traditional analysis (TA), Johari Window, Stoking and Life Positions seek to explain the phenomenon of inter-personal conflict.

Transaction Analysis

When two people interact with each other there results a social transaction. Analysis of the social transactions is called Transactional Analysis (TA). A formal definition of TA is that it is "The study of moves people make in their dealings with each other and is based on the idea that people's interactions resemble moves in games.

TA was introduced by Eric Berne and popularised by Thomas Harris in the 1960s. TA has found its acceptance everywhere because of several advantages associated with it. The advantages are:



1. The bases of TA are simple to learn.
2. The validity of TA is demonstrable.
3. It provides a means for reducing the amount of bad feelings experienced by an individual
4. it increases efficient use of time.
5. Helps promote effective communication.
6. It is applicable at home as it is at work.
7. It reinforces and implements other management development activities, including communication, leadership, brainstorming, management by objective, job enrichment, conflict resolution, and the like.

TA has certain limitations which are not to be ignored. They are:

1. Few scientific studies of its outcome are available.
2. Ego states, basic to understand and utilise TA, are difficult to define (although easy to teach and demonstrate operationally).
3. If inappropriately applied, TA tends to encourage “amateur psychologising”.
4. TA jargon may lead to more “cuteness” than insight into human encounter.
5. It can be used as a put down or a discount, in inter-personal relations.

Ego States

Basic to TA is the assumption that a person has three ego states, viz. parent, adult and child.

The parent ego state represents the part of a person’s personality that is authorities, dogmatic, overprotective, controlling, nurturive, critical, and righteous. These characteristics are usually learnt from one’s parents or other adults who guided one’s early life experiences. The parent is, therefore, the “taught” ego state.



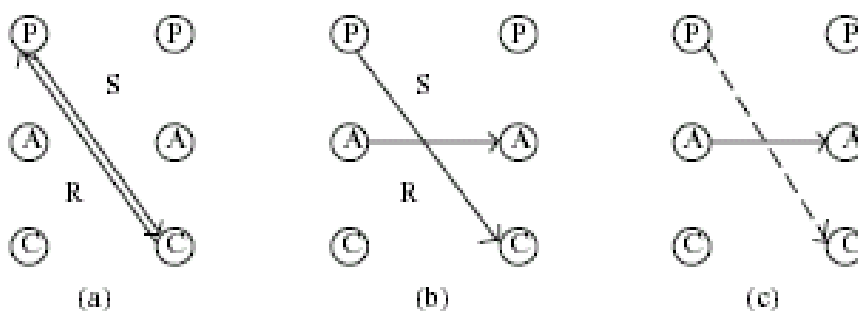
The adult ego state represents the mature, rational, and objective part of a person's personality. These characteristics are acquired as one matures into adolescence and adulthood.

The individual gathers relevant information, analyses it carefully, generates alternatives, and makes logical choices. The adult is the “thinking” ego state. In the adult state people do not act impulsively or in a domineering way. In dealing with other people the adult state is characterised by fairness and objectivity.

The child ego state represents the childish, depend, and immature part of a person's personality. These characteristics grow out of one's childhood experiences. Behaviours that are influenced by this ego state are laden with emotion, insubordination, joy or rebellion. Child is the “felt” ego state.

Social Transactions

According to Berne, people interact with each other from the child, adult or parent ego state. Depending on the kinds of ego states involved, the interaction can be either complimentary, crossed, or ulterior (Fig. 8.6).



Key: P = Parent, A=Adult, C=Child, S=Stimulus, R=Response.

FIG. 8.6: COMPLIMENTARY, CROSSED AND ULTERIOR TRANSACTIONS

Complimentary transactions

These occurs when the message sent or the behaviour exhibited by one person's ego state receives the appropriate or expected response from the other person's ego state



receives the appropriate or expected response from the other person's ego state. As shown in fig. (a) stimulus from the first person is under the influence of the parent ego state and the response from the other person is under the child ego state. There can be more complimentary transactions that shown in Fig. For example, parent-parent, adult-adult, parent-adult, and child-child transactions are complimentary in nature. Since these transactions meet the needs and expectations of the initiators, communications flow freely, interactions will continue as inter-personal relatives will improve. There is, therefore, no scope for conflict in complimentary transactions.

In crossed transactions the stimulus and response lines are not parallel [see Fig. (b)]. Stimulus comes from the first person under the adult ego stage, but the response from the other person is under the child ego state. There are many more possible crossed transactions than there are complimentary transactions. Since the receiver's response is not what was expected by the sender and does not satisfy the sender's needs, the sender sooner or later withdraws from the interaction with the receiver.

Crossed transactions are the source of much inter-personal conflict in an organisation. The result can be hurt feelings and frustrations on the part of the parties involved and possible dysfunctional consequences for the organisation.

The most complex and subtle are the ulterior transactions. Like crossed transactions, ulterior transactions cause much damage to interpersonal relations. As shown in Fig. (c), the ulterior transactions involves at least two ego states on the part of the first person. The individual may say one thing (as in adult) but mean something quite different (as a parent). Although there are many other possibilities besides the one shown in Fig. (c), an example can be, where the boss says, "My door is always open, come in and we shall discuss the problem together and arrive at a solution (adult state), when what he really means is, "Don't come to me with problems. You solve them yourself, that is what you are getting paid for". (parent state). Obviously, these ulterior transactions are the most difficult to identify and deal with.



Johri Window

Developed by Joseph Luft and Harry Ingham (thus the name Johari Window) this model is highly useful in analysing the causes for interpersonal conflict. The window is figuratively shown in Fig. 8.7 with four quadrants representing four distinct aspects of every personality.

	The person known about others	The person does not know about others
The person knows about himself or herself	1 Open Self	2 Hidden Self
The person does not know about himself or herself	3 Blind Self	4 Undiscovered Self

FIG. 8.7: JOHARI WINDOW

As can be seen from the figure, there are parts of us which are known to ourselves and there are other parts of us that we do not know. Likewise, there are some aspects and characteristics about us that others know and there are other aspects others do not know about us. The same is true of others. There are certain things that we know about others and there are things that are not known. The following summarises the four cells in the Johari Window:

1. *Open Self*: Also called public area, this cell represents an ideal situation. Here, the person knows about himself or herself and about others. There would be openness and compatibility and little reason to be defensive. Mutual understanding and friendship between people are the highest in this space. Naturally there is little or not scope for any conflict.
2. *Hidden Self*: Also known as the private or secret area, this cell denotes that the person understands about himself or herself but does not know about other persons. The result is that the person remains hidden from others because of the fear of how



others might react. The person may keep his or her true feelings, attitudes or secret and will not open up to others. There is potential interpersonal conflict in this quadrant.

3. *Blind Self*: Alternatively known as the blind area, this cell represents a situation where the person knows about others, but not about himself or herself. One of the purposes of sensitivity training is to reduce the size of the “blind cell” through providing increased honest feedback from others about the person. The old phrase, “Even our best friend will not tell you” is true in this cell. As in the hidden self, there is potential for conflict in this cell too.

4. *Undiscovered Self*: This is potentially the most explosive situation. The person does not know about himself or herself and does not know about others. There is misunderstanding which leads to interpersonal conflict. Alternatively, this area is known as dark area.

The best way to reduce the sizes of hidden self, blind self, and undiscovered self is to have better communication between the person and others.

Stroking

Stroking refers to recognition of one’s presence by others. When we interact with others, we expect others to say “Good morning” or some such gesture to indicate that we are being recognised. Strokes may be positive or negative. The stroke that makes one feel cheerful is a positive stroke. Words of recognition, affection, cuddling, pat on the back, and pleasant smile are some of the examples of positive strokes. Negative stroke, on the other hand, makes one feel sad. Criticism, hatred and scold are examples of negative strokes. People need strokes, mainly positive ones, but not always. In the absence of positive strokes, people seek negative strokes, mainly because of guilt or lack of self-image. Needless it is to stress, that negative strokes cause interpersonal conflict.



Life Positions

Each of us tends to exhibit one of four life positions. This life position influences our behaviour when we interact with others. What is interesting is that, these positions are acquired by us very early in our childhood and stay with us throughout, hence, the term “life positions”. Although one life position tends to dominate a person’s behaviour, other positions may be exhibited from time to time in specific situations. In other words, there is one life position, but it is not the only one ever taken.

Life position stems from a combination of two view points, as shown in Fig. First, how people view themselves? Second, how do they view other people in general? Either a positive response (OK) or a negative response (not OK) results in four possible life positions. They are:

- I am not OK - You are OK
- I am not OK - You are not OK
- I am OK - You are not OK
- I am OK - You are OK

Positive	I am Ok You are not OK	I am OK You are OK
	I am not OK You are not OK	I am not OK You are OK
Negative		Positive

FIG. 8.8: LIFE POSITIONS

Of the four life positions, the ideal one is I am OK, You are OK. It shows healthy acceptance of self and others. This life position, surprisingly can be learnt. Here is good news and hope for society’s well being. The other life positions are less psychologically mature and less effective. What is more, they have potential for interpersonal conflict.



8.4 THE ROLE OF CONFLICT IN TODAY'S ORGANIZATIONS

Traditionally, the approach to organisational conflict was very simple and optimistic. It was based on the following assumptions:

1. Conflict is by definition avoidable.
2. Conflict is caused by troublemakers, boat rockers, and prima, donnas.
3. Legalistic forms of authority such as “going through channels” or “sticking to the book” are emphasized.
4. Scapegoats are accepted as inevitable.

Management traditionally relied on formal authority and classical organisation restructuring to solve their “conflict problem”. Individual managers often became hypocritical in order to avoid conflicts from above or below. They tried to either ignore conflict or rationalize it away with the position that there is nothing that can be done about it.

Starting with the wide acceptance of the Argyris this that there is a basic incongruence between the needs and characteristics of adult, mature employees and the requirements of the modern formal organisation, the behavioural approach to management began to re-examine its assumptions and concerns about conflict. This development has, at least indirectly, been caused by the overall societal concern with conflict on national, organisational, group, and individual bases. The outcome has been a new set of assumptions about organisational conflict, which are almost the exact opposite of the traditional assumptions. Some of the new assumptions about conflict are the following:

1. Conflict is inevitable.
2. Conflict is determined by structural factors such as the physical shape of a building, the design of a career structure, or the nature of a class system.
3. Conflict is integral to the nature of change.



4. A minimal level of conflict is optimal.

Using such assumptions as a starting point, most experts today emphasize the importance of making a cost-benefit analysis of the conflict situation at any level and then setting up dispute systems. Also, experts urge an expanded view of conflict in organisations. For example, it is suggested that conflict be viewed as a cognitive bargaining process that should focus on negotiation as a way to manage and resolve conflict. These negotiation skills have recently merged as an important area of study and application the field of organisational behaviour.

8.5 TYPES OF CONFLICT SITUATION

Inter group conflict, also called organizational conflict, refers to the conflict between two groups, departments, or sections in an organisation. Conflict between groups is frequent and highly visible. The reasons for inter-group conflict are many. The most important of them are explained below.

1. Task Interdependence

Task interdependence refers to the extent to which two departments depend on each other for assistance, information, compliance, or other coordinative acts in the performance of their respective tasks. Task dependence may be pooled dependence, sequential dependence, or reciprocal dependence.

Pooled interdependence exists when two groups function with relative independence but their combined output contributes to the overall performance. Sequential interdependence occurs when one group's performance depends on another group's prior performance. In reciprocal interdependence departments exchange outputs, and hence are mutually inter-dependent in accomplishing their tasks. Fig 8.9 shows the three sources of task interdependence.

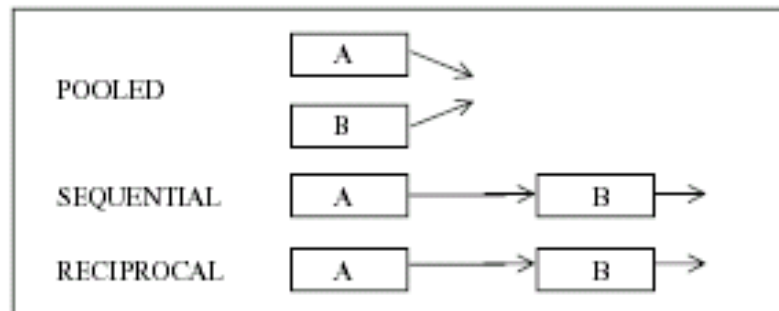


FIG. 8.9: TYPES OF TASK INTER-DEPENDENCE

In all the three types of interdependence, conflict arises from differences in performance expectations. In general, conflict as a result of task inter-dependence will be worse when: (a) the more the activities of one group affect the performance of other groups; (b) the wider the range of activities in a group that are affected by another, and (c) the more unstructured the work flow is.

Task Ambiguity: Another important source of inter-group conflict arises when it is not clear which group is responsible for performing certain activities; “things fall between the cracks”, and both groups are upset with each other. Task ambiguity arises when the organisation is growing or its environment is changing fast. Task ambiguity can also occur from instructed and non-directive leadership.

Goal Incompatibility: Goal incompatibility leads to inter-group conflict. However, hard managers try to avoid incompatible goals for different organizational units, they do exist leading to conflict. The main objective of the quality assurance department, for example is to ensure uniform quality of all the units of output. This might clash with the production department which desires somehow to push through the units, minor deviations in quality notwithstanding.

Competition for Limited Resources: Yet another source of inter-group conflict relates to competition for resources which are limited in their supply. These resources may be tangible such as money, materials, and other physical facilities, or they may be intangible, such as power, status, and prestige. Each department tries to secure a larger share in the resources, and this will result in conflict.



Competitive Reward Systems: Managers seem to believe that better performance can be achieved through competition, and this belief is reflected in their reward systems. Competition can indeed increase the level of performance in work situations where tasks can be performed indulgently. However, when tasks require high levels of interdependence, competition can hurt cooperation among members and work groups. For example, conflict occurs when the personnel department is rewarded for achieving cost reduction or the production department is given an award for better industrial relations.

Line and Staff: The traditional organisational structure which has line officers being assisted by staff officers at different levels has inherent potential for conflict. One reason for conflict lies in the background of line and staff personnel. The line manager, for example the workers manages, may either rise from the lower ranks and reach his position after some years of loyal service, or he may be technically qualified and may enter the industry straight from university. He is not a status keeper or an empire-builder, but is concerned with preserving his present status and authority within his own empire. The staff specialist, on the other hand, is better qualified educationally. He is more loyal to his profession than to his employees. He may see his future depending on mobility within the profession as opposed to internal promotion. He is more of an individualist, more sophisticated, and capable of better self-expression. The staff specialist is status conscious.

Their different background make line and staff occurs look at each other with suspicion. A lineman looks upon the staff officer as a theorist, an academic, and unrealistic. He resents the easy accessibility of the staff officer to the top management. The staff specialist views the line executive as a mere “Cog in the machine”, incapable of thinking and discussing problems. He uses in the lineman a barrier to his pursuit of perfection. He feels that the lineman resists new ideas and changes.



3. Inter-group conflict

Intra-personal and inter-personal sources of conflict discussed earlier are reasons for inter-group conflict also.

Dynamics of Inter-Group Conflict

Inter-group conflict will have its impact on operations, attitudes, and behaviours of participants. There are intra-group and inter-group changes because of conflict.

Change within Each Group

The changes that usually occur within a group because of inter-group conflict are:

- (i) Group cohesiveness increases.
- (ii) Loyalty to the group becomes more important.
- (iii) The group becomes more tasks-oriented.
- (iv) Leadership in the group becomes more autocratic and directive.
- (v) Organisational structures becomes more rigid.

Change between Groups

Inter-group conflict will result in the following changes between groups:

- (i) Groups become more antagonistic towards each other.
- (ii) There are distortions of perception, both about one's own group and about the other group.
- (iii) Interaction and communication between group decrease.
- (iv) Groups apply double standards, previewing every act of the other group as bad, while remaining obligious to one's own misdeeds.

Since conflict has both positive and negative connotations and consequences, it must be looked into and managed for useful purposes. The management must survey the situation to decide whether to stimulate conflict or to resolve it. Thomas and Schmidt have reported that managers spend up to twenty per cent of their time in dealing with conflict situations. Hence, it is very important that mangers understand the



type of conflict that they have to deal with so that they can devise some standardized techniques in dealing with common characteristics of conflicts in each type of category. There are five basic types of conflicts. These are:

1 *Conflict within the individual:* The conflict within the individual is usually value related, where the role playing expected of the individual does not conform with the values and beliefs held by the individual. For example, a secretary may have of lie instructions that her books is not in the office to avoid an unwanted visitor or an unwanted telephone call. This may cause a conflict within the mind of the secretary who may have developed an ethic of telling the truth. Similarly, many Indians who are vegetarians and come to Amercia and find it very hard to remain vegetarians, may question the necessity of the vegetarian philosophy, thus causing a conflict in their minds.

In addition to these value conflicts, a person may have a role conflict. For example, a telephone operator may be advised and required to be polite to the customers by her supervisor who may also complain that she is spending too much time with her customers. This would cause a role conflict in her mind. Similarly, a policeman may be invited to his brother's wedding where he may find that some guests are using drugs which is against the law. It may cause conflict in his mind as to which role he should play - as of a brother or as a policemen. Conflict within an individual can also arise when a person has to choose between two equally desirable alternatives or between two equally undesirable goals.

Interpersonal Conflict: Interpersonal conflict involves conflict between two or more individuals and is probably the most common and most recognised conflict. This may involve conflict between two mangers who are competing for limited capital and manpower resources. For example, interpersonal conflicts can develop when there are three equally deserving professors and they are all up for promotion, but only one of them can be promoted because of budget and appositional constraints. This



conflict can become further acute when the scarce resources cannot be shared and must be obtained.

Another type of interpersonal conflict can relate to disagreements over goals and objectives of the organization. For example, some members of a board of a school may want to offer courses in sex education while others may find this proposal morally offensive thus causing conflict. Similarly, a college or a university may have a policy of quality education so that only top quality students are admitted while some members of the organisational board may propose “open admissions” policy where all high school graduates should be considered for admission. Such a situation can cause conflicts among members of the governing board. In addition to conflicts over the nature and substance of goals and objective, the conflicts can also arise over the means to reach these goals. For example, two marketing managers may argue as to which promotional methods would resulting high her sales.. These conflicts become highlighted when they are based upon opinions rather than facts. Facts are generally indisputable resulting in agreements. Opinions are highly personal and subjective and may provide for criticism and disagreements.

These conflicts are often the results of personality clashes. People with widely differing characteristics and attitudes are bound to have views and aims that are inconsistent with the views and aims of others.

Conflict between the individual and the group: As we have discussed before, all formal groups as well as informal groups have established certain norms of behaviour and operational standards which all members are expected to adhere to. The individual may want to remain within the group for social needs but may disagree with the group methods. For example, in some restaurants all tips are shared by all waiters and waitresses. Some particular waitress who may be overlay polite and efficient may feel that she deserves more, thus causing a conflict within the group. Similarly, if a group is going on strike for some reason, some members may not agree with these reasons or simply may not be able to afford to go on strike,



thus causing conflict within the group. Similarly, if a group is going on strike for some reason, some members may not agree with these reasons or simply may not be able to afford to go on strike, thus causing conflict with the group.

This conflict may also be between the manager and a group of subordinates or between the leader and the followers. A manager may take a disciplinary action against a member of the group, causing conflict which may result in reduced productivity. “Mutiny on the Bounty” is a classic example of rebellion of the crew of the ship against the leader, based upon the treatment the crew received. The conflict among the armed forces is taken so seriously that the army must obey their commander even if the command is wrong and in conflict with what others believe in.

Intergroup Conflict

An organisation is an interlocking network of groups, departments, sections or work teams. These conflicts are not so much personal in nature, as they are due to factors inherent in the organisational structure. For example, there is active and continuous conflict between the union and the management. One of the most common, unfortunate and highlighted conflict is between line and staff. The line managers may resent their dependence on staff for information and recommendations. The staff may resent their inability to implement directly their own decisions and recommendations. This interdependence requires that the relationship between interdependent units be redefined, wherever the values of these interdependent factors change, otherwise these conflicts will become further pronounced.

These inter unit conflicts can also be caused by inconsistent rewards and differing performance criteria for different units and groups. For example, salesmen who depend upon their commission as a reward for their efforts may promise their customers certain quantity of the product and delivery times which the manufacturing department may find it impossible to meet, causing conflict between the two units.



Different functional groups within the organization may come into conflict with each other because of their different specific objectives. There are some fundamental differences among different units of the organisation both in the structure and process and thus each unit develop its own organizational sub-cultures, according to Lawrence and Lorsch differ in terms of (a) goal orientation which can be highly specific of production but highly fluid for Research and Development, (b) time orientation which is short run for sales and long run for research, (c) formality of structure which is highly informal in research and highly formal in production and (d) supervisory style which may be more democratic in one area as compared to another.

A classic example of inter unit conflict is between sales and production, as discussed earlier. The sales department is typically customer-oriented and wants to maintain high inventories for filling orders as they are received, which is a costly option as against the production department which is strongly concerned about cost effectiveness requiring as little inventory of finished product at hand as possible.

Similarly, intergroup conflict may arise between day shift workers and night shift workers who might blame each other or anything that goes wrong from missing tools to maintenance problems.

Inter-organizational conflict: The conflict also occurs between organisations which in some way are dependent on each other. This conflict may be between buyer organizations and the supplier organisations about quantity, quality and delivery times of raw materials and other policy issues, between unions and organisations employing their members, between government agencies that regulate certain organisations and the organisations that are affected by them. These conflicts must be adequately resolved or managed properly for the benefit of both types of organisations.



8.6 ASPECTS OF CONFLICT

The causes of conflict fall into three distinct categories. Accordingly, these causes can be restructured and placed into one of these categories. These categories deal with communicating, behavioural and structural aspects.

Communicational Aspect of Communication: Poor communication, though not reflecting substantive differences, can have powerful effect in causing conflict. Misunderstood or partial information during the process of communication can make a difference between the success and the failure of task and such failure for which the responsibility becomes difficult to trace can cause conflict between the sender of the communication and the receiver of the communication. Thus the problems in the communication process – whether these problems relate to too much or too little communication, filtering of communication, semantic problems or noise – act to retard collaboration and stimulate misunderstanding. The filtering process occurs when information is passed through many levels or when it passes through many members. The amount of information is functional up to a point, beyond which it becomes a source of conflict. Semantic difficulties arise due to differences in backgrounds, differences in training, selective perception and inadequate information about others.

As an example, if a manager going on an extended vacation fails to communicate properly with his subordinates as to who would be doing what, he will find these jobs only partially done with subordinates blaming each other for not completing the tasks. Accordingly, adequate, complete, and correctly understood communication is very important in orderly completion of tasks, thus reducing the chance of a conflict.

Behavioural Aspects of Conflict

These conflicts arise out of human thoughts and feelings, emotions and attitudes, values and perceptions and reflect some basic traits of a personality. Thus some people's values or perceptions of situations are particularly likely to generate conflict with others. For example, highly authoritarian and dogmatic persons are more prone



to antagonize co-workers by highlighting minor differences that might exist. On the other hand, persons with low self-esteem may feel threatened by others in simple matters and may overreact causing a conflict. This conflict may also be based on personal biases regarding such factors as religion, race or sex. Some men feel poorly about women workers. These conflicts are not about issues but about persons. Some families carry on enmity for generations.

Likert and Likert analysed some general causes of conflict created by modern society which are behaviourally oriented. These include unrealised expectations and complexity of social and organisational systems. The widening gap between “haves” and “have nots” causes considerable conflict between the two because the underprivileged believe that they are not given the same opportunities as the privileged. Thus the expectations of the underprivileged are unrealised and this causes frustration and conflict.

From an organisational behaviour point of view, there is conflict between the goals of the formal organisation and the psychological growth of the individual. While the formal organisation demands dependency, passivity and to some degree obedience from its members the psychologically developed individuals exhibit independence, creativity and a desire to participate in decision making and decision implementing process. The needs of individuals and the formal organisation being inconsistent with each other results in behavioural conflict.

Structural Aspects of Conflict

These conflicts arise due to issues related to the structural design of the organization as a whole as well as its sub-units. Some of the structurally related factors are:

Size of the organisation: The larger the size of the organisation, the more basis for existence of conflict. It is likely that as the organization becomes larger there is greater impersonal formality, less goal clarity, more supervisory levels and supervision and greater chance of information being diluted or distorted as it is passed along. All these factors are breeding grounds for conflict.



Line staff distinction: One of the frequently mentioned and continuous source of conflict is the distinction between the line and staff units within the organization. Line units are involved in operations that are directly related to the core activities of the organisation. For example, production department would be a line unit in a manufacturing organization and sales department would be considered a line unit in a customer oriented service organisation. Staff units are generally in an advisory capacity and support the line function. Examples of staff departments are legal department, public relations, personnel and research and development.

Some of the source of conflict between line and staff are:

Since the staff generally advises and the line decides and acts, the staff often feels powerless.

Staff employees may simply be resented because of their specialised knowledge and expertise.

Occasionally, staff employees are impatient with the conservative and slow manner in which the line managers put the staff ideas to work. Also line managers may resist an idea because they did not think of it in the place, which hurts their ego.

Staff has generally easier access to top management which is resented by the line management.

Staff is generally younger and more educated and did not go through the run of the mill and hence their ideas may be considered more theoretical and academic rather than practical.

There is a conflict about the degree of importance between the line and staff as far as the contribution towards the growth of the company is concerned.

The line usually complains that if things go right then the staff takes the credit and if things go wrong, then the line gets the blame for it.



Generally the staff people typically think in terms of long-range issues while line people are more involved with short-term or day-to-day concerns. These differing item horizons can become a source of conflict.

Participation: It is assumed that if the subordinates are not allowed to participate in the decision making process then they will show resentment which will induce conflict. On the other hand ironically, if subordinates are provided with greater participation opportunities, the levels of conflict also had to be higher. This may be due to the fact that increased participation adds to greater awareness of individual differences. This conflict is further enhanced when individuals tend to enforce their points of view on others.

Role ambiguity: A role reflects a set of activities associated with a certain position in the organisation. If these work activities are ill defined, the person who is carrying out these activities will not perform as others expect him to, because his role is not clearly defined. This will create conflict, specially between this individual and those people who depend upon his activities. A hospital or a medical clinic employing a number of physicians with overlapping specialities might cause conflict due to role ambiguity. Such conflicts can be reduced by redefining and clarifying roles and their inter dependencies.

Design of work-flow: These are primarily inter-group problems and conflicts which are outcomes of poorly designed work-flow structure and only planned coordination requirements, specially where tasks are dependent. According to Sashkin and Morris “organisations are made of many different groups that must work together towards the accomplishment of common objectives”. For example, in a hospital, the doctors and nurses must work together and their tasks are highly dependent. If they do not coordinate their activities well, then there will be confusion and conflict. Similarly, in a restaurant, the cook and the waiter depend upon each other for critical information and services. A poorly designed work-flow and uncoordinated activities between the cook and the waiter would create conflicts and problems.



Scarcity of resources: When individuals and units must share such resources as capital, facilities, staff assistance and so on, and these resources are scarce and there is a high competition for them then conflict can become quite intense. This is specially true in declining organisations, where resources become even more scarce due to cutback in personnel and services so both the concerned units become highly competitive for the shrinking pool of resources and this breeds conflict. This scarcity may bring out some of the latent hostility among groups who may have put up a peaceful front at the time of abundance. For example, two research scientists who do not get along very well, may not show their hostility until a reduction in laboratory space provokes each to protect his area.

8.7 RESOLVING CONFLICT

Till now the various causes for conflict have been analysed. Strategies for resolving the conflict are considered here. There are separate strategies for resolving intra-personal, inner-personal and Inter-group conflicts.

8.7.1 Strategies for Resolving Intra-personal Conflict

As was pointed out earlier, intra-personal conflict arises from frustration, competing roles, or goals, having positive or negative aspects. To the extent that conflict from frustration results out of blocked goal realisation, removal of barriers (covert or overt) will help resolve this conflict. It is the manager's responsibility to clear his employee's path for advancement in his career.

Frustration is not always bad. It may contribute to improved performance. The frustrated individual may divert his attention from barriers towards his job and try to show better results. This is particularly true with an individual who has a self-concept that includes confidence in being able to do a job well. But this is not consolation for a manager to ignore the frustration of an employee. If conflict from frustration is not resolved for long the manager will be running the risk of losing the services of a competent and sincere employee.



Goal conflict, as was mentioned earlier, has three dimensions: approaches-approach conflict, approach-avoidance conflict, and avoidance-avoidance conflicts. Of the three, approach-approach conflict has the least impact on organizational behaviour. The manager's involvement is not needed to resolve the conflict. It is best resolved by the employee himself. The well-known theory of cognitive dissonance helps the individual resolve the approach-approach conflicts. In simple terms, dissonance is the state of psychological discomfort or conflict created in people when they are faced with two or more goals or alternatives to a decision. Although these alternatives occur together, they do not belong or fit to get her. The theory states that the person experiencing dissonance will be highly motivated to reduce or eliminate it and will actively avoid situations and information which would increase it.

Approach-approach conflict can be resolved by refusing to select either approach (positive aspect) or avoidance (negative aspect) choice. Referring to the example already quoted, the person may decide not to go near the telephone to dial a number for some favour. This will prevent him from being exposed to the conflict situation. But an organization member cannot avoid the conflicts situation. He is forced to make a decision, and is, therefore, exposed to conflict. His conflict too can be resolved in the same way as cognitive dissonance. Having decided either way (approach or avoidance) the individual may defend the decision. The manager has a responsibility to help the individual defend his choice.

Avoidance-avoidance conflict may be resolved by examining and solving the problems causing the conflict. Reverting to the examples quoted earlier, the patient may decide to undergo surgery if that can cure him of his illness. He will be able to make decision upon this course of action if he can understand the illness and the causes for it. Similarly, the worker may try to understand the reasons why he detests his boss. An understanding of the reasons may help him overcome any prejudice he has developed against his superior. Sound counselling from the manager will be highly useful to the affected workers.



Role conflict can be resolved by minimising the number of roles and fixing priorities for them. Once priorities are determined., there must be no overlapping of roles.

Much of the intra-personal conflict in an organisational member can be resolved by developing compatibility between his personal and organisational goals. A realisation that he is working for the organisation and not for the managers will help him regain his balance and remain cool, irritants and hassles notwithstanding.

The best solution for intra-personal conflict is to look to Hindu Philosophy and learn a valuable lesson from it. According to the philosophy, an individual is composed of three gunas or psychogenic substances. They are: sattwa, rajas, and tamas,. Roughly translated into English, these three gunas convey the following meanings:

Sattwa: Purity, serenity, poise, calmness, discrimination, comparison, clarity, goodness, altruism, dispassion, contentment, etc., or in sum illumination.

Rajas: Love of fame, passion, lust, strife, impatience, jealousy, pride, display of power, etc. or in sum movement.

Tamas: anger, pride, ignorance, stolidity, offering resistance, inertia, forgetfulness, confusion, darkness, brutality, etc., or in sum obstruction.

It is essential that one should develop satwic guna in oneself, be it the manager or the managed. One can develop satwic quality by reading holy scripts, regular prayers, moving with pious people, and leading a disciplined life. Unfortunately, modern organisations are filled with people who are imbedded with rajasic or tamasic qualities. Hence, the absence of harmonious industrial relations.

8.7.2 Resolving Inter-Personal Conflict

The strategies suggested for reducing intra-personal conflict will be useful to resolve Inter-personal conflict also. The additional approaches to resolve Inter-personal conflict are: the lose-lose, win-lose and win-win strategies. Transactional Analysis, which was discussed earlier, will also be useful in overcoming the Inter-personal



conflict. Finally, Inter-personal conflict can be resolved by changing behavioural inputs.

Lose-lose: In a lose-lose approach to conflict resolution, both parties stand to lose. This approach can take several forms. One of the approaches is to take a compromise or middle ground to a dispute. A second approach is to pay-off one of the parties to a dispute. Their payment may take the form of bribe. A third approach is to involve a third party as an arbitrator. The final approach is for both parties to resort to existing regulations or bureaucratic rules to resolve the conflict. Lose-lose strategy is sometimes the only one available but is less effective than the win-lose or win-win approach.

Win-Lose: In this strategy one party to the conflict tries to marshal all the resources to win, and the other party loses. Examples of win-lose strategies can be founding superior-subordinate relationships, line-staff confront actions, union-management relations, and many other conflict situations found in contemporary organizations. Though win-lose strategy helps defuse conflict, it may not be a permanent solution since the loser will tend to be bitter and vindictive. A most healthier strategy is to have both parties in a conflict situation win.

The following points make win-lose strategy more clear:

1. The conflicting parties view the issue from their own points of view.
2. The emphasis is on solutions rather than on the attainment of goals, values or objectives.
3. There is a clear we-they distinction between the parties
4. The parties direct their energies towards each other in an atmosphere of victory and defeat.
5. Conflicts are personalised and judgemental.
6. The parties take a short-run view of the issues.



7. There is no differentiation of conflict resolving activities from other group processes, nor is there a planned sequence of those activities.

Win-Win: A win-win strategy of conflict resolution is probably the most desirable from the human and organizational standpoint. Energies and creativity are aimed at solving the problems rather than beating the other party. The needs of both parties in the conflict situation are met, and both parties receive rewarding outcomes. Though, it is often difficult to accomplish a win-win outcome of an inter-personal conflict, this should be a major goal of the management of conflict.

Transactional Analysis: Inter-personal conflict can be resolved by encouraging as many complimentary transactions as possible between parties to the conflict. Of more significance for conflict management is the adult to adult transaction between the parties. Interaction between two adult ego states will improve communication. Improved communication is the sure way of resolving conflict.

Altering the Behavioural Inputs: Finally, inter-personal conflict may be resolved by focusing on the behaviour of the individuals involved. Conflict arises out of the perceptions and attitudes of people. These can be changed through training programmes. T-group or sensitivity training assumes relevance in this context.

8.7.3 Resolving Inter-Group Conflict

The approaches available for resolving intra-personal and inter-personal conflicts can be used to solve inter-group disputes too. However, certain unique approaches are available for resolving inter-group conflict. They are: problem solving, expansion of resources, avoidance, smoothen, compromise, and reorganising organisation structure.

Problem Solving: Problem solving is considered to be the most effective approach available, as it emphasises the attainment of the common interests of both conflicting parties. In the problem solving strategy attempts are made to find a solution that reconciles or “integrates” the needs of both the parties. The two parties work together both to define the problem and the identify mutually satisfactory



solutions. Moreover, there is open expression of feeling as well as exchange of task-related information.

Organisation Redesign: Changing organisational structure is another approach for resolving conflict, particularly when the sources of conflict come from the coordination of work among different departments or divisions. One way of redesigning organisations is to reduce task inter-dependence between groups and give each group clear responsibilities. Another way is to transfer or exchange members of conflicting groups. An appeal system may also be developed to eliminate the arbitrary use of power.

Subordinate Goals: Appealing to superordinate goals is another way of resolving conflict. The superordinate goal is a common goal of both conflicting parties and the combined efforts of both parties will be needed to realise the goal. It takes precedence over other goals which may separate the conflicting parties. Survival of the organization for example, can be a superordinate goal. Creating an awareness that the organisation's survival will be jeopardised if conflicting groups do not work in unison can have a salutary effect on disputing parties.

Expansion of Resources: To the extent scarce cause conflict, removing their scarcity will help resolve conflict. If upgradation of one's position has caused ripples elsewhere, some more jobs might be similarly upgraded. If increased budget allocation of one department has caused heart burn to the members of rival department the rival division's allocation can also be correspondingly increased, and so on.

Avoidance: When the issue is rival, avoidance strategy will be useful. In the avoidance strategy, the party or parties to the conflict may either withdraw from the conflict or conceal the incomparability. In the first instance, one of the conflicting parties or both will withdraw from the conflicting situation. Where avoidance is not possible, concealing the fact by either or both conflicting parties that there is conflict may help defuse the conflict.



Smoothen: The process of playing down the differences between individuals or groups and highlighting their common interests is called smoothen. Finding and empathising similarities between conflicting parties, while playing down differences, can eventually lead the parties to realise that the two are not as far apart as was first believed. With shared viewpoints on some issue, the ability to work towards a common goal must be facilitated. But it must be emphasised that smoothen can help reduce the intensity of the conflict and avoid an escalation of open hostility. However, smoothen is recommended as a stop gap measure to let people cool down and regain perspective.

8.7.4 Conflict Management

Except in very few situations where the conflict can lead to competition and creativity so that in such situations the conflict can be encouraged, in all other cases where conflict is destructive in nature, it should be resolved as soon after it has developed as possible, but all efforts should be made to prevent it from developing.

Preventing conflict: Some of the preventive measures that the management can take, according to Schein are:

- (a) *Goal Structure*: Goals should be clearly defined and the role and contribution of each unit towards the organisational goal must be clearly identified. All units and the individuals in these units must be aware of the importance of their role and such importance must be fully recognized.
- (b) *Reward system*: The compensation system should be such that it does not create individual competition or conflict within the unit. It should be appropriate and proportionate to the group effort and reflect the degree of interdependence among units where necessary.
- (c) *Trust and communication*: The greater the trust among the members of unit, the more honest and open the communication among them would be. Individuals and units should be encouraged to communicate openly with each other so that they



can all understand each other, understand each other's problems and help each other when necessary.

(d) *Coordination*: Coordination is the next step to communication. Properly coordinated activities reduce conflict. Wherever there are problems in coordination, a special liaison office should be established to assist such co-ordination.

Resolving Behaviour Conflict: Basically there are five strategies to resolve behavioural conflict. There are:

1. *Ignoring the conflict*: In certain situations, it may be advisable to take a passive role and avoid it all together. From the manager's point of view, it may be specially necessary when getting involved in a situation would provoke further controversy or when conflict is so trivial in nature that it would be worth the manager's time to get involved and try to solve it. It could also be that the conflict is so fundamental to the position of the parties involved that it may be best either to leave it to them to solve it or to let events take their own course. The parties involved in the conflict may themselves prefer to avoid conflict, specially if they are emotionally upset by the tension and frustration created by it. People may intrinsically believe that conflict is fundamentally evil and its final consequences are never good. Thus people may try to get away from conflict causing situations.

2. *Smoothing*: Smoothing simply means covering up the conflict by appealing for the need for unity rather than addressing the issue of conflict itself. An individual with internal conflict may try to "count his blessings" and forget about the conflict. If two parties have a conflict within the organisation, the supervisor may try to calm things down by being understanding and supportive to both parties and appealing them for cooperation. The supervisor does not ignore or withdraw from the conflict nor does he try to address and solve the conflict but expresses hope that "everything will work out for the best of all". Since the problem is never addressed, the emotions may build up further and suddenly explode. Thus smoothing provides only a temporary solution and conflict may resurface again in the course of time.



Smoothing is more sensitive approach than avoiding in than as long as the parties agree that not showing conflict has more benefits than showing conflicts can be avoided.

3. *Compromising:* The compromise in the conflict is reached by balancing the demands of the conflicting parties and bargaining in a give and take position to reach a solution. Each party gives up something and also gains something. The technique of conflict resolution is very common in negotiations between the labour unions and management. It has become customary for the union to ask for more than what they are willing to accept and for management to offer less than what they are willing to give in the initial stages. Then through the process of negotiating and bargaining, mostly the presence of arbitrators, they reach a solution by compromising. This type of compromise is known as integrative bargaining in which both sides win in a way.

Compromising is a useful technique, particularly when two parties have relatively equal power, thus no party can force its viewpoints on the other and the only solution is to compromise. It is also useful when there are time constraints. If the problems are complex and many faceted, and the time is limited to solve them, it might be in the interest of conflicting parties to reach a compromise.

4. *Forcing:* As Webber puts it, “the simplest conceivable is the elimination of the other party - to force opponents to flee and give up the fight – or slay them”. This is technique of domination where the dominator has the power and authority to enforce his own views over the opposing conflicting part. This technique is potentially effective in situations such as a president of a company firing a manager because he is considered as a troublemaker and conflict creator. This technique always ends up in one party being a loser and the other party being a clear winner. Many professors in colleges and universities have lost promotions and tenured reappointments because they could not get along well with their respective chairpersons of the departments and had conflicts with them. This approach causes resentment and



hostility and can backfire. Accordingly, management must look for better alternatives, if these become available.

5. *Problem solving*: This technique involves “confronting the conflict” in order to seek the best solution to the problem. This approach objectively assumes that in all organisations, no matter how well they are managed, there will be differences of opinions which must be resolved through discussions and respect for differing viewpoints. In general, this technique is very useful in resolving conflicts arising out of semantic misunderstandings. It is not so effective in resolving non-communicative types of conflicts such as those that are based on differing value systems, where it may even intensify differences and disagreements. In the long run, however, it is better to solve conflicts and take such preventive measures that would reduce the likelihood of such conflicts surfacing again.

Resolving structural based conflicts

The structural based conflict is built around organisational environment and can be solved or prevented by redesigning organisational structure and work-flow. A general strategy would be to move towards as much decentralisation as possible so that most of the disputes can be settled at the lower levels in the organisation, as well do so faster.

Since interdependence is one of the major causes of conflict, it is necessary to identify and clarify poorly defined and poorly arranged interdependencies or to make these adequately understood and reliable. This can be achieved through unifying the work-flow. This work-flow can be designed either to increase the interdependencies or to eliminate them entirely. Increased interdependencies can be achieved through more frequent contacts and improved co-ordinating mechanisms. This would make the two interdependent units act as a single unit thus eliminating the cause of conflict. The other extremes could be to make the two units totally independent of one another. For example, in the case of units building an automobile engine, instead of an assembly line operation in which each person or unit is involved in



sequential assembly so that each unit depends upon the work of the previous unit, each major unit can work on the entire engine at the same time.

However these extremes are not in common practices. More often, the strategy would be to reduce the interdependence between individuals or groups. A common approach to do that is by “buffering”. Buffering requires that sufficient inventories be kept on hand between inter-related units so that they always have the material to work with thus reducing their interdependency. Another cause of conflict which is dysfunctional is the undefined, unclear and ambiguous job expectation. It is important to clarify what each individual and each sub unit is expected to accomplish. This would include authority responsibility relationship and a clear line of hierarchy. In addition, policies, procedures and rules should be clearly established and all communication channels must be kept open so that each person knows exactly what role he has to play in the hierarchical structure. This would avoid situations in which none of the two units does the job because each thought the other was supposed to do or both units do the same job thus duplicating efforts due to misunderstanding. Thus, if each subordinate is fully aware of his responsibility, then such problems would not occur.

How to solve conflicts arising due to competition for scarce resources? Conflicts will occur whenever the wants and needs of two or more parties are greater than the sum of the resources available for allocation. These resources may be in the form of a pay raise, promotion, office space, office equipment and so on. This conflict can be reduced by planning ahead about the proper distribution of such resources, instead of making haphazard and must minute allocations.

The conflict between different departments may be reduced by establishing liaison. Liaison officers are those who are neutral in their outlook and are sympathetic to both parties and kind of “speak the language” of both groups. They do not have a vested interest in any of these groups. According to studies conducted by Sykes and Bates”, it was shown that in one company where there was evident conflict between



sales and manufacturing which the interdependent units, the problem was solved by establishing a demand analysis and sales order liaison office. The liaison office. The liaison group handled all communication for sales and resolved issues such as sales requirements, production capacity, pricing and delivery schedules.

Since one of the major causes of conflict is lack of proper knowledge and facts about how other people think and act, it be a good idea to let the individuals work with different groups so that they tend to know each other better and understand each other better. Care should be taken however so that these individuals are technically capable of fitting in these various groups. This mutual understanding will result in trust and respect thus reducing the likelihood of conflict. This understanding can also be achieved by serving as members of the various committees. As individuals from various work units get to know each other better through the membership in the same committee, it leads to increased tolerance and understanding of different viewpoints as well as a realization that basically all units are pursuing similar objectives and same overall goal.

8.8 NEGOTIATIONS

In recent years negotiation has moved from the industrial relations field to the forefront of necessary managerial skills. As Neale and Bazerman noted: “Everyone negotiates. In its various forms, negotiation is a common mechanism for resolving differences and allocating resources”. They then define negotiation as “a decision-making process among interdependent parties who do not share identical preferences. It is through negotiation that the parties decide what each will give and take in their relationship.

Although some organisational behaviour scholars note that there are similarities between negotiation strategies and conflict management, negotiation can go beyond just resolving conflict and become a managerial skill for personal and organisational success. For example, a manager can successfully negotiate a salary rise or a good price for supplies. After first noting some of the biases or errors that negotiators



commonly make and the traditional negotiation techniques that have been used, the remainder of the chapter is devoted to the newly emerging skills needed for successful negotiating.

8.8.1 Traditional Negotiation Approaches

When negotiating, people in general and managers in particular tend to have certain biases and make certain errors, which prevents them from negotiating rationally and getting the most they can out of a situation. The research on these common mistakes can be summarized as follows:

1. Negotiations tend to be overlay affected by the frame, or form of presentation, of information in a negotiation.
2. Negotiators tend to non rationally escalate commitment to a previously selected course of action when it is no longer the most reasonable alternative.
3. Negotiators tend to assume that their gain must come at the expense of the other party and thereby miss opportunities for mutually beneficial trade-off between the parties.
4. Negotiator judgements tend to be anchored upon irrelevant information, such as an initial offer.
5. Negotiators tend to rely on readily available information.
6. Negotiators tend to fail to consider information that is availed by focusing on the opponent's perspective.
7. Negotiators tend to be overconfident concerning the likelihood of attaining outcomes that favour the individual(s) involved.

Besides these common bias problems, negotiators traditionally have taken either a distributive or a appositional bargaining approach. Distributive bargaining assumes a “fixed pie” and focuses on how to get the biggest share, or “slice of the pie”. The conflict management strategies of compromising, forcing, a accommodating, and



avoiding, discussed earlier, all tend to be associated with a distributive negotiation strategy. As noted by Whetten and Comeron:

Closely related to distributed bargaining is the commonly used positional bargaining approach. This approach to negotiation involves successively taking and then giving up, a sequence of positions. In its simplest form, this is what happens when one haggles in an open market. However, positional bargaining also happens in international diplomacy. Fisher and Ury note that such positional bargaining can serve a useful purpose: “It tells the other side what you want; it provides an anchor in an uncertain and pressured situation; and it can eventually produce the terms of an acceptable agreement.

Both distributed and positional bargaining have simplistic strategies such as “tough person”, or “hard”; “easy touch”, or “soft”; or even “split the difference”. Characteristics of the “hard” strategy include the following: The goal is victory, distrust others, dig in to your position, make threats, try to win a contest of will, and apply pressure. By contrast, the “soft strategy includes these characteristics: The goal is agreement, trust others, change your position easily, make offers, try to avoid a contest of will, and yield to pressure. The hard bargainer typically dominates and has intuitive appeal. However, both research and everyday practice are beginning to reveal that more effective negotiation approaches than these traditional strategies are possible.

8.8.2 Newly Emerging Negotiation Skills

There are now recognized alternative approaches to traditionally recognized distributed and positional bargaining and the hard versus soft strategies in negotiation. Whetten and Cameron suggest an integrative approach that takes an “expanding the pie” perspective that uses problem-solving techniques to find win-win outcomes. Based on a collaborating (rather than a compromising, forcing, accommodating, or avoiding) strategy, the integrative approach requires the effective negotiator to use skills such as (a) establishing superordinate goals; (b) separating



the people from the problem; (c) focusing on interests, not on positions; (d) inventing options for mutual gain; and (e) using objective criteria.

In addition to the above guidelines for effective negotiation skills, there is an alternative to appositional bargaining and soft versus hard strategies that has been developed by the Harvard Negotiation Project. This alternative to traditional negotiation is called the principled negotiation, or negotiation on the merits, approach. There are four basic elements in this alternative approach to negotiation. Very simply, they are:

1. People. Separate the people from the problem.
2. Interests. Focus on interests, not positions.
3. Options. Generate a variety of possibilities before deciding what to do.
4. Criteria. Insist that the result be based on some objective standard.

The principled skills go beyond hard versus soft and change the game to negotiate on the basis of merits. For example, in soft bargaining the participants are friends, in hard bargaining they are adversaries, but in the principled approach they are problem solvers; in soft the approach is to trust others, in hard there is distrust of others, in the principled approach the negotiator proceeds independent of trust; and in the soft approach negotiators make offers, in the hard approach they make threats, in the principled approach they explore common interests. These principled negotiation skills can result in a wise agreement. As noted by Fisher and Ury:

Along with social, behavioural, leadership, team, and communication skills, these negotiation skills are becoming increasingly recognised as important to effective management of people in today's organisations.

8.9 SUMMARY

Conflicts are inevitable in an organization. Sometimes conflicts may solve various problems of the organisation and on some other occasions, they act as hurdles in achieving the goal of organisational effectiveness. Managing and conflict involves



resolution of conflict with the help of different strategies. Conflicts bring about changing within a group and between groups. Negotiations not only resolve the conflicts but also increase the organisational effectiveness.

8.10 KEYWORDS

Organisational conflict: The class that occurs when the goal directed behaviour of one group blocks or thwarts the goals of another.

Conflict: Disagreement about the allocation of scarce resources or clashes regarding goals, values, and so on; and occur on the interpersonal or organisational level.

Conflict resolution: The manner in which a manager could address himself to a conflict situation. The chief modes are avoidance, defusion, containment and confrontation.

8.11 REVIEW QUESTIONS

1. Explain the role of conflict in organisational effectiveness. Also discuss the causes of conflicts?
2. Describe the various methods of resolving conflict?
3. Write a detailed note on the nature and type of conflicts? How conflict is related to the performance?
4. “Conflict has various aspects” Justify the statement with your arguments?
5. “Negotiations go beyond conflict resolution” Upto what extent do you agree with this statement?
6. Discuss about emerging trends in negotiation skills?
7. Write notes on:
 - a) Johari Window (b) Transactional Analysis (c) Conflict Management?



8.12 REFERENCES/SUGGESTED READINGS

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LESSON 9

INTER-GROUP BEHAVIOUR AND COLLABORATION

STRUCTURE

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Understanding the importance of groups
- 9.3 Nature of groups
- 9.4 Types of groups
- 9.5 Group development and norms
- 9.6 Decision-making under groups and cohesiveness
- 9.7 Collaboration
- 9.8 Summary
- 9.9 Keywords
- 9.10 Review questions
- 9.11 References/suggested readings

9.0 OBJECTIVES

After reading this lesson, you should be able to-

- Understand the importance, nature and types of groups in the organisations.
- Explain stages of group development and characteristics of group norms.
- Identify the sources of group cohesiveness and methods of group decision making.
- Describe degree of group goal compatibility.
- Know about formal and informal groups.



9.1 INTRODUCTION

Groups are everywhere in our society. Most people belong to several groups – family, football team, church group, fraternity, or work group at the office. Some groups are formally established in a work or social organisation; others are more loosely knit associations of people. From a managerial perspective, the work group is the primary means by which managers coordinate individuals' behaviour to achieve organisational goals. Managers direct the activities of individuals, but they also direct and coordinate interactions within groups. Formost, informal, official and social groups have an impact on the functioning of the whole organisation. So many groups in an organisation give rise to complex relationships and behaviours.

9.2 UNDERSTANDING THE IMPORTANCE OF GROUPS

To understand the behaviour of people in organisations, we must understand the forces that affect individuals as well as how individuals affect the organisation. The behaviour of individuals both affects and is affected by the group. The accomplishments of groups are strongly influenced by the behaviour of their individual members.

A group's contribution to an organisation depends on its interactions with other groups as well as on its own productivity. Many organisations are increasing their use of cross-functional teams to address more complex and increasingly important organisational issues. The result has been heightened emphasis on the teams interactions with other groups. Groups that actively interact with other groups by asking questions, initiating joint programs, and sharing their team's achievements are usually the most productive.

Interactions are the key in understanding intergroup dynamics. The orientation of the groups towards their goals takes place under a highly complex set of conditions that determine the relationship among the groups. Three primary



factors that influence intergroup interactions: group characteristics, organisational factors, and task and situational bases of interaction.

First, we must understand the key characteristics of the interacting groups. Each group brings to the interaction its own unique features. As individuals become a part of group, they tend to identify so strongly with the group that their views of other groups become biased, and harmonious relationships may be difficult to achieve. Furthermore, the individuals in the group contribute to the group processes, which influences the groups norms, size, composition, and cohesiveness; all of these factors affect the interactions with other groups. Thus, understanding the individuals in the group and the key characteristics of the group can help managers monitor intergroup interactions.

Second, the organisational setting in which the groups interact can have a powerful influence on intergroup interactions. The organisation's structure, rules and procedures, decision-making processes, and goals and reward systems all affect interactions. For example, organizations in which frequent interactions occur and strong ties among groups exist usually are characterised as low-conflict organisations.

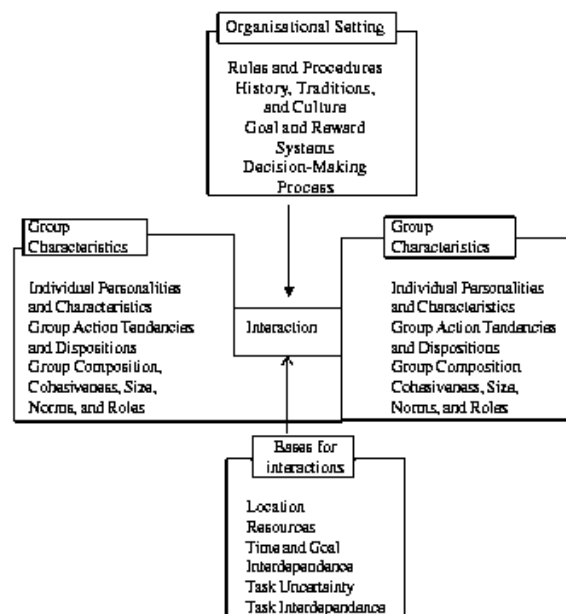




FIG. 9.1: SHOWING FACTORS INFLUENCING INTERGROUP INTERACTIONS AND THEIR IMPORTANCE

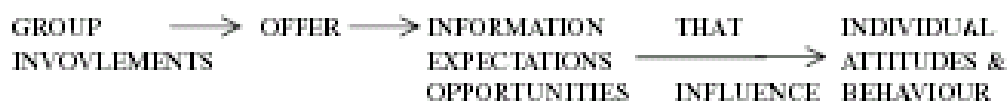
Source: Organisation Behaviour by Robins

Third the task and situational bases of interactions focus attention on the working relationship among the interacting groups and on the reasons for the interactions. As Figure shows, five factors affect intergroup interactions: location, resources, time and goal interdependence, task uncertainty, and task interdependence. These factors both create the interactions and detain their characteristics, such as the frequency of interaction, the volume of information exchange among groups, and the type of coordination the groups need to interact and function. For example, if two groups depend heavily on each other to perform a task about which much uncertainty exists, they need a great deal of information from each other to define and perform the task.

9.3 NATURE OF GROUPS

The nature of groups can be understood as under:

Formal work groups and informal networks are important aspects of and individual's work setting. Groups are social settings that offer a variety of information, expectations, and opportunities that relate to individual need satisfactions. As a result these groups are major influences on individual work attitudes and behaviours. The figure below explains this phenomenon:



Source: "Organisational Behaviour" by J.S. Chandan

Groups are mechanisms through which people learn relevant job skills and knowledge. Group members can model correct behaviours, offer feed back on performance, and provide direct instruction and assistance to one another. Often, these relationships among group members assist individuals in building



abilities and acquiring competencies required to do well at their jobs. These group benefits often make up for deficiencies in the formal training and education practices of the organisation.

Individual motivation to expend effort on work tasks can also be affected by group involvements. Group members communicated expectations to one another regarding work performance. They may encourage or discourage high levels of effort. Members also influence one another's beliefs and predispositions about various aspects of the work setting. A new employee soon learns, for example, who the "bad" supervisors are or whom you cannot "trust" as a co-worker. These influences may even extend to the point of communicating how the individual should feel about his or her job and the organisation. For example, a co-worker may indicate that "this is a good job to have a great place to work."

Perhaps the most apparent function of groups is their ability to satisfy the needs of their members. Groups provide for obvious social interactions and interpersonal fulfillments. A group can provide individual security in the form of direct work assistance and technical advice or emotional support in times of special crises or pressure. Groups also give their members a sense of identification and offer opportunities for ego involvement by assisting in group activities.

Factors Affecting Group Behaviour

Several factors influence group performance and satisfaction. External condition, resources of group members, group structure, group process, and group task are but few such inputs.

External Conditions

It should be kept in mind that a group is a subsystem of a formal organisation. All elements of the organisation will have their influence on a group. Such elements include organisation strategy, authority structures, formal regulations,



organisational resources, procurement of personnel, performance evaluation and reward system, organisational culture and physical work setting.

Organisation Strategy

An organisation has a strategy that defines what business it is in or wants to be in, and the kind of organisation it is or wants to be. It is set by top management, often in collaboration with lower level managers. Strategy outlines the organisation's goals and the means for attaining these goals. It might for example, direct the organisation towards reducing costs, improving quality, expanding market share, or shrinking the size of its overall operations. The strategy that an organisation is pursuing, at any given time, will influence the power of various work groups which in turn, will determine the resources that the organisation's top management is willing to allocate to it for performing its tasks. to illustrate, an organisation that is retrenching through selling off or closing down major parts of its business is going to have work groups with a shrinking resource base, increased member anxiety, and the potential for increased intragroup conflict.

Authority Structures

Organisations have authority structures that define who reports to whom, who makes decisions, and what decisions individuals or groups are empowered to make. This structure typically determines where a given work group is placed in the organisation's hierarchy, the formal leader of the group, and formal relations between groups. So while a group might be led by some one who emerges informally from within the group, the formally designated leader appointed by management has authority that others in the group do not have.

Formal Regulations

Organisations create rules, procedures, policies and other forms of regulations to standardise employee behaviour. The more formal regulations that the



organisation imposes on its employees, the more the behaviour of work group members will be consistent and predictable.

Organisational Resources

Organisational resources important to the work group include such things as tools, equipment, facilities and work methods and procedures. Just as with individuals groups need proper resources support if they are to achieve their true potential in task performance. Further more, the relative scarcity or abundance of resources in the organisation can affect what happens within and between groups. When resources are scarce, group members are more likely to compete with one another to access them. Similarly, resource scarcity is often an antecedent to intergroup conflict.

Procurement of Personnel

Members of any group are first members of an organisation to which they belong. The method adopted by the organisation to hire employees will determine the type of people who constitute the group. The procurement factor becomes even more critical if a large segment of the organisation's employees are unionised. In such cases, the terms of the union's collective bargaining contract will play a key part in specifying who is hired as well as acceptable and unacceptable behaviours of group members.

Performance Appraisal and Reward System

Groups are influenced by the reward system. Well designed reward systems help establish and maintain proper levels and direction for group efforts. Groups can suffer from reward systems that stress individual level as opposed to group level contributions and outcomes. Closely related to the reward systems is the performance evaluation method followed by the organisation. Does the organisation provide employees with challenging and specific performance objectives? Answers to this and other related questions will have bearing on work group behaviour.



Organisational Culture

Every organisation has an unwritten culture that defines standards of acceptable and unacceptable behaviour for employees. After a few months, most employees understand their organisation's culture. They know things like how to dress for work, whether rules are rigidly enforced, what kinds of questionable behaviours are sure to get them into trouble and which are likely to be overlooked, the importance of honesty, integrity and the like. While many organisations have subcultures- often created around work groups- with an additional or modified set of standards, they still have dominant culture that conveys to all employees those values the organisation holds dearest. Members of work groups have to accept the standards implied in the organisation's dominant culture if they are to remain in good standing.

Physical Work Setting: Physical or spatial arrangements of the work setting can also influence what goes on in a group. Architects, industrial engineers and office designers make decisions regarding the size and physical layout of an employee's work space, the arrangement of equipment, illumination levels, and the need for acoustics to minimise noise distractions. These created both barriers and opportunities for work group interaction. It is a lot more easier for employees to loaf if their work stations are close to each other, there are no physical barriers between them, and their supervisor is in an enclosed chamber a couple of yards away.

Physical setting, is to a large extent, decided by technology. Technology either facilitates or impedes interaction among group members. It is one thing, for example, for a group to work intensively on custom crafted products, tailor made to customer specifications; it is quite another to be part of a machine paced automobile assembly line. The former allows for more interaction among group members whereas the latter may not.

9.4 TYPES OF GROUPS



Sociologists and psychologists who study the social behaviour of people in organisations identify several different types of groups. Examples of each of these types can be found in most large organisations.

Formal and Informal Groups

A formal group is one that is deliberately created to perform a specific task. Members are usually appointed by the organisation, but it may not always be the case. A number of people assigned to a specific task form a formal group. One example of such a group is committee, and other examples are work units, such as a small department, a research and development laboratory, a management team or a small assembly line. A distinctive feature of formal groups is that a hierarchy of authority exists, with specified member rules and regulations. Rules, regulations, incentives, and sanctions guide the behaviour of small groups. A command group and a temporary task group are two types of formal groups.

The command group is the most frequent type of formal group. It is specified by the organisation chart and comprises supervisor and his subordinates. The foreman and his team of workers constitute a command group.

The other type of formal group is the temporary task group. A temporary task group consists of employees who work together to complete a particular task or project, but who do not necessarily report to the same supervisor. For instance, when a problem involving many departments arises, a task force made up of representatives from each of the affected departments, might be formed to examine the problem and suggest solutions.

An informal group, also called a clique, is an alliance that is neither formally structured, nor organisationally determined. Informal groups are natural formations in the work environment which appear in response to the need for social contact. They often develop within formal group out of certain values or concerns which some members find they share. They may also develop across or



outside of formal groups. Whatever the way of formation, informal groups obviously do not possess formal structures. Rather, member roles are loosely defined, based on member expectations and the needs of a group at any particular moment. A member's behaviour is guided by his own internalised perception of what is appropriate and sanctioned by the bestowing or withholding of social approval.

Three types of informal groups have been distinguished in (1) horizontal clique, (2) vertical clique, and (3) random clique.

A horizontal clique consists of people of similar rank from the same work area. A vertical clique consists of people from different hierarchic levels within the same department. A random clique comprises people from various departments, locations and hierarchic levels.

The relationship between formal and informal groups is mutually reinforcing and ignores competing. Informal groups can assist formal groups in solving a complex problem. But what concerns and individual who is interested in the study of organisational behaviour is the negative role played by informal groups. Some informal groups deliberately formed to work against management. Two types of informal groups are active in resisting any efforts of management - erratic groups and strategic groups. Erratic groups often protest against management, but they do so in a disorganised, and erratic manner. Because they are disorganised, they usually do not have a strong influence on management. Strategic groups are well organised and disciplined in pursuing their goals against management. Because they are well organised, they tend to be more successful than erratic groups in forcing management to listen to their views. These groups are more likely to occupy leadership positions in the union.

Interacting, Co-acting and, Counteracting Groups

Based on the type of interactions that occur in groups, they can be categorised into interacting, co-acting and counteracting groups. In an interacting group, the



work of one group member is contingent upon that of the other, such as assembly line workers performing separate operations in a prescribed sequence. In co-acting groups, the work of individual group members is independent, such as a job-shop operation. Counteracting groups are those that interact to reconcile mutual differences, such as labour- management negotiating teams.

Open and Closed Groups

Another basis for classifying groups is whether they are open or closed. At the one extreme is the completely open group, which is in a constant state of change; at the other extreme is the completely closed group, which is quite stable. Open groups differ from closed groups in four respects changing membership, frame of reference, time perspective, and equilibrium.

With regard to changing group membership, in open groups, true to their nature, members keep changing-new members joining and existing ones leaving. A good deal of time is devoted to socialising new members. A closed group maintains a relatively stable membership, with few additions and losses in members overtime. Power and status relationships are usually well established and fixed.

With regard to frame of reference it may be mentioned that a high rate of turnover in an open group helps it to expand its frame of reference. New members bring new perspectives to the group's activities and problems. The expanded frame of reference in an open group can enhance creativity. The stability of membership in closed groups, on the other hand, usually results in a relatively narrow frame of reference.

Bereft of the challenge from new members who bring in fresh ideas, a closed group can become very unlikely to change its established perspectives.

An open group has a relatively short time perspective. The instability and constant change of an open group make it difficult for the group to have long time horizons. Since membership may be brief, members' perspectives for group activities are oriented towards the present or very near future. In contrast, the



stable membership of a closed group enables it to maintain a much longer time horizon. Members, because of their long association with closed groups, are able to recollect the history of the group, and their expectations for continued long association enable them to use long-term planning.

Equilibrium refers to the process of restoring to the state of balance and stability from imbalance and instability. Because of changing membership, and open group is easily susceptible to unbalance and instability, though closed groups are relatively free from such problems. An open group must develop method for counteracting the disequilibrium, for any disruption is detrimental to the interests of the group. One way to make an open group stable is to make members committed to group ideals. This makes changes in members less frequent. Another way is to enhance group membership. The larger the number of members, the more stable does a group emerge.

An organisation may have both open and closed groups. Many groups whose function is evaluation or review may be relatively open. For example, membership on a promotion committee is often limited to one or two years, and terms are staggered so that half the members are replaced every year. Boards of directors exemplify closed groups; they have been described by critics as “self perpetuating cliques” whose members hold sufficient votes or proxies to re-elect themselves each year. The closed nature of such groups enables them to develop historical perspective and to engage in long-term planning, often at the cost of developing new perspectives.

In-groups and Out-groups

A distinction is also made between in-groups and out-groups. The groups to which we belong are in-groups, and groups to which we do not belong are out-groups, especially if we look upon them with a certain amount of antagonism. The in-group out-group concept is applicable to friendly rivalries between schools, clubs, and associations, but is also applicable to much more hostile



groups. On a small-scale it is descriptive of violent neighborhood gangs; on a larger it is descriptive wars between nations.

The in-group versus out-group concept is intimately linked to ethnocentrism, which means that one's own group is the best and the other is to be judged on its terms. Ethnocentric attitudes are mentioned most frequently in relation to national rivalries, but ethnocentrism has many applications. One can be ethnocentric about one's community, state, social class, or even race.

There is a slight difference between the membership and reference concept and the in-group and out-group concept. In the former, a member of member group aspires to become a member of a reference group. In the latter, a member of an in-group has an almost hostile attitude towards out-groups.

9.5 GROUP DEVELOPMENT AND NORMS

Groups are formed and developed through several stages. They do not form overnight. The process of developing from a group of strangers to a unit of cohesive and well coordinated team members requires time and a great deal of interaction among group members.

It has been pointed out that groups pass through a standard sequence of four stages. These stages have been called forming, storming, norming and performing.

Stages of group development

In, the forming stage there is a great deal of uncertainty about the group's purpose, structure, and leadership. The stage is complete when interpersonal relationships are established and when interpersonal relationships are established and when members have begun to think of themselves as part of a group.



In the storming stage conflict arises because of interpersonal behaviour. Additionally there is resistance to group influence and task requirements. Occasionally, groups split.

In the norming stage, a single leader emerges and this results in group cohesion. There is now a strong sense of group identity and camaraderie. New group standards and roles are formed for members.

The performing stage is marked by teamwork, role clarity, and task accomplishment. Group energy has moved from getting to know and understand each other to the job of performance.

Group Norms

Group norms are a set of beliefs, feeling, and attitudes commonly shared by group members. These are also referred to as rules or standards of behaviour that apply to group members. Norms serve three functions in groups: predictive, control and relational. First, norms provide a basis for understanding the behaviour of others and for deciding one's own behaviour. Second, norms regulate the behaviour of members. When someone violates a norm, other members are likely to exercise sanctions ranging from a casual remark to physical abuse. Finally, some norms define relationships among roles. For example, while high status members are expected to play leadership roles, low-status members are prohibited from doing so.

Group norms have certain characteristics. They are:

1. Norms represent characteristics of groups, just as an individual's characteristics are revealed through his personality.
2. They are related to behaviours considered important by most group members. In fact, norms are the basis for behaviour of members in groups.



3. They are the basis for predicting and controlling behaviour of group members.
4. They are applied to all members, though not uniformly. Some deviations by some members are tolerated but not to the extent of jeopardising group goals.

Many work and non-work norms exist in small groups, but the one most often referred to is the production norm (the group's perception of "acceptable" production behaviour), which is often different from management expectations. The reasons for production norms are:

1. Fear of rate cutting if production gets too high.
2. Fear of reprisal against workers if production gets too low.
3. Fear of production changes if there is too great deviation among individuals.

It was the Hawthorne experiments which gave birth to the concept of work behaviour. Although earlier writers on management such as Taylor had recognised the existence of production norms, their impact was not really assessed until Elton Mayo and his associates conducted their detailed studies. The figure given below explains relationship between production norms and its zone of acceptance.

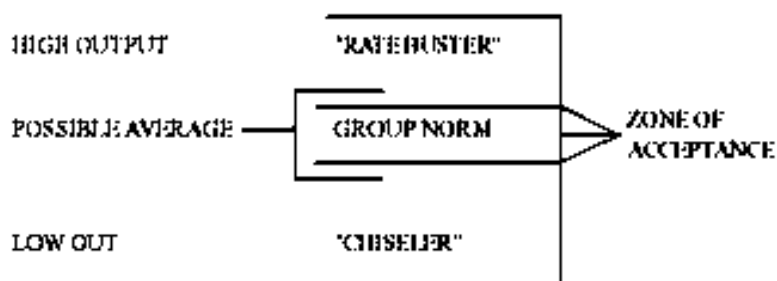


FIG. 9.2: PRODUCTION NORMS AND ITS ZONE OF ACCEPTANCE

Source: Gray, et al. Organisational Behaviour, Concepts and Applications, Merrill Publishing Co., 1988, p. 464.



This figure also indicates that the group norm need not be the average of the group's production. The norm indicates which level of production from each individual is considered acceptable by the group, whereas the average may be higher or lower, depending upon the number of workers who deviate from the norm. It is possible to have more than one production norm operating in a group although this tends to divide the group according to different norms.

How do Norms Develop?

Norms usually develop gradually and informally as members learn what behaviours are necessary for the group to function. Most norms develop in one of the following five ways:

1. Many norms develop because members bring their past experiences from other groups in other organisations.
2. Primacy is another way of forming group norms. Primacy refers to the first behaviour pattern that emerges in a group. This behaviour pattern sets group expectations. For example, if the group meeting is marked by very formal interaction between supervisors and subordinates, then the group often expects future meetings to be conducted in the same way.
3. A critical incident in the life of an organisation often sets a precedent. For example, in one organisation some employees availed themselves of the "option" of not signing performance appraisal assessments they strongly disagreed with. They were fired the next day. The norm of "sign now, disown later" was established.
4. Explicit statements made by supervisors or co-workers themselves may become norms. Norms develop this way to prevent any threats to the status quo.



5. Norms also develop out of the conscious decision of the group. These decisions are often provoked by a particularly good or bad experience the group had.

Why is Norms Strongly Enforced?

Once norms are established, they are enforced on members particularly when norms help groups meet their twin aims of performing successfully and keeping morale high. To be specific, the reasons why norms are enforced are the following:

1. Norms are likely to be strongly enforced if they ensure group success or survival.
2. They are likely to be strongly enforced if the norms reflect the preferences of supervisor or other powerful group members.
3. They are likely to be strongly enforced if the norms predict what behaviour is expected of them. This is particularly true when group members are uncertain about the behaviours they have to exhibit in certain types of situations.
4. Norms are likely to be strongly enforced if they help the group avoid embarrassing interpersonal problems.

9.6 DECISION-MAKING UNDER GROUPS AND COHESIVENESS

A characteristic feature of groups which is particularly important for the behaviour of their members is cohesiveness, or the extent to which the members are attracted to each other and to the group. The term cohesiveness is understood as the extent of liking each member has towards others and how far everyone wants to remain as members are attached to and motivated to remain part of a group. Persons in a highly cohesive group value their membership and strive to maintain positive relationships with other group members. Members also experience satisfaction from group affiliation.



Cohesion is an important group property. Managers must offer answers to such questions as (1) “What creates group cohesiveness?”, and (2) “What results are expected out of cohesiveness?”

Sources of Cohesiveness

Group cohesiveness can be affected by such factors as interaction, threat, severity of initiative, shared goals, similarity of attitudes and values, and size.

Interaction: Group cohesiveness depends on possibilities of frequent interaction. They become more cohesive when individual members spend more time with each other.

Threat: Threat is a powerful unifier particularly when: (a) it comes from outside the group, (b) cooperation can help overcome the threat, and (c) there is little or no chance for escape.

Severity of Initiation: Difficulty in getting admission into a group also affects cohesion. More the difficulty, greater is the cohesiveness.

Co-operation: Sometimes the general atmosphere of group enhances cohesiveness. The overall atmosphere depends, among others, on leadership.

Shared Goals: Groups that share common goals are likely to be more cohesive than those that do not share such goals. If the group agrees on the purpose and direction of its activities, this serves to bind the group together.

Attitudes and Values: One of the strongest sources of group cohesiveness is shared attitudes and values among group members. Two reasons may be explained for this. First, the person who shares the same opinions as we do provides us with a kind of social validation for four beliefs- he provides us with a feeling that we are right. If someone disagrees with us, this might evoke fear in us that we are wrong. Second, we are likely to make certain negative inferences about the character of a person who disagrees with us on important issues. If we



disagree with this person on this issue, we feel much more likely that we shall disagree with him on other issues.

Size: It is well-known that as group size increases cohesiveness tends to decrease. This effect comes about in at least three ways. First, in large size group possibilities of interactions among members are less. Second, as group size increased, it becomes difficult to have a consensus on common goals and expressions of disagreement and dissatisfaction increases. Third, with the Increase in organisation size, the need for division of labour increases which leads to restrictions on inter-group activities and communication.

Table given below contains several tips for managers to increase and decrease group cohesion.

TABLE 9.1: MANAGERIAL ACTIONS FOR INCREASING AND DECREASING COHESION

Actions to increase cohesion:

- Induce agreement on group goals
- Increase membership homogeneity
- Increase interaction among members
- Decrease group size
- Introduce competition with other groups
- Allocate rewards to the group rather than individuals
- Provide physical isolation from other groups

Actions to decrease cohesion:

- Induce disagreement on group goals
- Increase membership heterogeneity
- Restrict interaction among members
- Increase group size



Allocate rewards to individuals rather to the group as a whole

Remove physical isolation

Introduce a domination member

Disband the group

Source: Schermerhorn et al. Managing Organisational Behaviour, John Wiley, p. 334

Methods of group decision making

Though decision-making is supposed to pass through definite stages, in practice small groups makes decisions differently. The popular methods of decision making are:

1. Decision by lack of response: Ideas after ideas are suggested without any discussion taking place. When the group finally accepts an idea, all others have been by passed and discarded by simple lack of response rather than by critical evaluation.

2. Decision by authority rule: In this method, the chairperson, manager, or some other authority makes a decision for the group. This can be done with or without discussion and is highly time efficient. Whether the decision is good, depends on whether or not the authority figure had the necessary information and how well this approach is accepted by other group members.

3. Decision by minority: Two or three group members dominate and force the group to make a decision they agree with. This is often done by providing a suggestion and then forming a quick agreement on it. Questions that emanate from the dominant minority are “Does anyone object?... Let us go ahead then.”

4. Decision by majority rule: Groups can make decisions by majority rule, that is, by voting or polling members to find the majority viewpoint. This method parallels the democratic political system and is often used without awareness of its potential problems. Voting tends to create coalitions of “winners” and “losers.”



Those in the minority (i.e. the losers) can easily feel left out or discarded without having a fair say. This can detract from the implementation of a decision since support is fragmented in the final result.

5. Decision by consensus: Consensus is a state of affairs where a clear alternative appears with the support of most members, and even those who oppose it feel that they have been heard and had a fair chance to influence the decision outcome. Consensus, therefore, does not require unanimity but requires no outright dissent either.

6. Decision by unanimity: Under this method all group members agree on the course of action to be taken. This is logically perfect method that is extremely difficult to obtain in actual practice.

Advantages of Group Decision Making

There are several advantages inherent in group decision-making. *First*, groups usually have a greater knowledge base that can be brought to bear on the problem. This is an almost automatic outcome, since more than one person is involved.

Second, there is greater number of approaches available to a problem. The availability of several individuals means that more perspectives will be offered on a problem, and the narrow vision of a single perspective avoided.

Third, the group format allows increased participation by a variety of individuals. Although participation per se does not guarantee a high quality decision, it does increase member satisfaction.

Finally, there is better understanding of final decision. This is because participants in group decision making are involved in all stages of discussion, comprehension of final outcome is high.

Disadvantages of Group Decision Making



The most practical disadvantage of group decision-making is the time required to make decisions. Groups are frequently slower to reach decisions than are individuals acting alone.

Second, there is the social pressure to conform. The desire to be a good member and to go along with the group can lead people to conform prematurely to poor decisions.

Third, a dominant individual may emerge and control the group's decisions; this may be particularly true of the leader whose view points may dominate group discussion.

Finally, groups may make decisions that are simply a compromise between the various views held by individual members. This is particularly true when a group must make a decision on a controversial issue.

Strategies for Improving Group Decisions

The effort in group decision making is to take advantage of the group as a decision making resource and to minimise its potential disadvantages. Over the years social scientists have studied ways in which group decision making may be made really effective. Three such ways are: brain storming, the nominal group technique and the Delphi technique.

Brainstorming: Brainstorming technique was developed by Alex Osborn, a partner in an agency. The technique was used originally to develop an ad programme, but it can be used any time an organisation wants to develop creative or free-wheeling ideas. These ideas may depart drastically from generally accepted practice. Procedurally, the technique involves getting six to ten people together to come up with a creative solution to a problem. The idea in brainstorming is to create an atmosphere of enthusiasm and non-judgement in terms of the usualness of an idea.

Four rules typically govern the brainstorming process:



1. All criticism is ruled out: Judgement or evaluation of ideas must be withheld until the idea-generation process has been completed.
2. Freewheeling is welcome: The wilder or more radical the idea, the better.
3. Quantity is wanted: The greater the number of ideas, the greater the likelihood of obtaining a superior idea.
4. Combination and improvement are sought: Participants should suggest how ideas of others can be turned into better ones, or how two or more ideas can be combined into still another idea.

Brainstorming is rooted in the notion that harsh and critical judgement discourages people from expressing unorthodox ideas, and that one or more of these otherwise unspoken ideas may be the key to solving the problems at hand. No attempt is made to evaluate responses during the session; it is done later. Brainstorming sessions, that last 40 minutes to one hour; have been found to be most effective.

Nominal Group Technique (NGT): The major features of the NGT are that it controls the amount of personal interaction and adds structure to the group process are that can be time consuming and that one or two dominant or high-status members may control the group. NGT minimises this problem by suggesting four steps.

1. Each person writes down ideas, options, or solutions privately without discussing them with others. To save time, this can be done before the meeting.
2. The results of the first step are presented to the group by each person in a round-robin procedure. Each person presents his or her ideas in sequence. There is no discussion. The ideas are written down on a chalk board or large flip chart, so that everyone can see them.



3. After all the ideas have been suggested, the participants may ask questions to clarify an idea or proposal. However, at this point, there is no evaluation, no discussion, and no debate.

4. Each person ranks various proposals privately. The results are tallied to determine the relative support for each idea. The proposal with most tallies is then discussed for possible adoption.

When these steps are followed, NGT has been found to be effective. It integrates the advantages of both group creativity and individual creativity. In many situations it also saves a great deal of time. NGT, therefore, can improve group decision making under otherwise difficult circumstances.

Delphi Technique: Delphi technique was developed the Rand Corporation to allow for the benefits of group decision making without members having to meet face to face. In fact, it allows group decision making to be accomplished over large distance and widely scattered members.

The Delphi procedure involves a series of questionnaires distributed over time to a decision making panel. A typical approach works as follows: The first questionnaire states the problem and requests potential solutions. Those solutions are summarised by the decision coordinator. The summary is returned to the panel in a second questionnaire. Panel members respond again, and the process is repeated until a consensus is reached and a clear decision emerges.

One of the problems with the Delphi technique relates to the complexity and cost of administering the series of questionnaires. However, it does offer the advantages of group decision making in circumstances when it is physically impossible to convene a group meeting.

9.7 COLLABORATION

The complex intergroup relationship and group dynamics leads to conflicting situations which depends upon the degree of goal compatibility and importance of the interaction to goal attainment. Goal compatibility is the extent to which



the goals of more than one person or group can be achieved at the same time. In other words, the goals are compatible if one group can meet its goals without preventing the other from meeting its goals. The figure given below attempts to understand five types of reactions to conflict stem from the relative importance of interaction and the degree of goal compatibility.

Fig. 9.3 shows five types of reaction to conflict as a result of relative importance of interaction over goal compatibility.

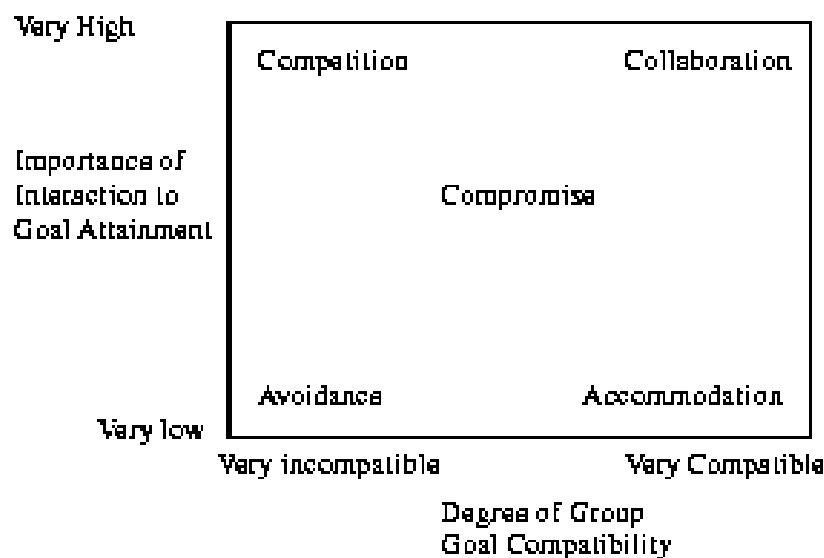


FIG. 9.3

(Source: Adapted from Kenneth Thomas, "Conflict and Conflict Management," in Marvin Dunnette, (ed.), *Handbook of Industrial and Organisational Psychology* (Chicago: R and McNally, 1976), pp. 889-935)

It is clear from the diagram that avoidance occurs when the interacting parties' goals are incompatible and the interaction between groups is relatively unimportant to the attainment of the goals. Accommodation occurs when the parties' goals compatible but the interaction between groups is relatively unimportant to the goals' attainment competition occurs when the goals are



incompatible and the interaction between groups are importance to meeting goals.

Collaboration occurs when the interaction between groups is very important to goal attainment and the goals are compatible. In the class scheduling situation where there is conflict between the classes of economics and MBA over offering of morning classes. Both departments would like to offer specific courses in the fall. However, by discussing the issue and refocussing their overall goals to match students' needs, the MBA and economics departments can collaborate on developing a proper sequence of courses. At first glance, this may seem to be simple interaction in which the parties participate jointly in activities to accomplish goals after agreeing on the goals and their importance. In many situations, however, it is no easy matter to agree on goals, their importance, and especially the means for achieving them. In a collaborative interaction, goals may differ but are compatible. Parties to a conflict may initially have difficult working out the ways in which all can achieve their goals. However, because the interactions are important to goals attainment, the parties are willing to continue to work together to achieve the goals. Collaborative relationship can lead to new and innovative ideas and solutions to differences among the parties.

9.8 SUMMARY

Groups are significant because not only they facilitate task accomplishment but they have an impact on individual work attitudes and behaviours. Groups may be classified into- (i) formal groups, (ii) informal groups, (iii) command and task groups, (iv) primary groups, (v) interest and friendship groups, (vi) open and closed groups, (vii) interacting, coaching and counteracting groups, (viii) in-groups and out-groups. Small groups are helpful in building good relations among the members and serve as a useful channel of communication and coordination. An important outcome of group dynamics is the creation of group cohesiveness. When the members are motivated to remain within the group and



they conform strictly to the norms and values of the group, the group is said to be cohesive. By understanding group and its dynamics the managers can take effective decisions. And decision-making through collaboration has also bearing on the organizational effectiveness.

9.9 KEYWORDS

Groups: Two or more people who interact with and influence each other toward a common purpose.

Group cohesiveness: The extent to which group members are motivated to remain within the group and in consequence to behave in similar ways.

Organisational strategy: An organisation has a strategy that defines what business it is in or wants to be in, and the kind of organisation it is or want to be. Strategy outlines the organisations goals and the means for attaining these goals.

Formal group: A group that is deliberately created to perform a specific task. In contrast, an informal group is an alliance that is neither formally structured, nor organisationally determined.

Collaborative management: Management through power sharing and subordinate participation; the opposite of hierarchical imposition of authority.

Organisational culture: The set of important understandings, such as norms, values, attitudes and beliefs, shared by organisational members.

9.10 REVIEW QUESTIONS

1. Define the term “group”. What are the types and nature of groups?
2. Why groups are significant in organisational effectiveness.
3. Define group cohesiveness. What are the sources of cohesiveness?
4. What are the consequences of group cohesiveness?
5. What are group norms? How do they develop?



6. How are group decisions made? How can group decision be made better?
7. What is collaboration? Why it is important in group decision making?

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LESSON 10

CORPORATE GOVERNANCE AND BUSINESS ETHICS

STRUCTURE

- 10.0 Objectives
- 10.1 Introduction
- 10.2 What is corporate governance?
- 10.3 Corporate governance: a global view
 - 10.4 Concerns of corporate governance in the developed countries
- 10.5 Corporate Governance in India
- 10.6 Who is Responsible for Corporate Governance?
- 10.7 Corporate Governance in the 21st Century
- 10.8 Business ethics
- 10.9 Corporate values
- 10.10 Summary
- 10.11 Keywords
- 10.12 Review questions
- 10.13 References/suggested readings

10.0 OBJECTIVES

After reading this lesson, you should be able to-

- Understand the concept of corporate governance.
- Appreciate the corporate governance in India and abroad.
- Define the concept of business ethics and specify the scope of corporate ethics.



- Describe values and corporate culture.

10.1 INTRODUCTION

Liberalisation in India since mid-1991 and consequent integration of Indian economy with the global economy has raised many issues concerning management in the corporate sector in India. One such is that of corporate governance. Unlike many other concepts in the field of management, the concept of corporate governance is unfamiliar, though the issues involved as old as the beginning of the modern corporate sector. In fact, the concept is still under crystallisation process world over. While various experts are on the job of giving it a proper form and meaning, the significance of corporate governance is such that deliberations on it cannot be kept at abeyance till that is completely done.

Business organisations are creatures of the society and society is concerned with their good corporate governance. In the modern age the corporate sector is emerging to be, perhaps, the most powerful entity in the society. It influences and controls society like no other institution, perhaps even more than the government in some countries. It is imperative that the corporate sector is made accountable by the yardstick of good corporate governance.

Many foreign companies and multinational corporations have entered and are in the process of entering India. This has made the economy more open to global influence. Certain business practices which were a source of competitive advantage to some companies during the period of controlled economy cannot be continued due to the changing environment – legal or otherwise. Indian corporate sector will have to show concern for good corporate governance if it would like to smoothly assimilate itself with the global economy. Hence, relevance and importance of corporate governance cannot be underestimated.

10.2 WHAT IS CORPORATE GOVERNANCE?

There is no dependable paradigm clearly defining the domain of corporate governance. It is also difficult to define, as corporate governance itself is a multi-



dimensional concept. This may largely be attributed to the origin of the concept itself.

Corporate governance in a nut-shell means proper governing of the, by the, and for the cooperate entity. In India, I guess the most important facet may not be the breaking or flagrantly violating laws of the land for unjust enrichment.

According to the Working Group on Corporate Governance (1991) in the US, the only goal of the corporate governance is ‘ongoing prosperity of the company’.

Toronto Stock Exchange, through the Day Report, issued guidelines to support improved corporate governance (Wilson, 1996) as the process and structures used to direct and manage the business affairs of the corporation with the objective of enhancing shareholder values, which included ensuring the financial viability of the business.

According to Pound (1995), corporate governance is centred on power. The major goal of corporate governance is to tighten control over wayward mangers. The reform initiatives in the US have included a formal audit of management performance, separating the positions of the chairman and the chief executive officer, appointing outside directors, and making a company’s board members more accountable to its outside shareholders. According to him, the board’s function is to hire or fire managers depending on whether they perform or not. And shareholders’ role is to throw out the broad that doesn’t function properly. Board’s major function is strategy making and overseeing its proper implementation.

Corporate governance is nothing but the traditional responsibility, the corporate managers and their. Board of Directors have in enhancing shareholder’s values in their fiduciary capacity (Ghani, 1996). The major issues underpinning the concept of corporate governance are: who is controlling a company, how is a company being controlled, whether its corporate trustees (the board and the managers) are doing their best to enhance shareholder’s value, how is such a



shareholder value-addition being done, and legality and fairness of the methods employed by the managers to secure such additions to shareholder's value.

As we know organisation is an association of two or more persons working together for common objectives for mutual benefits. There exists a kind of order, from the legal point of view or social expectations point of view, within an organisation as well as in the dealings with the external agencies. This when proper, is called good corporate governance and when it is not proper, it is called bad corporate governance.

10.3 CORPORATE GOVERNANCE: A GLOBAL VIEW

Corporate Governance in the US

In the US, the business took a beating from the Japanese and the German businesses in the 1980s. This came as a big shock not only to the US businesses but also to the American citizens, academicians, and the government. This led to lot of debate among the various stockholders and this time they found a scapegoat in the board of a corporation. No sooner was this done, they had to come out with suggestions for improvements and good corporate governance is the set of such suggestions. Unfortunately, some of them of outside directors and empowering them, increase in activism of the minority shareholders, and more active role of institutional investors.

Many suggested induction of outside expert directors to the board as well as much higher compensation linked to stock performance for the directors for increasing the effectiveness and efficiency of the board. Pressure was also built up on the institutional investors on the role they can play in good corporate governance. According to experts, institutional shareholders can and should pay attention to the performance of a company. If need be, they can elect or help selection of attentive and capable directors. They can also mobilise 'market feedback' from the talented shareholders in specific situations.



Another important reason for the rise in the concern for corporate governance in the US in the late 1980s was following the rise in the intensity of mergers and acquisitions wave in the 1980s, which created a have and question of corporate control became very important. Hence, corporate control is a closely linked issue of corporate governance.

Michael E. Porter (1992) states that “the critics of the US business frequently blame the recent competitive shortcomings on various issues: a short time horizon, ineffective corporate governance, or a high cost of capital. In fact, these issues are symptoms of a larger problem: the operation of the entire capital investment system. In the US, publicly traded companies increasingly rely on a transient ownership base comprised of institutional investors, such as pension funds, mutual funds, or other money managers, who act as agents for individual investors. In 1950, such owners accounted for 8 per cent of the total equity; by 1990, the figure had reached 60 per cent. These institutional agents hold highly diversified portfolios with small stakes in many – perhaps hundreds – of companies. For example, in 1990, the California Public Employees Retirement System (Cal PERS) reportedly held stock in more than 2000 US companies; its single largest holding was 0.71 per cent of a company’s equity This may be due to legal constraints (etc.).... (All these contributed to poor corporate governance)”.

The US stock market, however, is considered to be the best stock market (Bhide, 1994). Whereas the stock markets in Germany, Japan, Switzerland (and India) are fragmented, illiquid and vulnerable to manipulation like rigging or insider dealings. But the short-term focused system of the US prevents managers to ensure good governance who neglect their fiduciary duties and thus injures the long-term interest of the companies and shareholders.

In the US, the most important facet of corporate governance means efficient and effective functioning by the Board of Directors, its chairman, and chief executive



officer in comparison to the expectations of the share/stockholders as well as improving competitiveness of the US businesses in relation to that of Japan and Germany.

One major approach is the one led by Michael E. Porter (1992), Professor of Strategic Management at the Harvard Business School, who favours revamping the US system of corporate governance to resemble those of Germany and Japan to arrest and improve the US competitiveness. The second major approach is led by Richard C. Breeden (1993). Chairman, US Securities and Exchange Commission, who favours the market-based approach which advocates, leave everything to the market to decide, because the US economy is a market-based economy.

Corporate Governance in the UK

In the late 1980s, there was a series of sensational business scandals in the UK (Body, 1996). There was particular public outrage at the plundering of pension funds by Robert Maxwell, at the failure of auditors to expose the impending bankruptcy of Bank of Credit and Commerce International, and at the apparently under served high pay raises received by senior business executives.

The collapse of Barings at the end of February, 1995 also raised issues in corporate governance (Hogan, 1997) like handicaps to effective funds and risk management as well as failure to develop information and accurate accounts for auditing, credit control and funding purposes.

In the UK and the European Union member countries, the important facet of corporate governance is restoring public confidence in the financial reporting and the ability of the auditors to provide the safeguards sought and expected by the users of company reports.

The issue of corporate governance is raised in the US more than any other developed countries in the West. The UK has, however, taken a lead in crystallisation of the concept and giving it an official form. The Cadbury



Committee set up in the UK had the terms of reference that it would define a code of good corporate governance and suggest ways and means to ensure good corporate governance.

Corporate Governance in the EU

The European Commission issued a Green Paper on the role, the position and the liability of the statutory auditor within the EU, in July, 1996 (Beattie, 1997). The paper focuses on issues like financial reporting in Europe, the auditor's role, and civil liabilities, the role of governmental and professional bodies, and corporate governance.

Corporate Governance in Japan

Since the 1950s, Japan's approach to the problem of corporate governance has differed from that of other countries (Jones, 1997). Some major difference are (1) Executive pay is on an average lower than in other OECD countries and stock options are not generally used, (2) Take-overs are relatively rare because of the prevalence of stable shareholding, and (3) The concentration of ownership is Much higher, with nearly 70 per cent of all stocks owned by institutions and corporations.

In Japan, the so-called main-bank performs five important functions (1) It makes loans and is usually its main creditor; (2) It helps place the bonds issued by the firm; (3) It owns shares and is often the main shareholder; (4) It offers payment settlement facilities; and (5) It supplies information and management personnel.

One of the most important features of the Japanese main-bank system is that it provides a type of contingent governance.

10.4 CONCERNS OF CORPORATE GOVERNANCE IN THE DEVELOPED COUNTRIES

Unlike in developing countries like India, concerns in the developed countries are different with regard to corporate governance. In the US, the degree of



democracy in corporate sector is much higher compared to that of the other countries. Due to development of laws, rules, and regulations since last century and relatively better implementation of the same, the corporate sector is normally more honest in its dealings with the external environment. The people and the regulating agencies are more aware and achieve in controlling the corporate sector. In its internal environment, the companies are relatively more transparent due to the fact that to a considerable degree there is a separation of interests of the owners/shareholders and that of the employees and management of the companies.

There are many cases where the original industrialist families have given up control over the management of the companies and are interested in the dividends or other form of returns on investments. They generally do not meddle with the affairs of the company, if they are not competent enough to handle the management. And when they do so to protect their interest vis-a-vis interest of the company, often shareholders or the institutional shareholders actively oppose such moves successfully and give a bad reputation to such owners.

What is uncommon in the developing countries and common in the developed countries is the practice of mergers and acquisitions. The number of mergers and acquisitions and the amount involved is much higher in the developed countries especially in the US and the UK. This has raised a different dimension of corporate governance there – that of corporate control. Who should control the company? The developed capital markets and the prevailing laws in countries like the US and the UK have made it easy for the corporate sector to go in for mergers and acquisitions for corporate restructuring. This raises various issues concerning the corporate governance. It has been sense that both the acquire as well as the acquire adopt various practices which promote their interest but are harmful to the interest of the shareholders and/or employees of the companies under question.



This calls for good corporate governance where the corporate control is retained by the incumbent management or passed on to the acquirer through the practice where the interest of the shareholders and/or employees is protected and above all the interest of the company is enhanced. This is one of the main reasons why the junk bond culture of hostile take-overs did not last for a long time in the US.

It is difficult for all directors to have a say in a board dominated by a person who is the chairman as well as the chief executive officer. Also, in case of a take-over bid, the company suffers the most when the chairman and the chief executive officer are the same person. The solution advocated by Harvard Professor Jay Lorsh and others is to separate the roles of chairman and the chief executive officer (Salmon, 1993). On the other hand Code of Best Practice of Corporate Governance does not require the chairman and the chief executive officer to be different persons. But if they are sane, outside directors should provide a strong and independent counterweight (Cadbury, 1993).

Even in developed countries like Switzerland, sometimes profits are preferred to ethics. In the 1970s, Adams, one of the top executives of Roche could not bear with the unfair trade practices of the company. He followed his conscience and divulged the confidential information to the EC authorities under strict confidence. The beaucractic EC authority could not keep the source of information, i.e., name of Adams, secret and Adams had to pay the price. He was arrested in Switzerland, his wife committed suicide, and he lost his job. His children suffered a lot while he has trying to ensure good corporate governance. Such attempts of whistle blowing to ensure good corporate governance are not sustainable even in developed countries like Switzerland.

10.5 CORPORATE GOVERNANCE IN INDIA

Like princes who automatically became the kings by their god given right, the sons of industrialists in India become the managing director and/or chairman of the private sector organisations, irrespective of their capabilities of competencies



to manage or mismanage their companies. This is not untrue in the developed countries too but the ratio is significantly less. There are many companies where ownership and managerial control are two distinct domains. The DuPont, Ford and many other corporations do not have anybody from the families of the promoters now in the management of these corporations.

A top professional manager was pushed out of the management of a leading textile mill in Ahmedabad by an owner family member, but he could not help the company from turning sick. Most of the large industrialist families in India see it perfectly in order that often the new incumbent finds people having more years of experience than his age reporting to him. There must be some expectations where even the new incumbent is capable or competent to head the organisation. However, in many cases it is the senior managers of such organisations who manage the organizations maintaining the loyalty towards the industrialist family, even though some of the actions may not be in the best interest of the organization they are working with.

Expectation like Tata group may exist where the management of the group companies is in the hands of professional managers. But this could also be the fallout of the fact that the original Tata family chain no longer exists.

India has not lagged behind in initiating efforts of code making. What is more imperative is how much of such code of good corporate governance is implemented by the corporate sector in India.

During the 1970s, Indian corporate sector witnessed a mini-wave of mergers and acquisitions, when the Government of India put restriction on the number of organisations a managing agency can control to 20, so as to actual the concentration of economic power and the factors of production. Most managing agencies went in for mergers of organizations a managing agency can control 1 to 20, so as to curtail the concentration of economic power and the factors of



production. Most managing we tin for mergers of organisations under is control so as to keep their number up to 20.

Later, to review many sick units, the Government of India offered some benefits like tax concessions. Some companies were acquired for merged for reasons which were not purely based on sound business principles. In any case the government was so keen on controlling and restricting the growth of the corporate sector that problem of corporate control by mergers and acquisitions was almost non-existent in India.

Swaraj Paul, the British-based NRI created havoc in the 1970s when he clandestinely cornered shares of DCM Mills Ltd., and Escorts Ltd. with a view to takeover these companies. It appeared that he had the backing of the persons in the high offices of the Government of India. The attempt was, however, thwarted by the incumbent management with the support of public opinion and legal proceedings but not without getting green-mailed. Evaluating this incidence on ethical dimension is one facet. Another facet is how much the shareholders suffered for many years. Being ethical and moral or in the right is what is needed as well as is fine, but when considering from the point of view of the shareholder-value creation or maximisation, they may not go well together.

But the latest SEBI's Take-over Code by the Justice Bhagwati Committee and much awaited exit policy are likely to increase the mergers and take-overs in India. In fact, the number of mergers and take-overs and the amount involved are already on the rise. Another important aspect of these merges and takeovers is that the share of the foreign companies in such activity has significantly increased. All these are likely to raise in India, the concerns related to the corporate governance as existing in the developed countries especially in the US and the UK.

In India, many fly-by-night operators mopped up crores of rupees from the gullible investors though equity in the share markets and the authorities just



could not take any effective steps to prevent such happenings. Now (for over a year), the genuine industrialists are facing lots of hardships as the share markets are so sluggish that raising capital from the share markets is extremely difficult. This in turn harms the industrial development in the country. The ultimate suffers are the people.

Tata group of companies has successfully cultivated the reputation of honesty in India. Tata name inspires a trust among India investors, shareholders, consumers, and public at large. However, Ratan N. Tata, Chairman of the operating companies and the holding company Tata Sons Ltd. is shifting capital from the operating companies to the holding company (Kripalani, 1996).

Promoters of scores of multinational subsidiaries as well as Indian companies got away with underpriced preferential allotments through stage managed general body meetings. Out of context, this appears to be the case of bad corporate governance. But if this is considered also with reference to the context of Foreign Exchange Regulation Act (FERA) by which the foreign holding was compelled to be reduced to 40 per cent or less or in the context of Monopolies and Restrictive Trade Practices Act (MRTPA) by which concentration of economic power was restricted forcefully and now the Indian companies are to face global competition as well as face take-over threats, one may think twice before terming the above cases as cases of bad corporate governance. This is not to suggest that the above are not cases of bad corporate governance but it is to suggest that a company's or board's action alone cannot be responsible for bad or so-called bad corporate governance. There may be many other factors responsible for an action.

10.6 WHO IS RESPONSIBLE FOR CORPORATE GOVERNANCE?

We all are. It is not only the corporate sector or the government which must be held responsible for providing good corporate governance. The corporate sector must strive for and ultimately lead an honest way of doing business. It should



avoid resorting to illegal or unfair means of doing business. It should adopt transparency in dealings except may be those concerning business secrets. It should on its own accept and discharge its social responsibilities. It may go for the objective of profit maximisation but not by polluting the environment - ecological or otherwise.

The government should shed its inertia and be perceive. First, it should revamp it as legal systems drastically. It should have a simple and logical legal system. It should evolve an efficient and effective dispute resolution system. These should be such that citizens and the corporate sector are able to maintain values, if they want to.

Extreme penalty to the defaulter may help reduce the cases of bad corporate governance but better still to create an atmosphere where incentives for defaulting are insignificant. The political parties, government and the bureaucracy themselves and set an example of good governance. If they themselves indulge in a style of functioning devoid of values, little can be expected from the corporate sector which is not set-up with an objective of serving the nation but to generate and redistribute wealth.

The smallest unit which is going to benefit the most from good corporate governance and is also responsible for good corporate governance is the individual citizen himself. Due to his inertia, lethagy, myopic attitude and selfishness, bad corporate governance has flourished. If he votes for a good government that promotes good corporate governance as well as supports actions leading to only good corporate governance, the problem would soon be solved. But due to factors as mentioned above there is a long way to go before good corporate governance becomes an order of the day.

10.7 CORPORATE GOVERNANCE IN THE 21ST CENTURY

In the board meetings of many companies the words corporate governance is being discussed of alter. But how much the boards are committed to good



corporate governance is a big question. Following Cadbury Committee, Confederation of Indian Industries (CII) made some proposals to make the managerial structure more practical and effective. As such code of corporate governance is likely to undermine the authority, power and importance of the powers that grist in the corporate sector. India is a country where one of the major problems faced by the corporate sector may be following the laws of the land. When many corporations often wilfully violate the laws, rules and regulations, question of adopting transparent working style is only a distant dream. Some of these corporations are large and reputed corporations in India, which often feign being leaders in the industry and set an example for others to follow. It is only when their deals get exposed, they have to hide but unfortunately they do so only for the time being.

According to CII's code of corporate governance for the companies having turnover of Rs. 100 crore or more it is recommended to have 30 per cent outside directors with expertise in the company's functioning or management, if the chairman is the non-executive director. But if the chairman and the managing director are the same person, the above ratio should be 50 per cent.

Perhaps no factor can ensure foolproof good corporate governance. However, transparency in corporate dealings, active and responsive shareholders, and above all the good character of the management team may help improve corporate governance in India.

It is also not proper to have high expectation from the corporate sector for good governance, when the whole environment is not conducive to good governance. Bribery, cheating, extortion, scams, hypocrisy are the order of the day. How can a company operating in such an environment function with good corporate governance?

India's political system itself has become polluted. After Independence, the politicians in India had a sacrificing attitude and wanted to serve the people and



the country. Later they joined politics because they had lust for power. Still later, they started encashing power to enrich themselves/family members clandestinely. Now, they have become more honest and make o bones for their lust for power and money making as now politics is considered by many, a career to a mass wealth that no other career in India can offer. There are scams after scams making headlines in the newspapers. We have no idea about how many scams and the amounts involved are still unreported.

How much a company can achieve when operating in such an environment? But the beginning has to be made. Also, if the liberalisation process is to be taken to its logical conclusion or near conclusion, Indian economy will merge with the global economy. Such a widespread system of corruption will not be sustainable under such conditions. Perhaps, this may be the reason politicians are adopting the strategy of harvesting in a hurry.

Non-Government Organisation (NGO) activism is a worldwide phenomenon and their role is gaining Increasing recognition (Kensource Information Services Pvt. Ltd. 1996). In fact, James Wolfensohn, the World Bank President, emphasised the increasing role played by the NGOs worldwide. The World Bank experience is that exposure of corruption and environment abuses in the World Bank-funded projects have invariably come from the NGOs. The regulatory agencies in India can learn from this. Instead of pulling up companies only when a problem arises, it is advisable to subject companies to constant scrutiny. Consumer protection and investor protection NGOs could be represented on the board of companies. It is expected that the representatives of NGOs would do a job of ensuring corporate governance even better than that of the government officials. If representatives of NGO were on the board of ITC Ltd., CRB ltd., and the like, the country would have been saved of the experiences of bad corporate governance.

10.8 BUSINESS ETHICS



Albert Schweitzer defined ethics as “our concern for good behaviour. We feel an obligation to consider not only our own personal well-being, but also that of other human being.” This is similar to the precept of the Golden Rule: Do unto others as you would have them do unto you.

In business, ethics can be defined as the capacity to reflect on values in the corporate decision-making process, to determine how these values and decisions affect various stakeholder groups, and to establish how managers can use these observations in day-to-day company management. Ethical managers strive for success within the confines of sound management practices that are characterized by fairness and justice. Interestingly, using ethics as a major guide in making and evaluating business decisions is not only popular in India but also in other countries.

Business ethics refer to the moral principles which should govern business activities – Business ethics provide a code of conduct for the managers. The purpose of business ethics is to guide the managers and employees in performing their jobs. Ethics are concerned with what is right and what is wrong in human behaviour. They lay down norms of behaviour by the business. A few examples of ethics are:

- (i) To charge fair prices from the customers
- (ii) To use fair weights for measurement of commodities.
- (iii) To pay taxes to the Government honestly.
- (iv) To earn reasonable Profits.
- (v) To give fair treatment to the workers.

The purpose of business ethics is to regulate both objectives (ends) of business and the means adopted to achieve the objectives. According to Garrat, “Ethics is the science of judging specifically human ends and the relationship of means of those ends. In some way it is also the art of controlling means so that they will



serve specifically human ends.” Thus, ethics cover all possible areas of business ends and means must be justifiable as per norms of the society.

A business is an integral part of the society. It is, in fact, a trustee of the resources of the society. So the business must observe the ethical standards of the society while using the resources. If a business fails to observe the social norms it will lose its public image.

10.8.1 Scope of Corporate Ethics

The scope of corporate ethics is quite vast as ethical questions are confronted at all levels of business activity. A corporation is concerned with four types of ethics as discussed below:

- (a) *Societal level:* At this level, the ethical questions about the basic institutions in society are asked such as: Is capitalism a just system for allotting resources? Should the government intervene in business operations and, if yes, to what extent? Should we tolerate gross inequalities of wealth, status, and power? Such societal-level questions usually represent an ongoing debate among major competing institutions, including business.
- (b) *Stockholders level:* Stockholders in a business enterprise include employees, suppliers, customers, shareholders, creditors and the rest. Here we ask questions about how a company should deal with the external groups affected by its decisions, and how the stockholders should deal with the company. For example, should a company inform its customers about the potential dangers of its products? What obligations does the company have towards the other stockholders. How should the decisions on such matters be taken? All these questions deal with business policy and are the subject of managerial decisions.



- (c) *Internal Policy Level:* At this level, we ask questions about the nature of enterprise relations with its employees – both managers and workers. For instance, what kind of relations should be there between them? What rights should employees have? What should be the mutual obligations of managers and workers? These questions, too, involve managerial decisions from the ethical viewpoint. So also, questions of motivation techniques, leadership, role, work rules, etc. are involved at this level.
- (d) *Personal Level:* At this level we ask questions concerning how individual persons should treat one another within the firm. Should we be honest with one another irrespective of the consequences? What should be our roles for satisfactory mutual relations? These questions deal with day-to-day issues of life in any enterprise.

10.8.2 Corporate Ethics and Stockholders

As a part of society, business is responsible to act credibly and behave ethically. The significance of business ethics has arisen in the modern age because of the impact of business practices on customers, employees, industry, managers and the society as discussed below:

1. *Customers:* The customers of a business expect fair treatment. A business following social ethics will work in the interest of customers and will desist from undesirable practices such as hoarding, black marketing, adulteration etc.
2. *Employees:* The employees have their trade unions and can pressurise the business management to pursue those policies which are conducive to healthy industrial relations. It is unethical to deny the workers good working conditions, fair wages and other benefits of employment.



3. *Industry*: Business firms compete with each other for economic resources and for greater share of the market. Business ethics require them to follow fair trade practices resulting into healthy competition among the business units.
4. *Managers*: Business ethics serve as a clue to the business manager as to what type of response is expected in a given situation. He can adjust his actions accordingly and live harmoniously with various groups with whom the business has interaction. This will enhance the image of the business.
5. *Society*: Ethics are a part of the social environment of the country. If a business is careful about the ethical standards, the whole society is benefited.

10.9 CORPORATE VALUES

Milton Rokeach has defined values as beliefs that guide actions and judgement across a variety of situations. He further says that values represent basic convictions that a specific mode of conduct is personally or socially preferable to an opposite mode of conduct. For example, a businessman is expected to supply true information rather than making false claims.

Business values consist of the principles which define what constitutes good business, what objectives should be pursued and whose interest the business should serve. Business values are important for the management of any enterprise. They are the basis for management's philosophy. All managerial decisions and actions are guided by the business values. Values are relatively permanent in nature and so they get reflected in long-term plans and policies of the business. They help in building the public image of the business.

For a moment, we may assume that a business is an economic institution and is no way concerned with social values and ethics. Frauds, scandals, scams (Securities Scam), payoffs and kickbacks (Bofors Gun Deal) will be justified on



the ground Of maximisation of profits. To quote Richard T. DeGeOrge, “If it is true that business is viewed as a moral, that is not expected to behave according to moral rules, and that it is appropriate for it do whatever is necessary in order to increase its profit, then there would be no surprise, shock, or uproar when business acts immorally”. But modern society cannot afford the luxury of not imposing the obligation on the business to follow social values and ethics. The customers, walkers, suppliers and investors will be better served if the business is aware of its social responsibilities and pursues those policies which are in tune with social values. Honest dealings, fair treatment of walkers and concern for social welfare are some of the values which are an integral part of Indian culture. Such values are passed on from generation to generation and thus serve as standing guidelines for the business.

10.9.1 Values and Corporate Culture

Corporate culture is the term used to describe systems of shared values (what is important and beliefs (how things work) that create behavioural norms (the way we do things around here) to guide the activities of organisational members. It is argued that strong corporate cultures facilitate high performance. As a system of shared values, the corporate culture reflects a climate within which people value the same things and apply these values to benefit the corporation as a whole. One example is the dominant valued of customer service. This value shall help keep everyone from top management down to persons on the factory floor pulling in the same direction.

Corporate values may be put in the form of slogans such as “The family feeling” by an Airline or “Quality at a good price” by a Pharmaceutical giant. The strength of such slogans in communicating values lies in the basic premise that values can influence behaviour. To the extent employees understand and share corporate values, their behaviour should be ore uniform and consistent. The performance of individuals, groups and the organisation as a whole will increase



and benefit all. The managers who sense compatibility between their personal values and those of the organisation experience feelings of success in their lives, show high regard for organisational experience feelings of success in their lives, show high regard for organisational objectives and significant stockholders, and have a healthy assessment of the values and ethics of their colleagues, subordinates and bosses.

10.10 SUMMARY

In brief, major issues corporate governance is concerned with are: Who is controlling the company? What is the performance in terms of shareholder-value addition? And, How this is being done?

Considering the emerging globalisation of the economy, there would be standardisation of the 'How' aspects all over the world. The developing countries would find their innovative ways out. More resourceful would address the 'Who' aspects, initially. But as the history of the world indicates, it would be the industrious who would be the 'Who', in the longer run.

The 'What' aspects of the corporate governance would be a bit tricky. Is it possible that all the teams participating, though with different backgrounds, capabilities, competencies, and competitiveness would end up winning or gaining the same points? Theoretically or practically this does not seem to be possible. All the countries in the world would not score equally on this count. If the Japanese corporations are gaining point, somebody say the US is losing. If German corporations are gaining, the UK corporations may be losing. So, on 'What' aspects few countries would be gaining and some countries would be losing.

According to experts, the Asian corporations would be gaining on 'What' aspects, the US corporations would be losing, and the ED corporations maybe somewhere in between. Indian corporations have good rhythmic momentum and are likely



to gain on this aspect, even though Indian environment would continue to be enigmatic, i.e., less transparent.

10.11 KEYWORDS

Corporate governance: The responsibility that the corporate managers and the Board of Directors have in enhancing shareholder's values in their fiduciary capacity.

Business ethics: The capacity to reflect on values in the corporate decision making process, to determine how these values and decisions affect various stakeholder groups, and to establish how managers can use these observations in day-to-day company management. Business ethics are the moral principles which should govern business activities.

Values: Beliefs that guide actions and judgement across a variety of situations.

Corporate culture: System of shared values and beliefs that create behavioural norms to guide the activities of organisational members.

10.12 REVIEW QUESTIONS

1. Discuss the concept of corporate governance. Why has this concept gained so much attention in the present day business environment?
2. Explain the meaning and rationale of corporate governance with reference to the corporate sector in India.
3. Briefly explain the practices of corporate governance in Canada and United Kingdom.
4. Write an essay on the corporate governance in India.
5. What is meant by corporate ethics? Discuss the nature of ethics at various levels of a company.
6. Discuss the concepts of corporate ethics and Business values with the help of suitable examples from the Indian business.

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LESSON 11

MANAGEMENT OF GENDER ISSUES

STRUCTURE

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Women in the organisations
- 11.3 Work and gender
- 11.4 The causes of gender differences
- 11.5 Conflicts in organisation and its causes
- 11.6 Managing gender issue
- 11.7 A case
- 11.8 Summary
- 11.9 Keywords
- 11.10 Review questions
- 11.11 References/suggested readings

11.0 OBJECTIVES

After reading this lesson, you should be able to-

- Understand about the issues of gender biases, its causes, factors and remedies.
- Know the impact of management of gender biases on overall productivity and climate of organisations.



11.1 INTRODUCTION

Before attempting to answer, why management of gender issues and how of it we need to look into few other basic questions; one such question is what is management and why?

Weihrich and Koontz have defined management as “The process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims”. So the definition clearly calls for building a system of people, tasks and resources in such a way that coordinated effort is made towards achieving common goals. While building this system the most important and complicated task is human element.

Every human being inherits its own personality, thinking, attitude behavioural pattern and value system which is very difficult to be coordinated and synchronized with others. This calls for building an organisational culture and environment, which have common shared value system that contributes towards better working of as organisations based on better understanding of differences among personalities that doesn't put hindrances in the development of organisations, rather add to it. Organisations culture has been defined by Robbins and Caller as, “a system or shared meanings and beliefs held by organisational member that determines, in large degree, how they act. It represents a common perception held by the organisational members.”

No organisation could co-ordinate its efforts towards a common goal unless it is able to built an environment in which individuals merge their differences as regards to the path and process adopted towards achieving the common goal. So it's imperative that every management works towards building a system where individual differences, which often leads to biases that put hindrances in achieving organisation objectives are removed.

One such bias of issues that has stormed the management all over the world is Gender bias.



11.2 WOMEN IN THE ORGANISATIONS

In the last decade or so, women have made significant progress in obtaining responsible positions in organisations. Among the reasons for this development are laws governing fair employment practices, changing societal attitudes toward women in the workplace, and the desire of companies to project a favourable image by placing qualified women in managerial positions.

In 1965, readers of the Harvard Business Review were surveyed to determine their attitudes toward women in business organisations. About half of the men and women (and there was not much difference between them) responding felt that women seldom expected to achieve or even desire the positions of authority.

Twenty years later, in 1985, the results showed that the attitudes toward women in business had changed significantly. Only 9 percent of the men and 4 percent of the women in the survey thought that women do not aspire to top positions. Moreover, it was found that men increasingly saw women as competent, equal colleagues. However, over 50 percent of those answering in the survey thought that women would never be completely accepted in business. This may indeed be discouraging to those women who aspire to top management positions. Yet 20 years ago, few people would have expected the progress toward equality that has been made since 1965.

This is just an indication of the change that world has undergone in terms of its attitude and behaviour towards women. But the change has been much faster than the change in attitude of society and people towards women being accepted as equal and competent entity. The situation is even poor in countries like ours, though it is changing fast now.

Women- Key player in Development of Nations

Women have been regarded as weaker sex. But now things are proving to be contrary. Women today are a key player in development of any Nation as an entrepreneur, workforce, intellectual asset and the like. Women are playing key



role in business in both developed and developing nations. Women own one third of total small-scale business units in USA and Canada today. Britain has seen an increase of over three times than man in total workforce in recent time. Women make for 40 percent of the total workforce in Asian Nations. Women are seen out Numbering men in starting new business in China. There are over five million women entrepreneurs constituting one fourth of the entrepreneurs in China. Yet the real scene at work places is not as encouraging.

Morgan (1986: 178) State

“It often makes a great deal of differences if you’re a man or a woman! Many organisations are dominated by gender related values that bias organisational life in favour of one sex over other. Thus organisation often segment opportunity structures and job markets in ways that enable men to achieve positions or prestige and power more easily than woman, and often operate in ways that produce gender-related biases in the way organisational reality is created and sustained on a day-t-day basis. This most obvious is a situation of open discrimination and various forms of sexual harassment, bent often pervades the culture of an organisations in a way that is much less visible.

11.3 WORK AND GENDER

We can not separate our social identity from our sex and gender. Gutex (1985) has identified three significant influences of gender in the workplace.

1. Sex segregation of work: Most of the employed women in USA and elsewhere work in clerical work or less prestigious professions, and their work is less diverse than that of men;
2. Differences in power, status and prestige: men typically hold jobs with more of these characteristics;
3. Work conditions and personal characteristics that emphasize the effect of gender: women’s jobs usually have more pleasant working conditions and emphasize appearance more than men’s.



Thus these facts are given here just to appraise you of the biases in the society and people working in organisations inherits these biases from society. Man in term of biases against women and women in terms of lack of self faith, confidence and equal opportunity and justice.

The twentieth century, at the end of which we stand, has seen many revolutions: some in parallel, some in series. Besides the breath-taking advances in science and technology, this century has seen a significant civilising, refining and liberating influence on human life. Besides the political liberation of colonies, there has been social emancipation of disadvantaged groups. The largest disadvantaged group, irrespective of land, religion and language is the women folk, including those in the advanced countries. Women are handicapped in different degrees all over the world. It is claimed by some of our scholars that in ancient India, men and women were equal. This is inferred from the fact that we had in those days poets, philosophers and eminent women. However, since the Christian era, women have been by and large relegated to a secondary position, mostly inferior position. The 20th century really marks the beginning of the process of educating, developing and empowering women.

Women got their right to vote only in this century: It was in 1920 in USA: 1928 in U.K. and 1944 even in France: the country of Voltaire and Rousseau: the country which stood for liberty, equality and fraternity. It was only in 1971 that women in an advanced country like Switzerland got the right to vote and stand for election.

When it comes to elected Government offices even the advanced countries present a very sad picture. Women in political offices constitute only 6.9 percent in U.K.: it is 10.8 percent in France: 7.2 percent in Singapore and India with 5.8 percent compares favourably with the advanced countries. The highest is the USA with 33.1 percent. In general, the journey of women towards liberalisation



and empowerment truly began in this century only: women have to go a long way to gain equal political, social and economic status.

11.4 THE CAUSES OF GENDER DIFFERENCES

Though, the nature itself has created men and women differently but to work as a cohesive unit and complementary to each others. But this difference turned into bias against women due to various political, sociological, psychological and economic reasons.

As political and sociological reasons: Man being superior physically assigned itself the various role of decision making, supporting family and safeguarding it slowly emerged more powerful in every aspect and started dominating women and build a system more suited to its own interest and this has carried on since long.

As psychological reason: Chodorow (1978), Horrigan (1989); Kellov (1989) suggest that as children grow the male is able to objectify and control his environment, and to define himself as separate from the world around him. The female on the other hand defines herself in relation to world around her, or as part of a community, in a subjective environment.

Sex role behaviour has changed radically over the past few decades. Exposure of women as an outcome of education, media revolution and modernisation of culture and society has remarkable changed perception of women about herself from limiting herself to household chores to woman of substances, able to storm the world. This new outlook has created some conflict in society and organisation are also falling its victim.

As Economic Reason: Prior to industrial revolution, women in man societies enjoyed equal status performing as an equal economic entity performing valuable work in their homes and on their lands. Though the work of women was regregated by gender, but highly valued for its vital contribution to family. While women ran their home, bore children and worked in fields, their male



counterparts would fann, hunt, trap animals and the like and thus dependent upon efforts of each other. But with the industrialisation, it was largely men who moved into wage based economy. Manfolked started earning for their work but women at home earned none. To this day, many historian attributes the devaluation of women's work to this factor.

In the recent years world is changing very fast. Opening up of economies, integration of would as one economic unit, media revolution, rigidity paving way to open thinking, women being perceived as important and productive economic unit. Women education and their exposure has changed their self perception increasing their self consciousness, creating new aspiration and expectations which are being vigoursly pursued as they have more and more opportunities coming their way.

Organization have opened up their doors to women work force as never before and also in changed scenario women have come up in a big way to contribute to economic development of world.

11.5 CONFLICTS IN ORGANISATION AND ITS CAUSES

This change though was not matched in pace by requisite change in mental attitude of male workforce to accommodate this change and thus increasing conflict which is quite apparent in terms of sexual harassment of women workforce, and biases against them. Even fortune 500 companies are not spared from it. These companies not only loses their social reputation but also have to incur huge amount on settlement of suits against them. But more importantly it disturbs the entire social equilibrium of organisation which is must for smooth working and it hampers the productivity, increases workers turnover and absenteeism. This needs to be addressed and managed.

1. Communication Barriers between Women and Men

Research by Deborah Tannen provides us with some important in sight into the differences between men and women in terms of their conversational styles. In



particular, she has been able to explain why gender often creates oral communication barriers:

The essence of Tannen's research is that men use talk to emphasize status whereas women use it to create connection. Tannen states that communication is a continual balancing act, juggling the conflicting needs for intimacy and independence. Intimacy emphasizes closeness and communities. Independence emphasizes separateness and differences.

But here's the kick: women speak and hear a language of connection and intimacy; men speak and hear a language of status and independence. So, for many men, conversations are primarily a means to preserve independence and maintain status in a hierarchical social order. For many women, conversations are negotiations for closeness in which people try to seek and give confirmation and support.

Men frequently complain that women talk on and on about their problems. Women criticize men for not listening. What's happening is that when men hear a problem, they frequently assert their desire for independence and control by offering solutions. Many women, however, view telling a problem as a means to promote closeness. The women present the problem to gain support and connection, not to get the males advice. Mutual understanding is symmetrical. But giving advice is asymmetrical-it sets the advice giver up as more knowledgeable, more reasonable, and more in control. This contributes to distinguishing men and women in their efforts to communicate.

2. Women as Weaker Sex

Sociologists and psychologists have studied the problems of working women in depth. According to them, self doubt and concern about meeting other people's expectations must continually hover in the thoughts and actions of women at work.



Men and women are prejudiced about what is called as 'women's natural role'. There is a 'non-conscious ideology' that sets specific limited expectations from women. There is a popular stereotype that seems to justify second-class employment and treatment for women.

There is a myth that the woman's income is used for certain extras, non-essential expenditure. Society at large is prejudiced against women. It is observed in: some social surveys and researches that women tend to downgrade the intellectual and professional achievements of other women.

Prejudices about women arouse feelings of guilt and confusion among women. Such prejudices violate many values that individuals ordinarily like to think they have a sense of decency, justice and fairness. On this background accepting unequal treatment by other groups may be insulting and humiliating.

3. Problem of Compatibility between business and family

Male executives place every working woman on a continuum that runs from total dedication at one end to a balance between career and family at the other. What women discover is that the male corporate culture sees both extremes as unacceptable. Women who want the flexibility to balance their family and careers and competitively as men are abrasive and unfeminine. Not to mention bad mothers.

Rosabeth Moss Kanter has touched upon the double yard stick of gender appropriateness and managerial efficiency, which often leaves women in an unbreakable double bind. If the women are in an unbreakable double bind, if the norm is male, women will always be the other, the deviant. Superior or inferior, she is not the same. Sexuality puts an added burden on women already carrying a heavy load of trying to compete as managers.

A more positive approach is suggested by Sally Hegelsen in *The Female Advantage* she argues that a woman's aptitude in 'long term negotiation, analytic listening and creating an ambience in which people work with best will reconcile



the 'gap' between being efficient and being a woman. Today's management literature points to an integration of female values shaping a more collaborative kind of leadership. Motherhood is therefore no longer a liability, but can be taken as an advanced management-training programme. What matters is the ability to get the job done, whether it is a man or woman who is doing it. Ironically, that is what we have come to focus on.

As more and more women enter business, they will have to face the strains of managing their dual managerial roles - corporate manager and family manager. In a recent survey of U male and female managers, 82 percent of the women managers said that they faced greater pressure than men as managers. The most common major pressure reported was associated with the conflicting demands of home and office work. In the short run, this may mean an increased number of women staying single or getting divorced, or a greater 'real' acceptance by men of this changing role of women and the accompanying social support this will entail. A new breed of superwomen is emerging to counter traditional bias.

4. Sexual Harassment

"Whatever they may be in public life, whatever their relations with men, in their relations with women, all men are rapists, and that's all they are. They rape us with their eyes, their laws and their codes (**Marilyn Fren chin The Women's Room**).

Sexual harassment defines as unwanted conduct of a sexual nature, or other behaviour based on sex that affects the dignity of men.

Many companies refuse to recognise sexual harassment as an issue of concern. "It doesn't happen here" is the usual reply. But the problem certainly exists in organisation, though hidden; many victims face a lot of barriers to make a complaint. With increasing gender diversity in our workforce and greater proximity of genders working together, Indian companies will have to recognize sexual harassment at workplace.



Sexual harassment is not only a problem for women; it is also a problem for the employer posing a wide range of management issues. The approach that it is only a 'women's problem and not an organisation problem will lead to serious problems for the organisation. A coherent and coordinated approach to the problem of sexual harassment is ultimately, nothing more than good management practice.

The sexualisation of the workplace can include both sexual harassment and sex discrimination or, as MacKinnon (1979) believes sexual harassment should be viewed as a form of sex discrimination and women at work. This includes uninvited and unwelcome physical, verbal or non-verbal conduct. To be more specific, it may include touching, remarks, looks, attitudes, jokes or the use of sexually explicit language, references to a person's private life, sexual orientation, innuendoes with a sexual connotation, comments on dress or figures, persistent leering at a person or at part of his/her body.

How to tackle the issue

How to ensure that every individual within the organisation understand the dimension and implications of gender equity.

The issue of gender equity often meets with professional resistance from both men and women in the organisation. Much of the resentment and anger is due to perception of change as a chaotic churning up and destruction of the present order, rather than as a planned and systematic process. Helping people to visualise a place for themselves in the new order and resolve personal feelings and contradictions, is an important step in creating up environment in favour of gender equality.

11.6 MANAGING GENDER ISSUE

1. Building a Shared Vision

No organisation can work towards achieving gender equality and reducing conflict unless it have a proper vision and understanding of the concept Vision is



an ‘Umbrella’ concept under which a number of other concepts are subsumed. It starts with the belief and philosophy that guide the organisation, and color its policies and action.

So the management must be very clear about its philosophies and understanding of concept as what it is, how it works, what is better for organisation what it will result unto, how it will change the work and structure of organisation? Though this is quite a complicated task to have clear and well defined vision, but this call for a common understanding on the part of top management. To build this understanding top management should sit together and discuss the entire concept stretched over in many such sittings and meetings with experts in the field and the study of relevant literature. Then they should come out with clear vision on gender Issues.

Sharing the Vision: Once the vision has been developed it must be shared in the organisation with every employee and their response and understanding of the vision must be taken onto consideration before putting vision onto action. This can be done by conducting a survey across all the departments in the organisation and by holding meeting with employees. The difference of opinions needs to be addressed by increasing their sensitivity and understanding through various workshops, lectures, conferences counselling sessions etc., so that implementation gets easy. Because it builds a system that is shared by everyone and is aimed at collective functioning. Words of Peter Drucker is worth monitoring here, “a decision is a commitment to action, but for too many decisions remain pious intentions. One reason is that we try to “sell” the decision rather than “market” it. We tend to make the decisions fast, and then we start to sell it to the people in the organisation that takes three years, and by the time the decision has become “baught” it has become obsolete. Here we can learn from the Japanese. They built the implementation in before they take the decision. Everyone who will be affected by the decision-and specially everyone



who will have to do something to carry it out is asked to comment on the decision before it is made. This look incredibly slow. But then the Japanese make the decisions, and from the next day, everyone understands it and acts on it.

So an issues as sensitive as this, a commonly shared vision is must.

2. A Gender-Sensitive Working Environment

A properly shared vision helps in building an environment which is sensitive to the needs of all the members working in the organisation should be such that allow all persons to carry out their work. satisfactorily and permit each members' qualities to be recognised, encouraged and harnessed to the betterment of the organisation. This objective can be achieved by organising various workshop that increase the understanding of members on gender issues, by holding common meeting where both male and female members share their views, problems and other issues, by using techniques like role playing games etc.

Indicators of a gender-sensitive organisation

- (i) The material displayed in the organisations are not disrespectful of women.
- (ii) Facilities such as showers and child care are provided.
- (iii) Procedures have been established to fight sexual harassment.
- (iv) Men and women do not make disrespectful comments about the opposite sex.
- (v) The difference in work-style between men and women is seen as one of the strengths of the organisation.
- (vi) People with authority treat others with respect and fairness (adapted from world conservation union. Ari foundation).



3. Achieving Gender Equality

It includes–

- (i) Ensuring top level commitment to gender equality: No amount of measures work till the top management itself shows commitment towards eradicating gender related biases and they themselves need to be quite clear of the issues.
- (ii) Creating a unit to manage and monitor gender related issues
- (iii) Organisation must set measurable goals and time bound objectives for achieving gender equality.
- (iv) Integrating these objectives as mentioned above in business plans.
- (v) Hold all managers accountable for gender equality, linking their performance appraisal and rewards to its achievement
- (vi) Implement gender awareness training programmes
- (vii) Carry out employee surveys to obtain regular feedback from employees on policies to achieve gender equity.
- (viii) Conduct equal opportunity audits to ensure gender balance at all levels of the organisation.
- (ix) Make it an organisational policy to appoint competent women to visible, senior positions in strategic areas of the firm.

4. Ensuring gender sensitive and equitable recruitment and selection policy

- (i) Prepare gender-sensitive job descriptions and specifications.
- (ii) Broaden range of channels to prospects for female candidates.
- (iii) Ensure that all staff responsible for recruitment is committed to gender equity.
- (iv) Make sure that women are present on selection panels.



5. Developing and designing training and development programmes for women.

- (i) Identify obstacles to women's career development and make structural changes where appropriate.
- (ii) Select high-achieving women and provide them with training and career development opportunities.
- (iii) Rotate women in job assignments so that they can acquire career-building skills.
- (iv) Encourage the provision of advisors (monitoring) and networking systems in which women can learn not only from other women, but also from men.

6. Performance Appraisal to be fair

In most organisations, men shape the unwritten definitions of what constitutes a "good" employee. Willingness to work after office hours, coming in to work on holidays and not taking too many days off are all considered indices of commitment and sincerity, and are commented on favourably by supervisors. Most often, men are able to demonstrate their commitment in these ways because the women in their families compensate. Women rush back from work as soon as they can, to get on with the cooking, house keeping and children's homework. Women are also expected by their families to take leave when children and older people are ill. Most women are reluctant to come in to work on holidays because that is when they catch up on their housework.

It would be more gender equitable to look at work output and productivity during regular office hours as a criterion for assessment of performance.

Gender review of all formats including those for performance appraisal and monitoring, to ensure that women's and men's different perceptions and priorities are reflected.



Gender review of all management and procedural manuals, to ensure that gender biases in language and procedure are removed and gender issues are highlighted.

Contracts and terms of reference to clearly define responsibilities and state specific expectations of performance with regard to gender equality.

- (i) Outline explicit performance objectives and criteria
- (ii) Involve women in determining the appraisal (establishing the criteria, content and structure of the appraisal interview, etc.)
- (iii) Make line managers aware that gender equity is a bottom-line issue

7. Equitable Remuneration

- (i) Adjust pay rates so that jobs of equal value to the organisation are paid equally
- (ii) Address gender bias in remuneration schemes
- (iii) Introduce a cafeteria style benefit plan throughout the organisation.

8. Helping women in ensuring balance in work and family life

- (i) Introduce flexible working arrangements and ensure that employees who opt for them are not penalised for doing so.
- (ii) Provide enhanced maternity benefits beyond the minimum statutory requirements; if so required.
- (iii) Ensure that workers who return after maternity/paternity leave, or after extended absence due to family obligations, are able to return to their former positions or to posts of equal rank.

9. Providing training, to encourage women to hold strategic level positions in the organisation to share their ideas and take initiative, to participate in decision-making



10. Preferential treatment like some quota, guaranteed promotional performances to women in certain positions.

Some more steps could be taken to build an environment which encourages the unbiased treatment to women.

1. Training and counselling sessions for all
2. Sharing of views on some common platform by both male and female employees.
3. Conducting workshop to enhance the sensitivity of male member to understand gender related issues.
4. Individuals within organisation who are role models, and who have demonstrated their commitment to gender equality, to be recognised and commended.
5. Using gender-neutral language in all meetings, official documents and correspondence.
6. Recognising and rewarding the outstanding contribution of individuals, particularly men towards achieving gender equality.
7. Ensuring adequate representation of women in various management committees.

11.7 A CASE

Sexual harassment! No subject in recent memory has stirred so much confusion. Managers and employees are asking-basic questions such as: Was it all right to say I liked her dress? It is okay to ask her out to lunch to talk about that project? Should I just stop touching anybody, even if it's only a congratulatory part on the back?

One point that all the experts seem to agree with is that sexual harassment is not really about sex. It's about power- more specifically, the abuse of power.



Ninety percent of Fortune 500 companies have dealt with sexual harassment complaints. More than a third have been sued at least once, and about a quarter have been sued over and over again.

What are organisations doing to eliminate sexual harassment? Most are taking a three-prong approach. First, they are establishing formal policies that show the company is serious about the problem. Honeywell, for instance, publicizes its policy against sexual harassment in a handbook given to every employee and on poster is placed in conspicuous places. AT & T warns its employees that they can be fired for repeatedly making unwelcome sexual advances, using sexually degrading words to describe someone, or displaying sexually offensive pictures or objects at work. Second, organisations are investing in training. The most effective training appears to be workshops where participants get a chance to talk to each other, instead of just listening to a lecture or watching a video. In classes where men and women are asked to compare their impressions of the same hypothetical situation, real revelations can occur. Finally, organisations are establishing clear procedures for handling complaints when they arise. Typically, employers choose an impartial ombudsperson, usually in the human resources department, to hear and investigate charges before lawyers get involved. When complaints are found to be legitimate, organisations then are taking “immediate and appropriate action”. Depending on the circumstances, this can range from transferring the harassed or the harasser to a different department, to docking the harasser couple of weeks’ pay, to firing the guilty party outright.

Source: Based on A.B. Fisher. “Sexual Harassment: What to do” Fortune (Aug. 23, 1993).

11.8 SUMMARY

Gender related issues are here to rock the world and its impacts are being felt in all organisations in terms of gender related biases, discrimination, sexual



harassment, organisational conflicts etc. These issues need to be addressed properly otherwise can disturb the entire work culture smooth functioning of the organisation. Achieving gender equity needs restitution of employees towards gender differences through various workshops, lectures, conferences, role playing etc., so that these differences are perceived as strengths of organisation rather than an obstacle.

11.9 KEYWORDS

Gender biase: This term is generally referred to indicate bias against women in organisations due to various political, sociological, psychological and economic reasons.

Social harassments: Unwanted conduct of a sexual nature, or other behaviour based on sex that affects the dignity of a person.

11.10 REVIEW QUESTIONS

1. What do you mean gender bias? What are the causes of gender differences? Discuss.
2. Describe the causes of conflicts in organisations.
3. How can you manage the gender issue? Give your answer keeping in view the present environment of fast changing technology and work culture in Indian organisations.

11.11 REFERENCES/SUGGESTED READINGS

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LESSON 12

POWER AND POLITICS

STRUCTURE

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Power: Meaning and sources
- 12.3 Major forms of power
- 12.4 Degree of power
- 12.5 Organisational politics
- 12.6 Causes of organisational politics
- 12.7 Summary
- 12.8 Keywords
- 12.9 Review questions
- 12.10 References/suggested readings

12.0 OBJECTIVES

After reading this lesson, you should be able to-

- Understand the meaning, sources and forms of power;
- Find the relations between power and politics; and
- Describe the causes of politics

12.1 INTRODUCTION

Authority is institutional and hence, legitimate. One can look up the organisation chart and notice the existence, in most cases, of authority relationships of different individuals in the organisation. The organisation also



attempts to provide status symbol to a position-holder in accordance with his positional level and its requirements. Authority increases as one goes up the organisational pyramid or hierarchical ladder. Most people confuse this increase in authority with the growing power of an office-holder.

Generally, authority and power are taken to be synonymous, but modern management literature distinguishes one from the other. The reason is not far to seek. On many occasions, many people who have no authority in a particular matter have been found influencing decisions regarding it. Similarly, some of those who are authorised to take decisions prove Incompetent on some account or the other. An important factor responsible for all this may be organisational politics that most people associate with legislative assemblies, but modern management literature regards it as the characteristics of every organization regardless of the size, function or character of ownership. Bitter struggles among individuals, groups and organisations are, in modern times, a common-day occurrence everywhere. These contests are fought at every level in the hierarchy. Politics is, therefore, a process whereby power is acquired, transferred and exercised upon others to influence their behaviours. Hence, power is personal, political and acquired by individuals. Authority could, at best, be regarded as institutionalised power. Authority is narrower in scope than power and applies to fewer behaviours in an organisation. This makes it necessary that a clear distinction between authority and power be drawn. This also highlights its critical importance in the organization, though people tend to avoid a discussion on it.

12.2 POWER: MEANING AND SOURCES

The meaning of the term authority is different from that of power. Power is, in fact, one's ability to influence others' behaviours. That is, it is one's influence potential. Through the use of power, people influence decision-making. This influence may affect resource allocations, goal setting, hiring decisions, or many



other outcomes and behaviours in organisations. It is a problem of who gets what, when and how. It is the ability to enable a person to possess or to deprive him of something that the individual considers valuable. The individual who influences others' behaviours may be at a very low level in the organisational hierarchy. Thus, obviously, power is not institutional and hence, legitimate. Rather it is acquired by people in various ways and then, exercised upon others. It is quite possible that an individual gains more power as his authority increases, but it is not necessarily true. Therefore, if one looks at the organisation chart, one may fail to locate the power-centres. Power may reside in unsuspected places. According to Wolfe, power is, therefore, the potential ability of one person to induce forces on another person towards movement or change in a given direction, within a given behaviour region, at a given time.

The power is shown when an individual includes forces on another to mould his behaviour according to his own choice. What it implies is that power has to be understood as an ongoing process. That is, there is no evidence of power unless it is exercised—evidence in the sense that it is not formalised. Many a time, however, people voluntarily behave in accordance with the well-known choice of a powerful person for the fact of his being powerful. Thus, power may not actually have to be used. Hence, power operates consciously and unconsciously, directly and indirectly. It should also be remembered here why a person allows himself/herself to be influenced. It seems perhaps so obvious that the determining factors would be the degree of dependency, uncertainty of the task that one performs, or one's personality characteristics like people who cannot tolerate ambiguity or are highly anxious, or have high needs for affiliation, are more susceptible to individual or group influence. This means that the influenceability of every individual in every situation is not the same. This brings home an important feature of power – that it is not a unilateral process of influence. Rather it involves a reciprocal relationship between the person who influences and the person being influenced.



Regarding power play in an organisation, we must realise that external environment casts serious influence on organisation which is constantly responding and adjusting to it. Thus, the expression of power is affected not only by internal organisational elements, but is also induced by external forces as organisations are open systems. The traditional view that organisations are antiseptically clean of influences from outside does not hold good. External interest units such as banks, financial institutions, insurance companies, governmental agencies, and so on, which come in contact with a business organisation, sustain it which means that they all have some power to influence decision-making. Look at Organisational Reality below.

The role of external forces has been conceptualised by Thompson and McEwen as a continuum. The earlier the external elements enter into a decision-making process, the greater the influence they have. They suggest four ways, each of which represents a stage of entry, in which they influence decision-making in organisations:

- (i) Competition between two organisations and the third party casts its vote in favour of a particular organisation.
- (ii) Bargaining, when two parties are negotiating for sharing of resources invading the decision process directly.
- (iii) Cooperation, when outside elements are absorbed in the policy determining structure itself.
- (iv) Coalition, when from the beginning no proposal can be implemented without the assistance of the other party.

12.2 SOURCES OF POWER

People in an organisation can derive power from several sources. They may have high connections or a very pleasing personality or possess knowledge in an area critical to organisational goals or have access to scarce Information or control important resources, and so on. One may derive power from one particular



source of a combination of sources. These courses or bases of power can be broadly categorised into two: (i) interpersonal sources of power, and (ii) structural and situational sources of power. Let us now discuss each of them.

Interpersonal sources of power

One of the most widely used descriptions of interpersonal sources of power has been proposed by French and Raven. They mention five power bases: legitimate, reward, coercive, expert, and referent. These sources of power relate either to organisational position of a person or his/her personality.

Legitimate Power

A legitimate power is exercised when a person exerting influence over others makes use of the authority granted him by the institution. The targets of influence also know that his power is the legitimate one and therefore, obey his commands. This power is closely aligned with both reward and coercive power because the person with legitimacy is also in a position to reward and punish. But it is different from those types of power in the sense that it does not depend on relationships with others, rather on position or role that one holds in the organisation. An inspector may issue instructions to his workers regarding a product's level of quality or to expedite the work.

Obedience or disobedience of a legitimate command, of course, as discussed earlier, depends upon several factors. Among these factors, one important factor is that the power holder enjoys legitimate power only within a specific area of responsibility and the farther he gets from this specific area of responsibility, the weaker his/her legitimate power becomes. A female personal secretary may refuse to accompany her boss for an amounting in the evening. Even where managers have heavily relied on the use of legitimate power for seeking compliance with commands, organisational goals are not necessarily met nor has employee satisfaction occurred.



Reward Power

A person is able to influence behaviour of others in the targets of influence believe that the power-holder is in a position to offer rewards which they value such as praise, promotion, money, time off and so on. Research has shown that reward power often leads to increased job performance as employees see a strong performance reward contingency. Some of these rewards may not be within the control of an immediate boss and may rest within the higher management. To that extent, the power of the immediate boss would be weak, but in certain other respects, he may be quite powerful.

One may again raise the question that reward power is also the legitimate one. Or how is it different from the legitimate power? Is it a kind of legitimate power? Let us understand the difference between the two. Legitimate power differs from reward and for that matter, coercive power in that it depends on the official position a person holds, and not on his relationship with others. In the earlier example, an inspector may enjoy legitimate power to enforce quality standards, but not the power to grant promotion to a sincere worker who fully complies with his orders. Promotion power may rest with the divisional head – his legitimate power, but it will be unwarranted (illegitimate) if he interferes with the enforcement of quality standards by the inspector. However, an inspector may enjoy reward power to offer praises or publicly applaud an individual's work, granting time off, or even making suitable recommendations to the higher authority for promotion of a worker. All of these may not necessarily be his legitimate power.

Coercive Power

Coercive power forces the targets of influence to comply. The legitimate power may secure compliance with command willingly or unwillingly, the reward power may induce a person to comply because of self-oriented interests, but coercive power forces an unwilling person to comply with the command. This power is



primarily based on fear. The targets of influence know that the power-holder enjoys the power to fire, perspire and discharge them for on-compliance with the command. The punishments may take the form of rerimands, undesirable work assignments, close supervision, tighter enforcement of work rules, suspension without pay, and the life. As in case of reward power, some of these coercie powers again may vest with the higher management. It is often said that a good deal of organisational behaviour such as prompt attendance, looking busy, and so on, can be attributed to actual implied coercive, not reward, power. The power to hurt others is possibly the most often used, most often condemned, and most difficult to control. But coercive power has serious undesirable side effects, such as employees falsifying performance reports, absenting from work too often , giving shoddy performance, even obstructing others' work, and at times, a frustrated disgruntled employee turning into a permanent liability. Moreover, as reward power may strengthen other bases of power, coercive power shall weaken them.

Expert Power

Expert power stems from possession of skills, talents or specialised knowledge in the field the targets of influence lack. For expert power to work, three conditions must be in place. The knowledge possessed or information g given must be accurate, relevant and useful to the target and the should perceive the giver as an expert. That is, the expert must be credible, trustworthy and relevant. It occurs when the target of influence requires a particular knowledge, the expert possesses knowledge in the said area and is known for giving right and honest advice. One may bring this expertise with oneself at the time of entry into the organisation or the organization may help develop through training or performance of an unstructured job for a long time. Professors, lawyers, doctors, accountants, labour relation mangers, management consultants are some such examples. Expert power is often relatively narrower in scope, perhaps, the range



is most limited because it generally applies only to certain areas of knowledge. A person may resist his/her supervisor's influence in areas other than his/her expertise. However, knowledge specific to an organisation or any specialisation which can be performed a isolation reduces power. Still, expert power has been called the power of the future. It has the strongest relationship with performance and satisfaction. It is through this power that skills, abilities, and knowledge are passed on within the organisation. Employees internalise what they observe and learn from managers they perceive to be experts. They become role models. As organisations become increasingly technologically complex and specialised, the expert power of members at all levels will become more and more important.

Referent power

Referent power arises when the targets of influence feel attracted toward the power-holder because of his amiable manners, pleasing personality, charisma or any other reason. A young executive may like to emulate his boss. Political leaders, movie stars, sports personalities, war heroes, mythological characters and the like often provide such examples. The advertisements on television, magazines and the large hoardings using famous personalities are some examples of an attempt to influence the consumer's buying behaviour. The scope of influence of this power is often wide. It is linked with organisation effectiveness, but it is most dangerous as well because it can be too extensive and also intensive a altering behaviours of others. At times, people unnecessarily assume subservient roles more because of personal admiration than because of respect for authority. Therefore, the power based on identification (that is, referent power) has the broadest range of the various types.

The first three of these power bases indicate positional power which one derives from one's position. The remaining two power bases indicate personal power which is based on the individual's own characteristics. However, there are important differences between personal and organisational power. In personal



power, a person has freedom of choice as far as whom to influence; the size of the group is also much smaller. In the latter, a person is not free to choose co-workers and supervisors, and there are many more people in the group. The power figure exercises his influence because of one or more of these bases of power and obtains compliance from his subjects. It is rare that any one power element is at work at one time. But often the use of one power base affects another power base. The use of coercive power reduces referent power, whereas the use of reward power enhances it. These interpersonal sources of power that influence behaviour are quite complex and interrelated.

To these five power bases of French and Raven, Raven later collaborated with Kruglanski and identified a sixth power base-information power. Then, in 1979, Hersey and Goldsmith proposed a seventh basis of power-connection power. Information power is based on perceived access to data, as distinct from expert power which is the understanding of or ability to use data. As against this, connection power is based on perception of association with influential persons or organisations. A supervisor may enjoy a particular degree of power in the organisation, but if he is married to a relative of the managing director, the perceived connection may provide added influence with others in the organisation.

While choosing a particular power instrument, the power holder must keep the following in mind: (i) check the depth of power base; (ii) seek legitimacy in the exercise of power; and (iii) avoid the use of power that has its base in coercion. Not surprisingly, power is reduced when its exercise is attempted outside its perceived limits. People have a perception of the power figure's area of influence, and if he attempts it in a different area and fails to carry it out, his power will dwindle. Similarly, the stronger the power base, the greater the power. The strongest power base is coercion. In fact, different researchers have thrown up different results in this regard. However, a review of research by Natemeyer



shows that while expert and legitimate power bases appear to be the most important reason for compliance, and expert and referent power bases tend to be often strongly and consistently related to follower performance and satisfaction measures, the results are not clear enough to generalise about a best power base. The appropriate power base is largely affected by situational variables.

Structural and situational sources of power

Most studies have focused on interpersonal relationship between superiors and subordinates. This perspective of power is, no doubt, important, but perhaps, more important is to understand another perspective of power which is based on structural or situational factors like the type of department structure, access to powerful individuals, access to critical resources and strategic information, and so on. These structural sources of power are often created by the division of labour and departmentalising which naturally result in unequal access to information, resources, decision-making, and other individuals and groups.

The distribution of work in itself contains some seeds of power generation. A particular work is more important for organisational survival and growth than some other work. This fact itself brings power to those job-holders regardless of their personalities and leadership qualities. So, organisational forces themselves create certain predispositions towards dominance within the system. However, as there is division of work and from the organization's point of view, every work is important to some extent or the other, power is also distributed throughout the organization. Division of work creates dependence which, in turn, brings power. This being the case, there are restraints on the exercise of power and the possibility of absolute power is minimised. This logic, however, does not carry us very far. As every individual has some power, the impact of a low degree of power is offset because of mutual interdependence. Moreover, most members of a large organization do not participate actively in organisational affairs and develop apathy towards it. People performing more important tasks and possessing other



attributes which bring power such as high level of expertise, emerge as power. Besides, on the basis of the degree of power one possesses, it is possible to classify people into a power hierarchy. Differentiation of power relations evolves into a hierarchy of power centres as a result of varying degrees of success by those who aspire to power. Thus, ultimately, power must rest in the hands of a few. Michel's view is that power passes into the hands of the elite, which he designates as the "iron law of oligarchy", may not be far from true.

Let us now discuss how organisation itself allocates power. It does so in two ways: (i) by creating hierarchical levels, that is, structural power; and (ii) by dividing work resulting not specialisation, that is, functional power. Every individual has to play a role in the hierarchy. In order to enable him to play that role, organ isolation gives him authority. This authority is institutionalised power and has legitimacy. But the mere granting of authority does not make the position-holder powerful unless he makes use of it whenever necessary. His ability to invoke sanctions, the grant of reward and punishment, makes him retain his power. For example, his power will weaken if he does not question his subordinate who crosses his authority. Communication out of channel reduces the power of the immediate supervisor and increases that of his subordinate and superior. His power will also weaken if he does not possess adequate knowledge and take interest in a particular job and his subordinate fills the vacuum. In order to understand the real operating power relationships, one must analyse the direction of communications and interactions, their frequency, duration and content.

Functional power is derived from the function that one performs, that is, the job that one does, the skills that one uses, and so on. Division of labour and specialisation provide this power, as an automatic dependence upon one another develops. In organisations, people are performing highly limited tasks, that is, just a fraction of a job, and there is mutual interdependence. The more



important the job an individual does, the greater is his power. This more scarce his skills, the more powerful he is. The more experienced he is, the more important he is from the organisation point of view. The longer he has stayed in a particular organization, the more precedents he knows. The more access he has to persons and information, the more powerful he becomes. Individual who receive information and process it are highly powerful. They communicate judgements rather than facts and through this, what March and Simon label as uncertainty absorption, they acquire and exercise power. But functional power is likely to be weak if his knowledge is specific to that organisation only. Besides, power based on function drops off rather sharply as soon as there is any sharing of role. It is said that any function being performed by more than five persons is likely to give hardly any power to individuals. Power, in fact, comes from functional exclusiveness. However, any specialisation which can be performed in isolation does not create power.

Knowledge as power

The most important resource in today's environment is ideational resource. One who has ideas, who can innovate, who can peep into the future, or knows precedents, or has knowledge of current operations gains power in organisations, call it intellectual capital, or simply human capital. Individual, groups or departments that possess knowledge crucial to attaining the organisation's goals have power. Knowledge as power base must be distinguished from expertise as an interpersonal source of power. Any expert enjoys some degree of power as far as his area of specialisation is concerned, but knowledge in areas critical to the continuance and survival of the organisation gives more power. The importance of a particular area of knowledge will vary from organisation to organisation (structure and situational factors). The knowledge of finance is critical to the Department of Finance and the knowledge of computer science maybe secondary, but their relevance will just reverse in the Department of Computer Science.



Resources as Power

As organization requires a variety of resources in order to survive and grow. Which particular resource is important and with what difficulty or ease it is available determines it is power. When funds are in sort supply and work cannot proceed without funds being available, the Finance Department in an organization will become powerful. Departments, groups, or individuals who can provide critical or difficult-to-obtain resources acquire power in the organization. The organisation's goals, nature of goods and services being produced, the resource availability in the economy, and the situation in which the organisation is operating are some of the factors which help determine the importance of a particular resource. However, mere possession of a resource is not sufficient to bring power unless that resource is in demand and the holder is in a position to withhold or regulate its supply. There is need for distinction between power base and power capacity, because a resource may not always be capable of activation. A rich person with lot of gold has a resource, but might not be able to use it. He may not make use of it because he is miserly. At times, people do wish to make use of it, but are not allowed to do so despite the resource being in their possession. Notwithstanding the possession of a resource, this peculiar circumstance is likely to weaken his power.

Decision making as power

In any organization, decision-making process involves several stages. At every stage, a number of individuals or groups participate. To the extent a person can influence decision-making at a particular state, he/she acquires power. For example, take a simple situation in which a machine is to be bought. Several brands of the machine with some differences in quality and price are available in the market. A meeting is called to discuss this purchase. A member who is able to convince the group and the leader in favour of a particular brand in the face of stiff competition from other brand is likely to gain some power, and if he is able



to influence decisions like this again and again, he is likely to become quite powerful.

Networks as power

In most of the organisations, there are individuals with varied nature and attitudes. Some people are able to build connections with different people in different departments and outside the organization. These linkages with individuals and groups help them in getting things done. So apart from superior-subordinate relationships, the horizontal linkages in the form of information links, supply links and support links bring power to some people. Being a member in a network, for whatever reasons, brings power.

Power of lower level employees

Generally, people refer to the power of higher levels in the organisation. It may be appropriate here to refer to the power of subordinate – a problem which has especially attracted the attention of Mechanic. It is not surprising if the higher levels enjoy some power as well, as they already have considerable authority. What is intriguing is that the people at lower levels may enjoy no authority, but still wield considerable power. This power often emanates from the dependence that superiors have on them for information, for performance, for control of resources, and so on. The personal power so acquired by these lower level participants does not necessarily result from unique personal characteristics or some sources of interpersonal power, although these may be relevant, but results rather than particular aspects of their location within the organization, that is, structural and situational factors. In certain positions, they are able to control access to information, or resources as well, on important aspects of the decision-making process. In addition, networks or affiliations with powerful individuals or groups may be a source of their power. Further, the expertise of employees and the amount of effort expended wherever the superior is lacking or



unwilling also influence the extent of their power. Other factors remaining constant, his broad conclusions suggest the following:

- (i) Access to persons, information and instrumentalist: Organisational power is related to access to persons, information, and instrumentalist. The participants' length of time, attractiveness and centrality in an organisation determine his access to the same.
- (ii) Expert knowledge: To the extent that a low-ranking participant has important expert knowledge not available to high-ranking experts, he is likely to have power over them.
- (iii) Difficulty of replacement: A person difficult to replace will have greater power than a person easily replaceable. Experts will be more difficult to replace than non-experts.
- (iv) Amount of effort expended: There is a direct relationship between the amount of effort a person is willing to exert in an area where high-ranking participants are often reluctant to participate and the power he can command. The less effort and interest higher-ranking participants are willing to devote to a task, the more likely it is for longer-ranking participants to obtain power relevant to that task.

12.3 MAJOR FORMS OF POWER

Goldhammer and Shils suggest three major forms of power:

- (i) Force: Force is said to be at work when the power figure influences the behaviours of others by physical manipulation like assault, confinement, beating, and so on.
- (ii) Domination: When a power figure makes it explicit to others what he wants them to do through command, request, and so on, he is said to attempting domination.



- (iii) Manipulation: When a power figure does not make it explicit to others what behaviour he wants them to perform, but still wants to influence, he is said to be engaged in manipulation. He may do so through propaganda against the party or by sabotaging its activities and undermining confidence.

Generally, the exercise of power is attempted through domination. That does not, however, mean that the power figure shuns force or manipulation. An attempted domination may meet with success or failure depending upon anticipation of gains or losses by the target of influence. In the event of failure, the power figure may again attempt domination. If there is repeated failure, the power figure may make use of sanctions or punishments which may deprive a person of something he has or create an obstruction in the attainment of the same.

Etzioni also talks of three kinds of power to obtain compliance with orders. Coercive power is based on the threat to use physical sanctions like the use of gun, a whip or a lock. Utilitarian power comes from the use of material means (that is money) which can help acquire goods and services. The use of normative symbols of prestige and esteem or of social symbols of love and affection or both give normative, social or normative-social power. The consequences of the use of these various classes of power are different. The use of coercive power alienates those subject to it more than the use of utilitarian power, and the use of utilitarian power alienates more than the use of normative power. This is why different kinds of power are used for different ranks of participants. For example, coercive power, if used at all, is applied to lower ranking participants. Less alienating power is used to control higher rather than lower ranks. Generally, people in power in an organisation use more than one kind of power. However, how participants respond to it depends not only on the use of a particular power but also on their own social and cultural personalities.



12.4 DEGREE OF POWER

It was pointed out earlier that an individual gains power in an organisation in various ways and for various reasons, but the degree of power enjoyed by each individual or group is different. When the individual or group attempts the incorporation of influence in the decision-making process, there will be failure or success or there may be varying degrees of success. So there are degree of power corresponding to the various degrees of impact which individuals or groups make through their channels of influence. Generally, a person who influences behaviour in a large number of areas is more powerful than a person who repeats in a particular area. Moreover, the importance of behaviour areas also varies. One is more powerful if one is able to influence in areas considered important by most people. An area is considered important if it significantly affects an organisation's continuity and survival.

12.5 ORGANISATIONAL POLITICS

Politics is common in modern organisations. In the words of Pfiffner and Scherwood, "Politics is endemic to every organisation, regardless of size, function, or character or ownership. Furthermore, it is found in every level of the hierarchy; and it intensifies as the stakes become more important and the area of decision possibilities greater". Organisational members resort to politics to gain more power, to have command over resources, to have more say in decision-making, to fulfil personal goals, etc.

What is organisational politics?

Politics relates to the way a person is able to get power over others and the way in which he uses power over others. In other words, it is the process whereby power is acquired and exercised upon others to influence their behaviour or to get things done. Thus, it is a method of operating in order to influence the behaviour of others.



According to Tushman, “Politics refers to the structure and process of the use of authority and power to affect definition of goals, direction and the other major parameters of the organisation. Decisions are not made in a rational way but rather through compromise, accommodation and bargaining.”

In the words of Farrell and Peterson, “Politics in an organisation refers to those activities that are not required as part of one’s formal role in the organisation, but that influence or attempt to influence the distribution of advantages and disadvantages within the organisation.”

Two key points emerge from above definitions: (i) Political behaviour is outside one’s specified job requirements, and (ii) it generates efforts to influence the goals, criteria, or processes used for decision-making that will result in the distribution of advantages and disadvantages within the organisation. Thus, political behaviour includes such activities as withholding key information from decision-makers, whistle blowing, spreading rumours, leading confidential information about organisational activities, entering into coalitions, exchanging favours for mutual benefits, lobbying on behalf of or against a particular individual or decision, “horse trading”, ingenious compromises, trade-offs and so on.

Features of organisational politics

The broad features of organisational politics are as under:

- (i) Politics involves the use of some kind of power or pressure over other persons or groups. Rewards and punishments are commonly used.
- (ii) Political behaviour is self-serving in nature. Attempts are made to use organisational resources for personal benefits or to give some benefits to others.
- (iii) Political behaviour is outside one’s specified job requirements. It involves ways of getting things accomplished that are not formally recognised practices or procedures.



(iv) Political decisions may not be rational from the point of view of the organisation. They are usually taken to acquire more power.

Generally, people play politics either to serve their individual interests, or organisational interests, or organisational interests, or both. It is, therefore, obvious that politics is not necessarily bad. It also follows from this that people resort to politics because there is some obstruction in fulfilling their goals. If resources were plentiful, and if there were no interdependence and people could have their own way, there would be no need to engage in politicking. But this is not so and politics is a fact of life. Nord suggests four postulates of power in organisations that help focus on political realities: (a) organisations composed of coalitions competing with one another for resources; (b) each coalition seeking to protect its own interests; (c) unequal distribution of power; and (d) the exercise of power within organisations having impact on the exercise of power within the larger social system. Let us not, therefore, conjure up any bad feelings against politics. What is important is to understand its operation, what gives rise to it, and as a manager how we can turn it to organisational advantage.

Power and politics seem separable. Lasswell had called, as early as in 1936, politics as a problem of who gets what, when and how, implying the use of power for allocation of scarce resources. Pfeffer has also noted that if power is a force to influence events, politics involves those activities or behaviours through which power is developed and used in organisational settings. Power is a property of the system at rest; politics is the study of power in action. An individual, sub-unit or department may have power within an organisational context at some point of time; politics involves that exercise of power to get something accomplished, as well as those activities which are undertaken to expand the power base or the scope over which it can be exercised.

Politics as a Group Phenomenon



It may be noted that people play politics not necessarily as individuals. More often, they get divided into blocs or camps, cliques or groups. Dalton observes that various types of alliances tend to develop among individuals. These alliances or cliques which may be vertical (consisting of superior and subordinates in a department), horizontal (consisting of members more or less of the same rank and working more or less in the same area), or random or mixed (based more on social attractiveness than hierarchy across the departments) are the prime means of acquiring and expanding influences. The intensity of politicking increases as the issue concerned assumes importance from the concerned party's point of view, especially if there is a fairly good chance of turning the decision in its favour. Individuals and groups playing politics in such times are engaged in a contest for power where ethics and goals of the organisation are seldom a matter of serious concern to them. When bitter struggles are fought, people play an opportunistic role and expediency becomes their norm. They engage in a behaviour which sustains power. This phenomenon, that is, operating politically to acquire and exercise power through individual and group abilities seriously amends the "official map" of the command structure. For the same reason, politics is not a simple process. It varies from organisation to organisation and even from one sub unit of an organisation to another.

12.6 CAUSES OF ORGANISATIONAL POLITICS

Studies have shown that politics is at its full play if organisational goals are ambiguous, resources are limited, technology and environment are fast changing, decisions are non-programmed and organization intends to change. The greater the seriousness of the problem, the more heightened the intensity of the political activity. In such situations, disagreements develop, different interpretations are provided and uncertainty prevails all around. The politicking can be seen to be at its worst here. This obviously implies that some organisations and sub units within the organisation will be more political than



others. Even in the Milio study, Dalton has identified six major areas in which problems were continually recurring and people played active politics. These areas include: (i) pressures for economy; (ii) cooperation of officially powerless experts with their administrative superiors – line and staff relationships; (iii) the conflicts between labour and management for interpreting agreements; (iv) uncertainty about standards and strategies of promotion; (v) difficulty in linking reward with productivity; and (vi) practicality or policies. In tune with these observations, Beeman and Sharkey suggest that managers and employees are more likely to be active in politics when (i) decision-making procedures and performance measures are highly uncertain and complex, and (ii) competition among individuals and groups for scarce resources is strong. As opposed to this, in simpler environments where decision processes are clear and competitive behaviour is less, high levels of political behaviour are unlikely. This can be observed from Fig. 12.1.

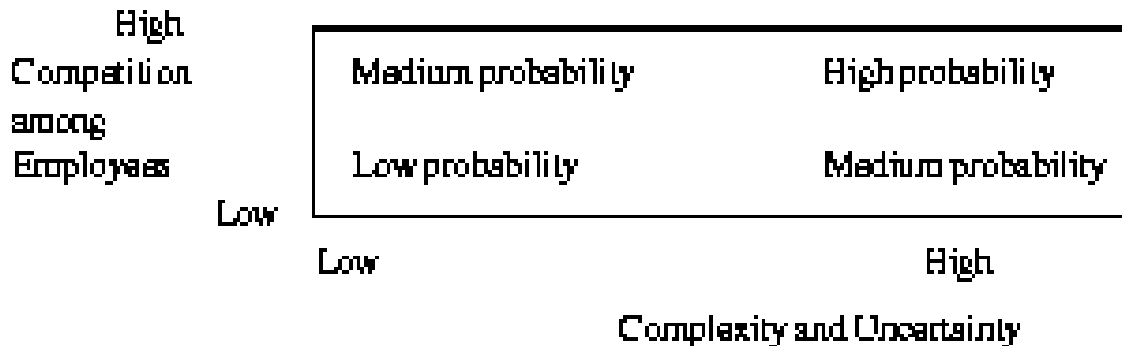


FIG. 12.1: PROBABILITY OF POLITICAL BEHAVIOUR IN ORGANISATIONS

Source: Taken from D.R. Beeman and T.W. Sharkey, "The Use and Abuse of Corporate Politics", *Business Horizons*, March-April 1987, p. 27. 1987 by the Foundation for the School of Business at Indiana University.

Gandz and Murray brought out organisational decisions from the most to the least political in a research study of 428 managers. In their study, decisions related to interdepartmental coordination, promotions and transfers, and



delegation of authority were ranked as first, second and third respectively. These decisions were mostly political as these areas often lack established rules and procedures and rely on subjective or ambiguous criteria. The less politically sensitive areas were human resource policies, hiring and disciplinary penalties as these decisions were characterised by established policies, precedents, and more objective criteria.

Politics as a Mixed Bag

In this chapter, our whole effort has been to impress upon the reader that political behaviour is not always detrimental to an organisation, though people commonly attach negative labels to it. Moreover, when we realise its inevitability, we must learn to deal with it instead of merely wishing it away. Madison et al made a study of 90 managers in 30 organisations identifying beneficial as well as harmful effects of political behaviour. The beneficial effects noted were career advancement, recognition and status for individuals looking after their legitimate interests, and achievement of organisational goals, that is, getting the job done. Fifty-three per cent of the managers took this favourable view. In contrast, 44 per cent reported harmful effects like demotions and loss of jobs, misuse of resources and above all, creation of an ineffective organisational culture. In a different study, Gandz and Murray reported that over 89 per cent managers agreed that work place politics were common in most organisations and successful executives must be good politicians. However, 59 per cent managers indicated that workplaces that were free of politics were more satisfying to work in. These differences of opinion are indicative of the controversial nature of the problem as such. But there is no denying the fact that a large proportion of contemporary organisations are highly political in nature. Moreover, politics becomes more important at higher levels and at times, can detract employees from aiming for organisational efficiency. As a result, managers must be



sensitive to political processes as they relate to the acquisition and maintenance of power in organisations.

It has been noticed that managers used different tactics or strategies for acquiring power. A popular approach is to engage in social exchange, that is, reciprocity or two parties showing favour to each other. People also attempt to identify themselves with power figures to impress others and get their work done. The differential use of power is often resorted to favour someone and make others wait for similar favours. Sometimes people use an aggressive approach as well, especially when they find the other party weak and hit it at an inopportune time to grab power. Of course, seeking membership of organisations which can bring status, and formation of groups with common objectives are usual examples. Some tactics fail and some others succeed. Tactics which fail paint the influencer in a bad light and create resentment and hostility. Even where one succeeds, sometimes it may leave some scars of bitterness. That is why some people suggest that successful political behaviour involves keeping people happy, cultivating contacts, and wheeling and dealing. Even Yukl and his colleagues observed that the consultation and rational persuasion tactics were used most frequently and along with them inspirational appeal was found most effective.

An comprehensive list of strategies for the use of modern managers in their organisations has come from DuBrin: (a) maintain alliances with powerful people; (b) embrace or demolish; (c) divide and rule; (d) manipulate classified informations; (e) make a quick showing to gain the right people's attention; (of) favour and look for reciprocity; (g) follows evolutionary rather than revolutionary approach; (h) progress one step at a time; and (i) wait for a crisis to exploit the situation. More important than anything else is one's temperament. Even in the event of failure, some power players do not get dejected. To gain and use power, one has to be alert to others' needs to save face, engage in "horse trading",



making trade-offs, “mending fences”, developing ingenious compromises and a variety of other activities”.

12.7 SUMMARY

- Authority is given by the institution, whereas power is acquired by people. Authority flows downwards and is allocated to a level for discharge of responsibilities at that level. Powers is one’s ability to influence others’ behaviour and it may reside in unsuspected places.
- Authority can be categorised into three types: traditional, charismatic and legal.
- State why subordinates observe commands.
- Subordinates accept legitimate commands for various reasons like social scations, personality differences, feeling of sympathy for the purpose, relationship between job and economic security and status, and of course, unwillingness to accept responsibility.
- Status signifies where people can be compared with each other on some common scale of judgment. It makes communication authentic, authoritative and intelligible; acts as a motivating factor to position-holders; and creates a feeling of responsibility.
- State problems of status system. Sometimes people use status as an end in itself; creates social distance between people; places emphasis on position rather than the holder of that position; raises a problem of equity if it is not made use of for organisational purposes; entails heavy financial burden in its maintenance; and inhibits mobility of people.
- Give sources of power. Sources of power can be broadly categorised into two: (i) interpersonal sources of power, and (ii) structural and situational sources of power. Interpersonal sources of power



primarily emanate from one's organisational position or one's personality viz., legitimate power, reward power, coercive power, expert power, and referent power. Structural and situational sources of power relate to the types of department structure, access to powerful individuals, access to critical resources and strategic information, and soon. The power of lower level employees emanates from the dependence superiors have on them for information, performance, control of resources, and their own group affiliations and individual characteristics.

- Power and politics are inseparable from each other. Politics is the process whereby power is acquired, transferred and exercised upon others to influence their behaviours. Politics is a problem of who gets what, when, and how, implying use of power for allocation of scarce resources.
- Identify situations where people are more likely to be active in politics.
- Managers and employees are more likely to be active in politics when (i) decision-making procedures and performance measures are highly uncertain and complex and (ii) competition among individuals and groups for scarce resources is strong. Dalton identifies some areas: (a) pressures for economy; (b) cooperation of officially powerless experts; (c) labour and management conflicts for interpreting agreements; (iv) uncertainty about standards and strategies; (v) difficulty in linking reward with productivity; and (vi) practicality of policies.

12.8 KEYWORDS

Organisational power: The ability of one person or group to overcome resistance by others to resolve conflict and achieve a desired objective or result.



Unobtrusive power: The power flowing from the ability to control the premises behind decision making is called unobtrusive power.

Organisational politics: Activities taken within organisations to acquire, develop, and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty or disagreement about choices.

Organisational conflict: The clash that arises when the goal-directed behaviour of one group blocks or Thwarts the goals of another.

12.9 REVIEW QUESTIONS

1. Discuss various types of authority and the contrast among them.
2. Why do people conform to command in organisations?
3. Why is there generally a zone of acceptance of command in organisations? What causes these variations? Give suitable examples.
4. Distinguish between power and authority. What are the criteria to judge the presence of authority relationship?
5. What are functions of status systems in formal organisations? Explain with particular reference to organisational communication and incentives.
6. "Status system provides important incentives in organisations, but if overstressed, a gulf may be created between the various levels so as to for close effective communication and prosecution of organization goals", Explain this statement.
7. Define "power". Why is power so important in organisations? What are the various bases of power?
8. What are the various ways in which organisations as formal entities participate in the distribution of power? Is it true that as one moves up the pyramid, one acquires an increasing amount of power?



9. How do we measure the power of different individuals? Are there are limitations on the use of the individual's power?
10. How do some people in an organisation acquire and exercise greater power than others? Explain the nature and significance of power relations in a large manufacturing concern.
11. How does power in as organisation tend to get concentrated in the bands of a few persons? Discuss with special reference to the organisational factors responsible for allocation of power.

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LESSON 13

CROSS-CULTURAL DYNAMICS

STRUCTURE

- 13.0 Objective
- 13.1 Introduction
- 13.2 The decision-making process: a cross-cultural perspective
- 13.3 Decision-making behaviour: authoritative or participative
- 13.4 Decision-making behaviour: two contingency frameworks
- 13.5 Cross-Cultural Leadership
- 13.6 Summary
- 13.7 Keywords
- 13.8 Review questions
- 13.9 References/suggested readings

13.0 OBJECTIVE

After studying this chapter, you should be able to:

- Decision making process in a cross cultural context.
- The different cultural factors that affect manager? Decision making style.
- Discuss how culture affects leadership style.
- Point out that American-based leadership theories do not have global application.
- Describe the traits, abilities, and behaviours leaders require in varying international strategic situations.



- Discuss how culture affects motivation.
- Discuss how work goals vary across culture.

13.1 INTRODUCTION

In essence, every aspect of management (planning, organizing, staffing, coordinating, and controlling), in one form or another, involves decision making. Decision making is thus the manager's most difficult task, and when managers cross national borders and cultures, the task becomes even more difficult. This is because people in different cultures view problems differently and apply unique decision-making processes. A decision or a decision-making process that works in one culture is often ineffective in another culture. Furthermore, different situations also require different decision-making styles.

Leadership and motivation are interrelated and interdependent. However the leadership style and the types of inducements to which individuals respond vary from one culture to another. Thus, the managerial behaviour that works well in one culture will not necessarily work well in another. For example, culturally, the French and the Swedish tend not to respond to the same leadership style. Americans and Japanese tend to be driven by somewhat different motivations.

Therefore, managers of multinational corporations are likely to be ineffective if they attempt to rashly transfer the leadership style and inducements that work in their home country to the management of subsidiaries in other countries. This means that, along with having to adapt their business, negotiation, and communication approaches to different cultures, cross-cultural managers must adapt their leadership style and motivation inducements to different cultures as well.

13.2 THE DECISION-MAKING PROCESS: A CROSS-CULTURAL PERSPECTIVE

When making decisions, managers in organizations apply either a programmed or a non-programmed decision-making process. Both processes are affected by



the culture of the society in which the decision is being made. For example, managers in countries with relatively low tolerance for ambiguity, such as Japan and Germany, avoid non programmed decisions as much as possible by using standard operating procedures (programmed decision making). Operating manuals in organizations in these cultures tend to be relatively thick. In contrast, managers in countries with relatively high tolerance for ambiguity, such as the United States and Norway, seek responsibility for non programmed decision making.

The Programmed Decision-Making Process

The programmed decision-making process, which is by far the most commonly used in organisations, entails making decisions based on precedent, custom, policies and procedures, and training and development. An advantage of this approach is that the basis for a decision can be pretested for efficiency, which reduces risk and stress for decision makers (“I followed the procedures manual,” “I did it the way it is supposed to be done,” or “I did it the way it has always been done”). A disadvantage of this approach is that when the organisation’s environment changes, the programmed bases for decision making often become obsolete and ineffective, which can lead to decision-making ineffectiveness. Of course, some of the advantages and disadvantages are culturally determined. For example, people in some cultures do not like too much challenge; they prefer a structured environment that provides certainty and become frustrated in ambiguous, challenging situations. People in other cultures prefer challenge and become bored in an environment that provides too much structure.

The Non programmed Decision-Making Process

The nonprogrammed decision-making process entails analyzing current data and information, obtained through a systematic investigation of the current environment, for the purpose of identifying and solving a problem.



One of the non-programmed decision processes is the Rational Decision-Making Process

In Western culture, the steps in the rational decision-making process are as follows: (1) through investigation, define the problem; (2) identify a set of minimum criteria on which to base the decision; (3) identify multiple viable choices; (4) quantitative, evaluate each viable choice on the basis of each criterion; (5) select the optimum choice, the one with the highest quantitative value, and (6) implement the choice. In Western cultures, the “ideal” decision model thus presumes an optimum choice among viable alternatives.

The Impact of Culture on Nonprogrammed Decision Making

The validity of the nonprogrammed decision-making cross as a prescription for decision-making behaviour is affected by culture. Culture has been defined as “the interactive aggregate of common characteristics that influence a group’s response to its environment.” Since the characteristics vary from group to group, people in different cultures are likely to have different preferences for a certain state of affairs, for specific social process, and for “general rules for selective attention, interpretation of environmental cues, and responses”. As such, people in different cultures view and react to problems deficiently. What is rational in one culture may be irrational in another, and vice versa. In a broad context, we do not know whose views are right. Presented below are some examples of how contrasting views affect the decision-making process.

Problem recognition

The master of density and fatalistic culture concepts described in chapter 1 affect problem definitions. Managers In master-of-density cultures tend to perceive most situations as problems to be solved, and they seek improvement through change. On the other hand, managers in fatalistic societies tend to accept situations as they are, and they do not seek improvement or change; they believe that fate or God’s will intervene in decision making.



The United States society is an example of the master-of-density culture, and Indonesia an example of a fatalistic society. American decision makers would thus act more quickly on a problem than would Indonesia decision makers.

Criteria

Some cultures possess a “collective” orientation. The collectivist orientation implies that individuals in the culture possess a group orientation; they emphasize group objectives in arriving at decision, the rights of both current and future generation, and group harmony and discipline. In contrast, the individual orientation implies emphasizing the functional definition of relationships, utilitarianism in problem solving, a shorter time perspective and the freedom to choose and compete. Decision makers in the two cultures are thus likely to use different criteria to make a decision.

Information Gathering

As pointed out in Chapter 1, decision makers in some cultures rely on “hard facts” and data as bases for a decision. The nonprogrammed approach to decision making would therefore be applied in these cultures. In many cultures, however, decision makers do not place a high premium on factorial information and data; instead, they rely more on their instincts as a basis for decision making. Since decision makers in these cultures rely on their institution, they would not be highly receptive to the application of the non-programmed decision-making process.

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Choice and Implementation

In some cultures, such as the United Kingdom and Canada, the choice and implementation tactics are determined either by the highest-making member of the decision-making team or by a majority vote. But in collectivist cultures, such as Japan and Africa, to maintain harmony and unity, decisions are made by consensus. When group consensus is required, decisions normally take a long time to make. The process of obtaining consensus is often more important than the choice itself. In contrast, choice and implementation decisions in individualistic societies are normally made quickly because decision makers tend to be autocratic and make decisions by themselves. Furthermore, decision makers in individualistic cultures are likely to select the most economically efficient choice. On the other hand, decision makers in collectivist societies are likely to select a choice that does not offered members of the group. Thus, in troubles times, an American corporation might lay-off employees as a way of dealing with the problem, whereas a Japanese corporation would not – it would seek to maintain group harmony and therefore seek other solutions.

In some cultures, decision makers are very methodical, and they carefully evaluate numerous alternative choices before making a selection; in other cultures, decision makers use an incremental approach – they discuss



alternatives in a prepared sequence, making decisions they go along. Furthermore, as will also be discussed in the ensuing sections, individuals in some cultures take greater risks than individuals in other cultures. For instance, in deciding on a foreign market entry strategy, decision makers in the lower-risk-taking cultures may select the safer exporting approach; decision makers in the higher-risk-taking cultures may select a riskier approach, such as producing abroad.

13.3 DECISION-MAKING BEHAVIOUR: AUTHORITATIVE OR PARTICIPATIVE

Decision makers use two basic types of decision-making behaviour: authoritative and participative. Decision makers using authoritative behaviour decide alone what is to be done and/or how it is to be done and tell subordinates; however, they may consult their subordinates about decisions before they finalize them. Using participative behaviour, decision makers ask their subordinates what should be done and/or how it should be done, and together they reach an agreement and/or a consensus. Both approaches have advantages and disadvantages.

An advantage of the authoritative approach is that decisions can be made quickly. A disadvantage, however, is that not involving the subordinates in the decision-making process can lead to their demoralisation, which often leads to decision sabotage and slow implementation. An advantage of the participative approach is that it can lead to greater subordinate satisfaction and performance, especially when participation makes work more challenging for them, and the multiple input obtained from the subordinates can result in higher quality decisions than those made authoritatively by one person. A disadvantage is that the decision process can take too long, although this disadvantage can be offset by the decision-making not being sabotaged and therefore being implemented more quickly.



Management theorist Rensis Likert has hypothesized that authoritative decision making leads to “mediocre” organisational performance, consultative to “good” organisational performance; and participative to “high levels of productivity”. It should be noted, however, that the concept of authoritative or participative decision-making behaviour is explained from a Western cultural perspective. Some cultures may not even possess such a perspective. In other words, many concepts are not readily transferrable across cultures. For example, many people in Western cultures perceive the authoritarian decision maker in a negative way: “Who made him/her king/queen?” But in some cultures, the same decision-making behaviour is perceived favourably: “By dictating to me, he or she is communicating God’s will to me, so I feel good”.

Furthermore, many Westerns perceive participative decision-making behaviour positively. In many cultures, however, it is perceived negatively: “He or she is asking me what I think Doesn’t or she know how to do his or her job? It’s not my responsibility to make decisions.” In these cultures, the participative decision maker losses credibility in the eyes of subordinates and may even frustrate and demoralize them.

It should be noted that in applying participative decision making, some managers apply the management by objectives (MBO) approach, while others apply the ring approach. The use of these approaches is also dictated by culture. The major features of a typical MBO program are as follows:

1. Managers and subordinate meet and together set objectives for subordinate.
2. Manager and subordinate attempt to establish realistic, challenging, clear, and comprehensive objectives related to organisational and personal needs.
3. Criteria for ensuring and evaluating the objectives are agreed upon by both the manager and the subordinate.



4. The manager and the subordinate establish review dates when objectives will be re-examined.

Many decision makers, especially in Japanese organizations, use a group-oriented consensus building process known as ringi to establish objectives. The ringi participative approach is as follows:

1. All subordinates who are to be involved in the execution of the decision must have the opportunity to voice their views.
2. The manager meets with the group responsible for carrying out the decision.
3. During the meetings, all issues are considered and all members of the group contribute to the discussion of options, facts, and philosophy underlying the decision. Therefore, when a decision is reached, everyone involved knows what he or she must do. And because everyone has agreed to the decision, its execution can proceed quickly.

The MBO process is likely to work best in “individualistic” cultures such as the United States, where individuals tend to prefer to work on their own, and the ringi process is likely to work best in group-oriented, “collectivist” cultures such as Japan, where people tend to like to work in groups.

Which approach works best? It is, as suggested above, contingent on many factors. The aim of the ensuring sections is to explain the concept of contingency decision-making behaviour. Different situations and cultures require dissimilar behaviour, and decision makers therefore have to be flexible in their decision-making style when confronted with varying situations and when crossing national boundaries and cultures. Failure to apply the right decision-making behaviour will result in ineffective decisions, which in turn will make the enterprise less competitive in the global economy.



13.4 DECISION-MAKING BEHAVIOUR: TWO CONTINGENCY FRAMEWORKS

Decision makers who are not bound to just one approach or style are often confronted with the problem of determining which decision-making behaviour (DMB) – authoritative/consultative or participative – is applicable in a given situation. Using several existing theories, concepts, and research findings, the ensuing sections develop two contingency DMB frameworks that can assist cross-cultural managers in determining the appropriate DMB for specific situations and cultures. The first framework, labelled the country-related cultural factors framework, identifies certain national cultural dimensions and their impact on DMB. This framework is “culture specific”; it assumes that different societies possess distinct and relatively stable cultures that serve as determinants of the DMB. The second contingency framework, labelled the universal factors model, identifies various situations and their impact of DMB. This model is “culture-free”, it assumes that certain situational factors have an impact on DMB in all cultures.

The Country-Related Cultural Factors Framework

A key study used in developing the country-related cultural factors framework was conducted by Professors Geert Hofstede. Hofstede developed a typology consisting of four national cultural dimensions by which a society can be classified: power distance, uncertainty avoidance, individualism, and masculinity. (These were discussed in chapter 1). As Pointed out in chapter 1, Hofstede and his colleague, Michale Bond, subsequently identified a fifth dimension, labelled the Confucian dynamism dimension. The ensuing section describe these five cultural dimensions and discuss whether DMB tends to lean toward authoritative/consultative or participative (see Table 13.1)

TABLE 13.1: THE COUNTRY-RELATED CULTURAL FACTORS MODEL



Factors	DMB?
Large power distance	A
Small power distance	P
Low individualism	A
High individualism:	
Employees show low concern for organisation's well-being	A
Employees show high concern for organisation's well-being	P
Strong uncertainty avoidance	A
Weak uncertainty avoidance	P
Confucianism	A
High masculinity	A
Low masculinity	P
DMB>=Decision-making behaviour leaning toward	

Note: A=Authoritative; P=Participative

DMB as a Factor of the Counter's Power Distance

Hofstede found that some of the countries included in his study are classified by a moderate-to-large power distance cultural dimension. Individuals dominated by this dimension, according to him, tend to accept centralized power and depend heavily on superiors for structure and direction. Hofstede also noted that different laws and rules for superiors and subordinates are accepted. Therefore, authoritative DMB probably would be preferred by subordinates dominated by this cultural dimension. On the other hand, Hofstede found that some nations are classified by a moderate-to-small power distance cultural dimension.



Individuals dominated by this dimension do not tolerate highly centralized power and expect to be consulted in decision making. Furthermore, Hofstede remarked that status differences (large power distance) in these countries are suspect. Thus, subordinates in these cultures probably would favour participative, or at least consultative. DMB, for example, subordinates in the United States, a moderate power distance society, tend to favour consultative DMB.

DMB as a Factor of the Country's Individualism Measure

Hofstede found that many societies are classified by a moderate-to-low individualism (collectivist) cultural dimension. Low individualism societies are tightly integrated, and individuals belong to "in-groups" from which they cannot detach themselves. People think in "we" as opposed to "me", terms and obtain satisfaction from a job well done by the group. Since most of the societies that measured low individualism also measured large power distance, the DMB applied by decision makers in organizations in these countries probably leans toward the authoritative.

On the other hand, Hofstede concluded that some nations are classified by a moderate-to-high individualism cultural dimension. Individuals in these societies look primarily after their own interests. Since employees in these cultures often consider their own objectives to be more important than the organisation's, decision makers are likely to apply DMB leaning toward the authoritative, as evidenced by the authoritative/consultative DMB usually applied by decision makers in U.S. organisations, a country with a high individualism measure. And, the management of Japanese MNCs tend to behave authoritatively with American executives working for their subsidiaries in the United States. In these societies the subordinates themselves probably would prefer that participative or at least consultative DMB be applied.

DMB as a Factor of the Counter's Uncertainty Avoidance Measure



Many societies, Hofstede found, are classified by a moderate-to-strong uncertainty avoidance cultural dimension. Individuals in these cultures feel uneasy in situations of uncertainty and ambiguity and prefer structure and direction. Therefore, authoritative DMB, because the uncertainty involved in decision-making is assumed by someone else, probably would be preferable of these subordinates. Hofstede has proposed that improving the quality of life for employees in these societies implies offering more security and perhaps more task structure on the job. On the other hand, Hofstede found that numerous countries are classified by a moderate-to-work uncertainty avoidance cultural dimension. People in these cultures tend to be relatively tolerant to uncertainty and ambiguity and require considerable autonomy and low structure. Since it allows for some degree of autonomy, participative DMB probably would be preferred by subordinates dominated by this dimension.

This conclusion is supported by cross-cultural researchers R.N. Kannungo and R. Wright, who discovered that many managers in Britain, individual achievement and autonomy than managers in France, a strong uncertainty avoidance society.

DMB as a Factor of the Country's Masculinity Measure

Many countries, Hofstede found, are classified by a moderate-to-strong masculine cultural dimension. Societies classified by this dimension stress material success and assertiveness and assign different roles to males and females. Males are expected to carry out the assertive, ambitious, and competitive roles in the society; females are expected to care for the non material quality of life, for children, and for the weak-to perform the society's carrying roles. In such societies a male might be the manager of finance, and a female might be his secretary; a role reversal would be an exception to the rule. In strong masculine countries, where such behaviour is perceived as inequitable, mandating authoritative DMB emphasizing reduction of such social inequities



would probably be applied in many organisations. One finds evidence of this in recent programs in the United States, a society with a moderate-to-strong masculine dimension, which enacted programs such as the Equal Payment of 1963, Title, VII of the Civil Rights Act of 1964, and affirmative action and equal employment opportunity; in Japan, with its very strong masculine culture, which enacted the Employment Opportunity Law of 1986; Furthermore, the assertive behaviour of male managers is likely to lead them to making decisions authoritatively. It has been proposed that in Latin American cultures, which tend to rank high on masculinity, women's leadership style may be more participative than autocratic (but this proposition may be difficult to test, since there are few female Leaders in Latin American organisations).

Hofstede also concluded that numerous nations are classified by a moderate-to-weak masculine cultural dimension. Societies classified by this dimension stress interpersonal relationships, a concern for others, and the overall quality of life, and they define relatively overlapping social roles for males and females. In these cultures, neither male nor female need be ambitious or competitive; both may aspire to a life that does not assign great value to material success and that respects others – both may perform the society's caring roles. Male secretaries, female truck drivers, and male nurses would be far more acceptable in such societies than they would in societies classified by a strong Masculine cultural dimension. According to Hofstede, improved quality of work life for individuals in these societies means offering opportunities for developing social relationship on the job, which is perhaps best accomplished through participative/consultative DMB. Sweden, a weak masculine society, which generally exhibits participative DMB, is a good example.

DMB as a Factor of Confucianism

The research by Hofstede and Bond revealed a fifth cultural dimension labelled the Confucian dynamism dimension by which many societies can be classified.



This dimension applies mainly to East Asian cultures based on Confucian philosophy (the People's Republic of China, South Korea, Japan, and Singapore). Confucianism is not a religion but a system of practical ethics; it is based on a set of pragmatic rules for daily life derived from experience. The key tenet of Confucian teachings is that unequal relationships between people create stability in society.

In essence, individuals in Confucian-based organisations are forced to adhere to rigid, informal group norms and values, which include the sub-servient relationships aspects of Confucianism described in Chapter 1. Since individuals are so strictly bound to group norms, decision makers in organisations based on the Confucian cultural dimension, in reality, apply authoritative DMB.

The Universal Factors Model

Many theorists argue that, irrespective of a society's culture, individuals are forced to adopt attitudes and behaviours that comply with the imperatives of industrialisation. These theorists believe that other organisation factors affect DMB in all countries. For example, management theorists V. Vroom and P. Yetton contend that participation is not an ideological or cultural phenomenon but an "instrumental" phenomenon. They propose that U.S. managers use participation to enhance both quality and acceptance. Therefore, many cross-cultural theorists adhere to a universal factors framework, which posits that DMB is influenced not as much by broad cultural factors as by varying situational factors, such as subordinates' work environment, motivation, maturity level, and managerial level and functions. These situations and the DMB behaviour associated with each are discussed below. (See Table 13.2)

The Subordinates' Work Environment

Regardless of national culture, in crisis situations and in conditions where a group of individuals are under extreme pressure to perform a difficult task or survive in a hostile atmosphere, they generally prefer that the decision maker



behave in a directive manner. A decision maker who authoritatively makes and communicates decisions to correct the undesirable conditions is likely to be welcomed. Individuals confronted with ambiguous or unclear assignments also generally prefer a manager who provides much structure, clearly defining roles and expectations.

Individual's Motivation

In many societies, some individuals are motivated by the need for affiliation, others by the need for achievement, and still others by the need for power. Individuals whose primary motivator is the need for affiliation are interested in warm, friendly relationships, social interaction, communication and collaboration. Such people generally dislike making unpopular decisions, even when it is necessary for organisational effectiveness. These individuals may not like the responsibilities that come with participative decision-making behaviour, and they may prefer authoritative DMB with consultation. People motivated by the need for achievement are interested in attaining specific objectives, will work hard to achieve them, and tend to be more interested in personal success. It is likely that these individuals will want to be very involved in making decisions. People motivated by the need for power are interested in controlling and influencing situations; they like to get things done through people, and they like to teach and inspire other individuals.

TABLE 13.2: THE UNIVERSAL FACTORS MODEL

Factors	DMB>
Subordinates' Work Environment:	
Crisis conditions	A
Ambiguous conditions	A
Competent individuals	Pe
Individuals' Motivation:	



Need for affiliation individuals	Ac
Need for achievement individuals	Pe
Need for power individuals	Pe

Individuals' Maturity Level:

Low-maturity individuals	A
Low-to-moderate-maturity individuals	Ac
Moderate-to-high-maturity individuals	P
High-maturity individuals	Pe

Managerial Level and Functions:

Upper-level managers	Pe
Lower-level managers	A
Structured functions	A
Unstructured functions	P

DMB >= Decision-making behaviour leaving toward

A = Authoritative; Ac = Authoritative/Consultative;

P: Participative; Pe=Participative/Extensive

Individuals' Maturity Level

According to theorists Paul Hersey and Kenneth Blanchard, individuals function at four maturity levels: low maturity, low-to-moderate maturity, moderate-to-high maturity, and high maturity. Individuals at a low maturity level have a negative attitude; they are unwilling and unable to assume responsibility. With such people, the effective manager applies directive (authoritative) DMB. Some individuals attain a low-to-moderate maturity level. These people are willing to assume responsibility, are confident, and have a positive attitude but lack the skills to make decisions. A combination of directive (authoritative) and



supportive (consultative) DMB would work best with them. The manager, engaging in both kinds of DMB and using two-way communication, tries to improve the subordinates' decision-making abilities.

Other individuals develop to a moderate-to-high maturity level. Through coaching, training, and development, they have acquired the ability to make decisions but are unwilling to do so because of a lack of confidence. Participative DMB, which provides strong emotional support and encouragement and helps build confidence, would work well with these individuals. People with a high maturity level are able and willing and possess the confidence to make decisions. Because they are at a maturity level where they need little direction and little emotional support, these individuals are likely to prefer a participative approach that allows them a great deal of responsibility in the final decision. Hersey and Blanchard's theory thus suggests that DMB is not a factor a national culture but a factor of individuals' differing maturity level in their culture.

Decision-Making Level and Functions

Regardless of national culture, lower-level decision makers generally provide more direction than do upper-level decision makers; upper-level decision makers normally delegate more than those at a lower-level. This means that upper-level decision makers apply participative DMB more so than lower-level decision makers, and lower-level decision makers apply authoritative DMB more so than upper-level decision makers. Decision makers for functions such as production, especially when the tasks are structured, tend to be directive and apply authoritative behaviour. Decision makers for functions such as sales, where much of the employees' work is self-initiated, usually apply participative DMB.

Some Problems with This Framework

The above discussion has presented some ideas that may aid decision makers in determining the appropriate DMB for certain situations in all national cultures. One problem in applying the above framework is reconciling the conflicting



demands of a situation. For example, when a crisis confronts a group of achievers, which behaviour would be most appropriate? Another problem is how to identify individuals' motivation at all levels – not all upper-level managers are willing to delegate authority to the lower-levels, nor do all lower-level managers want to behave autocratically. Furthermore, some organisational behaviourists have questioned the utility of complicated situational theories as a means of improving managerial effectiveness. They believe that these theories can only be applied when the manager has time to analyse the situation and select the style that works best. But managers, according to those behaviouralists, are so busy making decisions and responding to crises in a hectic and fragmented fashion that they do not have adequate time to evaluate the situation. The complexity of managing in the international environment is likely to increase, which means that managers will have even less time to analyse and apply a situational approach in the international environment than they do in the domestic one.

Which Framework is Correct?

Since the two frameworks are well supported by existing literature, can they both be correct? An analysis of the study by Jackofsky and Slocum, can be used to lend support to both models. They found that in some instances the behaviour of one of the French CEOs was influenced more by his own personal characteristics than by his country's cultural characteristics. This CEO acted boldly in acquiring two competing firms – behaviour that stands in marked contrast to France's culture of strong uncertainty avoidance (conservative behaviour). He also decentralised management in the acquisitions – conduct that also is opposed to France's large power distance culture. Jackofsky and Slocum surmised that this CEO's behaviour of not conforming to national culture eventually led to his demise—which supports the country-related cultural factors framework. However, this CEO's behaviour also violates the universal factors framework. This contention is based on the idea that often acquisitions are made when the firm



being acquired in encountering (crisis) and that ambiguous conditions often arise in newly acquired firms. In such situations, the universal framework proposes application of directive DMB, yet the CEO decentralized decision making. This CEO's unorthodox behaviour, which led to his failure within the company, thus also can be interpreted to support the universal framework.

The other CEO, also eventually released from his position, generally conformed to France's national culture. He made conservative decisions (high uncertainty avoidance behaviour), even when his firm was confronted with crisis conditions. However, his behaviour contradicts the universal framework, which proposes that individuals confronted with a crisis generally prefer an authoritative manager who makes decisions that communicate potential for correcting the situation. This CEO did make a somewhat bold decision in trying to cut 9,000 jobs to save money. But this action seems to go against both models. It violates the universal framework in the sense that the solution does not develop hope for subordinates confronted with crisis conditions, and it violates the country-related framework in the sense that the French display strong uncertainty avoidance and search for security; eliminating 9,000 jobs certainly does not make one feel secure.

The cases of these French CEOs, therefore, lend validity to both frameworks. Even though we know that both frameworks can be used to help predict. DMB in organisations we do not know yet which one is the best predictor.

Implications of the Two Frameworks for Cross-Cultural Decision Making

The two frameworks developed in this chapter are still being refined, but they do have some implications for cross-cultural decision making. The country-related cultural factors framework can serve as a general starting point for analysis. For example, it may be accurate to state that culturally the British tend to be highly individualistic and the Portuguese tend to be less individualistic. But it would be risky to make a blanket decision based on this belief, as not all British rank high



on individualism, nor do all Portuguese rank low on individualism. Thus, ultimately, each specific situation must be studied. For instance, when the Japanese Honda Motor Company penetrated the European market, it discovered that it was not sufficient to have abstract knowledge about a foreign country – a deeper understanding had to be developed. Honda learned the importance of adopting a locally oriented approach and building up a new way of doing work in the host country. As its success indicates, Honda learned how to blend its corporate culture with the cultural background of the host nation.

The two frameworks also imply that cross-cultural decision makers need to determine to what extent individuals in different situations and cultures tolerate or expect different DMB. They also imply that effective cross-cultural decision makers are flexible in their approach to making decisions in different situations and across cultures; they understand that the behaviour that works in one situation or culture will not necessarily work in another. Historically, managers doing business across foreign borders have made, many costly blunders, in part because they did not adopt managerial styles appropriate to specific situations and cultures.

13.5 CROSS-CULTURAL LEADERSHIP

There are some universal leadership similarities. For example, managers throughout the globe tend to want to be more proactive and to get work done by applying less authority, and those with greater rates of career advancement view themselves as possessing greater effective intelligence. However, in most cases, national boundaries make a substantial difference in manager's goals, inclination for taking risks, pragmatism interpersonal skills, and leadership style. This is because, overall the environments that affect leader-subordinate relations vary across countries and cultures. What is valued in one society in terms of leadership behaviour may not be valued as much in another society. For example the ambitious behaviour of American managers is valued less by the British than



it is by the Americans. And in the United States it is quite common for a leader/manager with good technical abilities to be younger than his or her subordinates. But in Africa this would not work well. There, a person younger than his or her subordinates would feel highly uncomfortable supervising them—even if he or she possessed superior technical abilities.

Therefore to be effective, cross-cultural managers are often required to assume different leadership styles, depending on the culture with which they are interacting. It should be noted, cross-cultural managers may sometimes find themselves confronted with situations in which other factors are more important determinants of the appropriate leadership style than cultural factors. For example, a manager confronted with the need to make a decision very quick may not have the time to involve employees who culturally want to be involved in the decision-making process.

American-Based Management Theories

Popular American-based leadership theories include Douglas McGregor's Theory X versus Theory Y manager and Rensis Likert's System 4 management. Fundamentally, these theories advance the notion that participative leadership behaviour more effective than authoritarian leadership behaviour. As pointed earlier, this may be true more in small power distance cultures, such as the United States and Denmark, than in large power distance cultures, such as France, Mexico, Spain, and Turkey, where employees tend to expect authoritative leadership.

Relationship-Oriented and Task-Oriented Leadership

In leader-subordinate relationships, some leaders are by nature relationship-oriented and some task-oriented. Relationship-oriented leaders place much more emphasis on maintaining a good relationship with their subordinate than they do on the performance of tasks. Task-oriented leaders place more importance on



the performance of tasks than they do on maintaining a good relationship with their subordinates. Robert R. Blake and Jane S. Mouton surveyed 2,500 managers from the United States, South Africa, Canada, Australia, the Middle East and South America, who were participating in Managerial Grid seminars. Most agreed that the ideal leadership style was an integration of the relationship and task orientation, but when these managers describe their actual behaviour on the job, the practice was more task-oriented than relationship-oriented.

However, culture has an impact in this respect as well. For instance, Indian leaders have been found to emphasize the task orientation. A strong task orientation is also generally found in leaders in North America and in most Western European countries, and strong relationship orientation is generally found in leaders in African, Arab, and Latin American countries. Using the Least Preferred Coworker (LPC) questionnaire, it was found that high-performing managers in the Philippines had a low score (task-oriented) while their counterparts in Hong Kong had a high score. Managers in the Japanese managers indicated that they received more social support from their superiors than did the American and Indian managers, and for Americans and Indians relatives were more important providers of social support. The Chinese, as Practical Perspective 12-2 indicates, also prefer relationship-oriented leadership. And in Africa, employees prefer a manager who is highly visible, approachable, and genuinely concerned with their welfare.

Initiating Structure and Consideration

Leadership behaviour, which is similar to the task and relationship orientation consists of initiating structure, which refers to the leader's efforts in organizing and getting things done, and consideration, which relates to the extent of trust, friendship, respect, and warmth that a leader extends to subordinates. It was once believed in the United States that leaders applying consideration behaviour were more effective than those applying structure. However, this leadership



behaviour, too, is affected by culture. For example, it has been found that consideration behaviour applied by leaders in a mixed cultural setting in New Zealand did not contribute to managers' effectiveness. A twelve-nation study revealed that leaders tend to view the need for more consideration at the lower levels than at the upper levels of management-except for the French and Latin Americans, who regarded being considerate as relatively unimportant at all levels of management. Germans and Austrians viewed consideration as important at all levels. Consideration was highlighted by fast-rising but not by slow-rising managers in Italy, Spain, Portugal, and the United States, and it was deemphasized by managers with accelerated careers in Belgium, Scandinavia, France, Latin America, and India. And in line with consideration, respect-oriented leadership behaviour, which is characterized by avoiding confrontation, displaying patience, listening to others, and avoiding losing face, is prevalent in China, Japan, Korea, Singapore, and Turkey.

Japanese PM Theory of Leadership

American managers' authoritative leadership approach is poorly suited to Japan's group-controlled style. Building on the American task and relationship leadership ideas, during the past few decades, the Japanese have developed their own theory, labelled the PM theory of leadership. P stands for performance and M for maintenance. Fundamentally, in Japanese PM leadership, the P refers to leadership oriented toward forming and reaching group goals, and M refers to leadership oriented toward preserving group social stability. Therefore, as in the case of American task and relationship leadership style, PM is concerned with both output and people.

However, a fundamental difference between Japan's PM leadership theory and the American task and relationship leadership theory is that the Japanese emphasize groups and Americans emphasize individuals. Another fundamental difference is that in practice Americans tend to emphasize the task more than



the relationship aspects of readership, while the Japanese emphasize P and M equally. (Table shows a comparison between some American and Japanese management styles).

TABLE 13.3: A COMPARISON OF AMERICAN AND JAPANESE MANAGERS

The American Manager	The Japanese Manager
Is a decision maker	Is a social facilitator
Heads a group	Is a member of a group
Is directive	Is paternalistic
Often has conflicting values	Has harmonious values
His or her individualism sometimes obstructs cooperation	Facilitates cooperation
Is confrontational	Avoids confrontation
Top-down communication	Top-down, bottom-up communication
Has or her authority and responsibility are limited and specified	His or her authority and responsibility limits are not specified
Is held responsible for performance	Groups are held responsible for performance
Is held responsible for subordinates' poor decisions	Accepts symbolic responsibility when things go wrong
Top managers initiate problem statements and propose solutions involved in	Top managers initiate problem statements, and those affected are identifying solutions
Makes final decision	Codifies final decision
Needs to show immediate results because he or she is reviewed on a short-term basis	The longer term review period enables him or her to concentrate on long-term plans

Source: Adapted from Sang M. Lee and George Schwendiman, Japanese Management: Cultural and Environmental Considerations (New York: Praeger



Publishers, 1982); Sang M. Le and George Schwendiman, Management by Japanese System (New York; Praeger Publishers, 1982).

Cross-Cultural Leadership Traits, Abilities and Behaviour

Innovator, Implementor, and Pacifier Leadership

Different situations require a manager with particular leadership characteristics. Three types of leaders, the innovator, the implementor, and the pacifier, require different characteristics (the characteristics are described in Table). Each type works best in specific situations. Figure depicts three problem phases (situations) organizations normally encounter and the appropriate type of leader for each.

As figure 13.3 indicates, an organisation needing an infusion of new ideas (often on organisation undergoing crisis) requires a leader with the characteristics of the innovator. This is because under crisis conditions, subordinates generally prefer a forceful leader who can solve the problem – leadership behaviour characteristic of the innovator. The innovator identifies new ideas and visions and “sells” them to the institution. Some aspects of the leadership behaviour of Jack Welch, General Electric’s CEO, provide a good illustration of an innovator leader. He recognised the problems created by global competition and redirected GE into broadcasting, investment banking, high-tech manufacturing, and other high-risk ventures. Lee lacocca’s behaviour at Chyrsler is another example of innovator leadership. Hired by Chyrsler when it was confronted with extreme financial crisis, he came up with the radical idea of getting the U.S. Congress and the United Auto Workers to aid him in saving the company. He persuaded the U.S. Government to guarantee bank loans, he put the president of the union on Chyrsler’s board, and he received major concessions from the union.

TABLE 13.4: THE TRAITS, ABILITIES, AND BEHAVIOUR OF THREE TYPES OF LEADERS

The Innovator	Likes to compete and win
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	Keeps on trying to succeed
	Assumes responsibility for success and failures
	Takes moderate as opposed to high risk (is bold)
	Likes to commit unit to a major course of action
	Is actively searching for new ideas to improve unit
	Seeks organisational growth
	Is motivated by the need to achieve, to be creative
	Centralizes decision making (is in control)
	Wants to stand out from the rest of the group (dares to behave differently)
	Believes the environment can be controlled and manipulated (can “sell” his or her ideas)
	Is long-range oriented (foresees positive results in the distant future)
The Implementor	Desires to exercise power, to control and influence situations
	Is actively assertive
	Is able to get things done through others
	Has the ability to assume responsibility for decision making
	Is systematic in analysis and in problem solving
	Is able to integrate decisions and analysis
	Is both long-range and short-range oriented (attends to distant needs as well as to today’s)
The Pacifier	Has a positive attitude toward authority figures
	Is willing to carry out administrative functions (willing to do the “paperwork”)
	Is interested in friendly relationship
	Likes to communicate and collaborate with employees (is socially oriented)



Likes to improve the social atmosphere in the unit
Makes decisions that keep everyone moderately happy
Makes decisions based on feedback from what others have decided
Allows employees to make many of the unit's decisions (delegates decision making)
Accepts that decisions in the unit are not in harmony (individuals make conflicting decisions)
Seeks to satisfy influential individuals
Believes the environment cannot be controlled and manipulated (cannot "sell" ideas)
Makes short-range decisions (deals only with day-to-day problems)

Source: Carl A. Rodrigues, "Identifying the Right Leader for the Right Situation," *Personnel* (September 1988): 46.

The new ideas introduced by the innovator often create an ambiguous atmosphere in the organization. When individuals cannot tolerate ambiguous or unclear assignments, they generally prefer to have a leader who provides systematic structure to create a stable working environment within the organisation. Thus, after the new vision has been initiated, the institution needs a leader who can systematically put in to operation the desired changes, someone whose personality is similar to the implementor's. Some aspects of the behaviour of Alfred Sloan, Jr., serve as an example of implementor leadership. He generated structure in General Motors after William C. Durant conceived the company. Sloan was a talented operations executive who also possessed competency in financial and organisational matters. He studied the situation at GM and prepared the "Organisational Study, a program proposing a new organisational and business philosophy for GM.



When the organisation has attained a ascertainability and daily operations are running smoothly, members usually feel more competent and believe that they can perform the task at hand. The higher the degree of perceived ability related to task demands, the less willing subordinates will be to accept strong direction and oversight. In this situation, an organisation needs a pacifier-oriented leader. In some respects, the leadership of Reginald H. Jones, Jack welch's predecessor at General Electric, illustrates pacifier behaviour. Prior to the placement of Welch in the top position, Jones emphasized the role of corporate statement. Figure 13.1 shows that when a crisis arises again the leadership cycle is repeated.

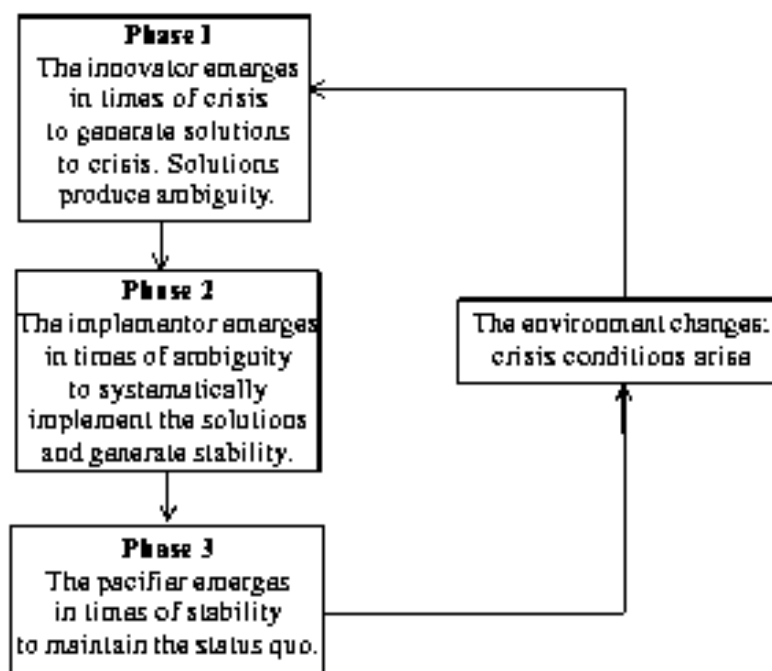


FIGURE 13.1: CONTINGENCY READERSHIP CYCLE

Source: Carl A. Rodrigues, 'Identifying the Right Leader fro the Right Situation,' Personnel (September 1988): 44.

Cross-Cultural Motivation



In discussing the topic of motivation, some individuals may argue that there are no major differences in what motivates people across countries; that people everywhere, in general, are the same and respond to the same stimuli. This maybe true in some respects but not in all. Certainly, just about all individuals are driven by such basic needs as food, water, air, and shelter. However, people are also driven by spelaeological needs, such as self-esteem and social status. Psychological drives tend to be culture-specific, the stimuli to which an individual responds differs across cultures. For example, people in individualistic-oriented cultures, such as the United States, may work toward self-actualization as an end, while people in collectivistic oriented cultures, such as China, may work toward self-actualization as a mens to an end-to better serve society/the group).

Many of the popular motivation theories were developed by Western scholars using Western subjects and concepts. The ensuing sections duchess some of these theories in a cross-cultural context.

A Comparison of Western and Southeast Asian Motivation Theories

More than three decades ago, Douglas McGregor proposed that managers adhere to one of two opposing theories about people: theory X and Theory Y.

Theory X

Theory X posits that the average human being has an inherent dislike of work and will avoid it if he or she can. Because of this human characteristics of dislike of wori, people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organ isnational objectives. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.



Theory Y

Theory Y puts forth that the expenditure of physical and mental effort in work is as natural as play or rest. External control and the threat of punishment are not the only means of bringing about effort toward organisational objectives. People will exercise self-direction and self-control in the service of objectives to which they are committed. Commitment to objectives is a function of the rewards associated with their achievement. The average human being, under proper conditions, not only to accept but to seek responsibility. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population; under the conditions of modern industrial life, however, the intellectual potential of average human beings is only partially utilized.

Several years ago Geert Hofstede, the European researcher, analysed these two theories in the context of Southeast Asian culture. He believed that McGregor's assumptions, which are common to both theories, stem from the United States, an individualistic and masculine society. Hofstede outlined the assumptions upon which McGregor's theories rest as follows:

- Work is good for people. It is God's will that people should work.
- People's potentialities should be maximally used. It is God's will that you and I should maximally use our potentialities.
- There are "organisational objectives" that exist separately from people.
- People in organisations behave as unattached individuals.

Theory T and T theory T+

Hofstede proposed that American assumptions do not apply in the collectivist (low individualism), larger power distance Southeast Asian cultures. He replaced them with Southeast Asian assumptions.

**Southeast Asian assumptions**

- Work is a necessity but not a goal itself.
- People should find their rightful place, in peace and harmony with their environment.
- Absolute objectives exist only with God. In the world, persons in authority positions represent God, so their objectives should be followed.
- People behave as members of a family and/or group. Those who do not are rejected by society.

Hofstede proposed that since these assumptions are culturally determined, McGregor's Theory X and theory Y distinction becomes irrelevant in Southeast Asian. He developed a Southeast Asian distinction (although he qualifies his distinction in that he is a European and may thus have made cultural mistakes). Theory X and Theory Y are mutually exclusive opposites. Unlike the American distinction, the Southeast Asian distinction that Hofstede proposed, which he labelled Theory T and Theory T+ (T standing for traditional), is a complementary one – Theory T and theory T+ fitting harmoniously together. According to Hofstede, Southeast Asian management could be as outlined in Table 13.5. Theory X posits that people dislike work and will avoid it if they can, and Theory T contends that people dislike change and will avoid it if they can. This suggests that both theory X and Theory T propose that all people would attempt to avoid challenging work. A difference, however, is that Theory T espouses development to people, while Theory X advocates control. Theory T + indicates that, in spite of the wisdom of tradition, the experience of change in life is natural, and, similar to T theory X, it is the function of the leader to coerce those who resist change.

TABLE 13.5: SOUTHEAST ASIAN MANAGEMENT



Theory T: There is an order of inequality in this world in which everyone has his or her rightful place. High and low are protected by this order, which is willed by God.

Children have to learn to fulfil their duties at the place where they belong by birth. They can improve their place by studying with a good partner.

Tradition is a source of wisdom. Therefore, the average human being has an inherent dislike of change and will rightly avoid it if he or she can.

Theory T+: In spite of the wisdom in traditions, the experience of change in life is natural, as natural as work, play, or rest.

Commitment to change is a function of the quality of the leaders who led the change, the rewards associated with the change, and the negative consequences of not changing.

The capacity to lead people to a new situation is widely, not narrowly, distributed among leaders in the population.

The learning capacities of the average family are more than sufficient for modernisation.

Source: Geert Hofstede, "The Application of McGregor's Theories in Southeast Asia," Journal of Management Development 6, no. 3 (1987): 16. Copyright © 1987 MCB University Press. Used with permission. All rights reserved.

People in cultures throughout the world thus behave in dissimilar ways because of the differences in how they view their environment. Their thinking is partly conditioned by national cultural factors, which are passed on from one generation to the next. It would therefore be a critical mistake for an international manager to attempt to apply a set of motivational techniques on a worldwide basis - to reiterate, what works in one culture does not necessarily work in another. Of



course, people's thinking does not remain static from generation to generation. Cultural factors do change gradually over time as new technologies are introduced into the society. For example, the new economic systems introduced into the former communist nations are changing the ways managers lead and what motivates employees. (for illustration purposes, refer again to Practical Perspective 13.5 and review the case of China presented in Practical Perspective 13.5, as well as the case of Russia in Practical Perspective 13.6)

Chinese Social Motivation Versus Western Individual Motivation

The Hierarchy of Needs theory developed by Abraham H. Maslow proposes that certain individual needs serve as motivators. Maslow contended that people are first motivated by activities that aim to satisfy their basic needs. Once these needs are reasonably satisfied, they seek to satisfy the next level, their safety needs. Subsequently, they satisfy the next higher level, their social needs. Once the social needs are reasonably satisfied, the individuals satisfy their esteem needs. And once these are reasonably satisfied, they satisfy their self-actualization needs, which, according to Maslow, is the highest level of the needs hierarchy.

Maslow's theory has not been empirically verified, however. In fact, it has been widely criticized. Such terms as "belonging" and "esteem" are vague. The meaning of "satisfaction" is unclear. For example, after a big meal an individual would be full, and he or she, according to the theory, would not be motivated by food. However, this is not true in all cases – some individuals may still remain motivated by food because they have a memory and the ability to anticipate the future when hunger will occur again. Also, there is no evidence that satisfaction of one need activates the next higher need, and there is little support for the proposition that the level of satisfaction of a need diminishes its importance as a motivator. In an international context, the hierarchy has been criticized as being



based on Maslow's personal choice – American individualistic, middle-class values that put self-actualization and autonomy on top.

Gass Cultural Behaviour Modification

All organisations around the globe seek to attain organisational effectiveness. Effectiveness, however, may be defined differently across cultures. For example, in American organisations, effectiveness is often measured by profits, but in some cultures profits are less important than other measures, such as quality of life (for instance, a clean, safe environment). One thing that is common around the globe, however, is that the attainment of organisational effectiveness requires employees to practice behaviour desired by the organization. For instance, the export division of an international company requires certain way. If the staff members decide not to be present at those times or device to process the documents in their own way, organisational ineffectiveness may result. The company therefore needs to assured that the staff members will be present when needed and that they will process the documents in the specified way. For example, it has been found that Saudis are unwilling to observe strict rules and regulations, while, in contrast, Iraqi managers show a strong tendency to follow rules modify the behaviour of employees - to develop employee behaviour that conforms to the organisation's needs.

All organisations attain that desired attain the desired members behaviour through reward and punishment techniques. But the importance level attached to the rewards and punishments varies across cultures. For example, giving money as a reward for desired behaviour or not giving money because of undesired behaviour maybe a highly effective behaviour modifier in some cultures but not as effective in other cultures. In some cultures, the prospect of being reward with a big individual office may encourage an employee to work hard and to conform to the behaviour desired by the organisation. But in other cultures it may not – for instance, American mangers may work hard for such a



reward, but Japanese managers are quite satisfied with a small individual office or simply sharing an office with other employees. In the same context, employees in some cultures are motivated by the prospect of being rewarded with challenging work and more job responsibility, while employees in other cultures may prefer job security. For example, British workers may be motivated more by challenging work, and French workers may be motivated more by job security.

Total Quality Management and Empowerment

Relative to the awarding of challenging work as a reward, today's popular Total Quality Management (TQM) concept advances the notion of empowering employees (usually in groups) as a means of improving organisational effectiveness. Fundamentally, TQM calls for giving employees more challenge in work. It is believed that employees must be given the responsibility for deciding the most effective and efficient way to service the organization's customers (both internal and external customers). However, individuals in some cultures are more receptive (or less receptive) to TQM/empowerment programs than individuals in other cultures. For example, people in collectivistic (low individualism) societies are likely to work much better in groups than people in high individualism societies, who tend to be competitive and prefer to work on their own.

Furthermore, TQM and empowerment theories assume that individuals will take the initiative in getting things done. However, individuals in strong uncertainty avoidance cultures are likely to take less initiative than individuals in weak uncertainty avoidance cultures, and vice versa. This is because taking initiative normally means taking risk, and people in weak uncertainty avoidance cultures tend to take greater risk than people in strong uncertainty avoidance cultures. For instance, "industrial democracy" in Sweden, weak uncertainty avoidance



culture, was initiated in the form of local experiments and was subsequently given a legislative framework. But in Germany, a strong uncertainty avoidance culture, industrial democracy was initiated by a legislative framework first and then localized in organisations. Also, individuals in some cultures tend to perceive manager's efforts to apply TQM/empowerment programs as efforts to manipulate them. (Practice Perspective 12-7 describes Motorola's efforts to implement TQM/empowerment programs in its Malaysia and Florida plants).

Work Goals and Values Vary Across Cultures

In the industrialised world, the role of work in an individual's life is extremely important. What sort of work goals do people seek? About three decades ago, Frederick Herzberg, an American researcher, identified numerous work goals, including salary, work conditions, security, supervision, achievement, and recognition, and the importance level individuals attach to them. Herzberg's findings posit that factors such as an increase in pay, improvement in working conditions, more security, and improved supervision do not motivate employees to increase production, but they will demotivate employees and cause them to produce less when perceived as inadequate. What motivates employees, according to Herzberg's findings, is presence of factors such as opportunity for personal growth, challenging work, and recognition - but the absence of these factors does not cause demotivation. It should be noted that his research subjects were professionally homogenous Americans (accountants and engineers). Does the importance level employees attach to various work goals vary across countries?

13.6 SUMMARY

This lesson has discussed the programmed and the nonprogrammed decision-making processes in a cross-cultural context, including a discussion on how a society's culture affects the rational decision-making process. The MBO and participative decision-making approaches were also described in a cultural



context. Two frameworks, each presenting several factors that influence decision-making behaviour (DMB)- authoritative or participative-were discussed. The country-related cultural factors framework proposes that certain cultural dimensions affect DMB. The universal factors framework posit that certain specific situational factors affect DMB in all cultures. Questions about how to apply both frameworks were posed. The implications of both frameworks were put forth-mainly tht cross-cultural decision makers, to apply the appropriate DMB, must understand each situation and culture thoroughly.

This chapter has proposed that the appropriate leadership style and the motivational incentives a cross-cultural manger applies are for the most part determined by the culture in which he or she is managing. But in some situations, other factors may supersede the cultural factors in importance as the determinants of the appropriate style and incentives. The chapter has also suggested that United Stages-based theories do not have cross-cultural application. And it concluded that culture also influences the degree of importance people place on work values.

13.7 KEYWORDS

Organisational climate: It is the manifestation of attitude of organisational members towards organisation itself.

Organisational culture: The set of shared values and norms that controls organisational members' interactions with each other and with people outside the organisation.

Values: General criteria, standards, or guiding principles that people use to determine which types of behaviours, events, situations, and outcomes are desirable or undesirable.

Norms: Standards or styles of behaviour that are considered acceptable or typical for a group of people.



Socialization: The process by which members learn and internalise the values and norms of an organisation's culture.

13.8 REVIEW QUESTIONS

1. What is the notion of Theory X and Theory Y and system 4 management with respect to leadership style? Do you agree? Why?
2. What is the impact of culture on empowerment?
3. You are a cross-cultural training specialist. Your client is a global corporation that has employed you to train one of its home country employees who is being prepared to manage the corporation's foreign subsidiary in the Philippines. At home, the employee has been an effective manager. Discuss the characteristics each manager requires to be effective. Discuss why you chose those characteristics.
5. How do Theories X and Y differ from Theories T and T+?
6. The assumptions on which Theories X and Y are based do not apply in Southeast Asia. Why not?
7. Maslow's hierarchy of needs theory does not have global application. Discuss this statement.
8. Discuss the ways culture affects programmed and nonprogrammed decision making.
9. Discuss the fundamentals of the country-related cultural factors and the universal factors frameworks.
10. What type of DMB, authoritative or participative, would you apply in the following cultures:
 - a. Large power distance
 - b. Low individualism
 - c. Strong uncertainty avoidance



- d. Low masculinity
 - e. High Confucianism.
11. What type of DMB, authoritative or participative, would you apply in the following situations:
- a. Crisis conditions
 - b. Subordinates are motivated by the need for affiliation.
 - c. Subordinates function at a high level of maturity.
 - d. Subordinates carry out the sales function

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