

MBA

(DISTANCE MODE)

DBA 1763

ORGANISAIONAL THEORY DESIGN & DEVELOPMENT

**IV SEMESTER
COURSE MATERIAL**



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FOREWORD

The prime objective of education is conversion of human being into intellectual capital of a nation. Conventional education system has its own limitations to achieve this objective. Realizing this fact all over the world more and more traditional universities are rapidly transforming themselves from single mode of traditional education to dual mode of both traditional as well as distance education. Distance Education is becoming an accepted and indispensable part of the main stream of the educational system of any nation. Technology has made it possible to provide the best and the most up-to-date education at a reasonable cost and without geographical boundaries.

Anna University Chennai has started the Centre for Distance Education during 2006 with the aim of providing equity access to quality professional education to all the deserving aspirants. The Centre for Distance Education, Anna University Chennai has introduced MBA in General Management, Technology Management, Retail Management, Human Resource Management, Financial Services Management and Health Services Management, MCA with emphasis on Banking Technology, Call Centre Management, E-Learning, Trading and Equity Management, Health Care Management, and M.Sc in Computer Science, Information Technology, Software Engineering and Computer Technology. These programmes have been well received by all the stake holders. Anna University Chennai has absorbed large number of learners from multiple segments for all the programmes introduced. Yes, we have achieved impressive success to celebrate, and that induce us to perform much better, in the days to come.

The course materials play vital role in imparting knowledge, specially in distance education. These materials delivered to you were prepared by experts in the respective areas. Authors have prepared the course materials based on learner centric approach, fine tuned by self instructional mode. I am sure these materials will meet your learning requirements in full by inculcating a new learning culture.

As we move towards more knowledge intensive economy, acquiring and sustaining relevant skills and knowledge is becoming increasingly significant.

On this line Anna University Chennai, shall continue to contribute its best and thereby enable our nation a much more knowledge rich nation.

My hearty congratulations and best wishes to all.

(P. MANNAR JAWAHAR)

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In spite of utmost care taken to prepare the list of references, any omission in the list is only accidental and not purposeful.

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DBA 1763 ORGANISATIONAL THEORY DESIGN & DEVELOPMENT

UNIT I - ORGANISATION & ITS ENVIRONMENT

Meaning of Organisation – Need for existence – Organisational Effectiveness-Creation of Value  Measuring Organisational Effectiveness - External Resources Approach, Internal Systems approach and Technical approach – HR implications.

UNIT II - ORGANIZATIONAL DESIGN

Organizational Design – Determinants – Components – Types – Basic Challenges of design – Differentiation, Integration, Centralization, Decentralization, Standardization, Mutual adjustment – Mechanistic and Organic Structures – Technological and Environmental Impacts on Design – Importance of Design – Success and Failures in design – Implications for Managers.

UNIT III - ORGANISATIONAL CULTURE

Understanding culture – Strong and Weak Cultures – Types of Cultures – Importance of Culture – Creating and Sustaining Culture – Culture and Strategy – Implications for practicing Managers.

UNIT IV - ORGANISATIONAL CHANGE

Meaning – Forces for Change – Resistance to Change – Types and forms of change – Evolutionary and Revolutionary change – Change process – Organizational Development – HR functions and Strategic Change Management – Implications for practicing Managers.

UNIT V – ORGANISATION EVOLUTION AND SUSTENANCE

Organizational life cycle – models of transformation – Models of Organizational Decision making – Organizational Learning – Innovation, Intrapreneurship and Creativity – HR implications

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UNIT I

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ORGANISATION & ITS ENVIRONMENT

CHAPTER OBJECTIVE

- The purpose of this chapter is to explore the nature of organization and the need for its existence.
- To understand the scope of organization theory.
- To explore how organization theory can help people manage complex organizations.
- To examine the ways of measuring organizational effectiveness.

1.1 INTRODUCTION

This chapter explores the nature of organization and its environment today. Organization theory has developed from the systematic study of organizations by scholars. Concepts are obtained from living, ongoing organizations. Organization theory helps people understand, diagnose, and respond to emerging organizational demands and problems.

The section begins with a formal definition of organization and need for its existence. It further explores introductory concepts for describing and analyzing organizations. Next, the scope and nature of organization theory are discussed more fully. Succeeding sections examine the ways of measuring organizational effectiveness. It also explains how organization theory can help people manage complex organizations in today's rapidly changing world.

1.2 DEFINITION

The definition is as follows: Organizations are 1) social entities that 2) are goal directed, 3) are designed as deliberately structured and coordinated activity systems, and 4) are linked to the external environment.

The key element of an organization is not a building or a set of policies and procedures; organizations are made up of people and their relationships with one another. An organization exists when people interact with one another to perform essential functions that help attain goals. Recent trends in management recognize the importance of human resources, with most new approaches designed to empower employees with greater opportunities to learn and contribute as they work together toward common goals. Managers deliberately structure

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and coordinate organizational resources to achieve the organization's purpose. However, even though work may be structured into separate departments or set of activities, most organizations today are striving for greater horizontal coordination of work activities, often using teams of employees from different functional areas to work together on projects. Boundaries between departments as well as those between organizations are becoming more flexible and diffuse as companies face the need to respond to changes in the external environment more rapidly. An organization cannot exist without interacting with customers, supplier, competitors, sharing information and technology to their mutual advantage.

1.3 ORGANIZATIONAL PURPOSE

Organizations are created and continued in order to accomplish something. All organizations, including Sears, the American Red Cross, IBM, the Methodist Church, the U.S department of Agriculture, and the local video rental store, exist for a purpose. This purpose may be referred to as the overall goal, or mission. Different parts of the organization establish their own goals and objectives to help meet the overall goal, mission, or purpose of the organization

Many types of goal exist in a organization, and each type performs a different function.

One major distinction is between is between the officially stated goals, or mission, of the organization and the operative goals the organization actually pursues.

1.4 MISSION

The overall goal for an organization is often called mission-the organization's reason for existence. The mission describes the organization's vision, its shared values and beliefs, and its reason for being. It can have a powerful impact on an organization. The mission is sometimes called the official goals, which are formally stated definition of business scope and outcomes the organization is trying to achieve. Official goal statement typically defines business operations and may focus on values, markets, and customers that distinguish the organization. Whether called a mission statement or official goals, the organization's general statement of its purpose and philosophy is often written down in a policy manual or the annual reports.

1.5 OPERATIVE GOALS

Operative goals designate the ends through the actual operating procedures of the organization and explain what the organization is actually trying to do. Operative goals describe specific measurable outcomes and are often concerned with the short run. Operative versus official goals represent actual versus stated goals. Operative goals typically pertain to the primary tasks an organization must perform, similar to the sub system activities. These goals concern overall performance, boundary spanning, and maintenance, adaptation, and production activities. Specific goals for each primary task provide direction for the day-to-day decisions and activities within departments.

Profitability reflects the overall performance of for-profit organizations. Profitability may be expressed in terms of net income, earnings per share, or return on investment. Other overall goals are growth and output volume.

Growth pertains to increases in sales or profits over time. Volume pertains to total sales or the amount of products or services delivered. Executives at Procter & Gamble have set a growth goal to double consumer – product sales to \$ 70 billion.

Not-for-profit organizations such as labor unions do not have goals for profitability but they do have goals that attempt to specify the delivery of services to members within specified budget expense levels. Growth and volume goals also may be indicators of overall performance in not-for-profit organizations.

Resource goals pertain to the acquisition of needed material and financial resources from the environment. They may involve obtaining financing for the construction of new plants, finding less expensive sources for raw materials, or hiring top quality college graduates. Many high-tech companies are having trouble hiring well-educated, computer literate knowledge workers because of today's tight labor market. Companies such as Sun Microsystems are investing heavily in online recruiting programs to help them meet their resource goals in this area.

Market goals relate to the market share or market standing desired by the organization. Market goals are the responsibility of marketing sales, and advertising departments. An example of a market goal is Cisco Systems desire to be the leading maker of switches and other gear that keep the internet running. Cisco has captured 80percent of the market for internet high-end routers. Cementos Mexicanos has 60 percent of the market for cement in Mexico and is the leading supplier in several emerging markets. Both companies have an operating goal of having the largest market share in a specific industry.

Employee development pertains to the training, promotion, safety and growth of employees. It includes both managers and workers. At Fetzer Vineyards, a primary goal is to contribute to the continuous growth and development of employees. The goal includes providing a comprehensive employee education program, with classes such as English as a second language, decision making, and communication. According to Barbara Wallace, Fetzer's director of human resources, their company feels that developing people's capabilities strengthens the organization. It's a way of creating loyalty.

Innovation and goals pertain to internal flexibility and readiness to adapt to unexpected changes in the environment. Innovation goals are often defined with respect to the development of specific new services, products, or production processes. For example, 3M has a goal of generating enough new products so that 30 percent of sales come from products introduced within the past four years.

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Productivity goals concern the amount of output achieved from available resources. They typically describe the amount of resource inputs required to reach desired outputs and are thus stated in terms of ‘cost of unit of production’, ‘units produced per employee’ or ‘resource cost per employee’. For example, Rubbermaid set a productivity goal of increasing the number of units produced per worker per day. Total output increased from three hundred units per worker per day in 1952 to five hundred units in 1980 and 750 in 1988. Another productivity goal was to reduce the number of sales representatives and to increase the work force by only 50 percent while doubling sales. The resulting increases in productivity produced fresh profits for Rubbermaid.

Successful organizations such as Rubbermaid and 3M use a carefully balanced set of operative goals. For example, although profitability is important, some of today’s best companies recognize that a single-minded focus on bottom-line profits may not be the best way to achieve high performance. In a rapidly changing environment, innovation and change goals are increasingly important, even though they may initially cause a decrease in profits. Employee development goals are critical for helping to maintain a motivated and committed work force.

1.6 NEED FOR EXISTENCE OF ORGANIZATIONS

It may seem hard to believe today, but “organizations” as we know them are relatively recent in the history of humankind. Even in the late 19th century there were few organizations of any size or importance- no labor unions, no trade associations, few large business, non-profit organization or government departments. What a change has occurred since then! The Industrial Revolution and the development of large organizations transformed all of society. Gradually, organizations became central to people’s lives and today they exert a tremendous influence in our society.

Organizations are all around us and shape our lives in many ways. But what contributions do organizations make? Why are they important? There are seven reasons for which organizations are important to you and to society.

1. Bring together resources to achieve desired goals and outcomes.
2. Produce goods and services efficiently.
3. Facilitate innovation.
4. Use modern manufacturing and computer-based technology.
5. Adapt to and influence a changing environment.
6. Create value for owners, customers, and employees.
7. Accommodate ongoing challenges of diversity, ethics, and the motivation and coordination of employees.

First, organizations bring together resources to accomplish specific goals. Consider MaMa Media Inc. founded by Irit Harel. To accomplish the goal of providing an entertaining children's Web site based on the educational research of the legendary MIT Media Lab, Harel had to raise more than \$11 million; negotiate alliances with partners such as Scholastic, Inc., Netscape Communications, America Online, and General Mills; recruit quality employees who believed in the theory that interactive play promotes learning; develop activities promote constructive creativity; and lineup advertisers and sponsors for the site.

Organizations also produce goods and services that customers want at competitive prices. Companies look for innovative ways to produce and distribute goods and services more efficiently. One way is through e-commerce and advanced information technology, and through the use of computer-based manufacturing technologies. Redesigning organizational structures and management practices can also contribute to increased efficiency. Organizations create a drive for innovation rather a reliance on standard products and outmoded ways of doing things.

Organizations adapt to and influence a rapidly changing environment. Some large companies have entire departments charged with monitoring the external environment and finding ways to adapt to or influence that environment. One of the most significant changes in the external environment today is globalization. Organizations such as Coca-Cola, AES Corporation, Heinken Breweries, and Xerox are involved in strategic alliances and partnerships with companies around the world in an effort to influence the environment and compete on a global scale.

Through all of these activities, organizations create value for their owners, customers, and employees. Managers need to understand which part of the operation create value and which parts do not; a company can be profitable only when the value it creates is greater than the cost of resources. McDonald's made a thorough study of how to use its core competencies to create better value for customers. The study resulted in the introduction of Extra Value Meals and the decision to open restaurants in different locations, such as inside Wal-Mart and sears stores. Finally organizations have to cope with and accommodate today's challenges of workforce diversity and growing concerns over ethics and social responsibility , as well as find effective ways to motivate employees to work together to accomplish organizational goals.

Organizations shape our lives, and well-informed managers can shape organizations. An understanding of organization theory enables managers to design organizations to function more effectively.

1.7 THE ROLE OF ORGANIZATION THEORY AND DESIGN

What topics are relevant to organization theory and design? How does a course in management or organizational behavior differ from a course in organization theory? To answer these questions let's examine the value a person gains through the study of organization.

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1.7.1 The Value of Organization Theory

For people who are or will be managers, organization theory provides significant insight and understanding to help them be better managers in a rapidly changing world. For example, one of the greatest threats to organization today is the inability of management to adapt to the speed and chaos of technological change. Although companies have made massive investments in technology, they are only beginning to implement the organizational and management changes needed to make technology and the internet competitive weapons. Understanding organization theory and design can help managers make necessary changes by helping them see and understand how technology interacts with other elements of the organization and its environment. As in the case of IBM, many managers learn organization theory by trial and error. At IBM, managers did not initially understand the situation they were in or the contingencies to which they should respond.

In a very real sense, organization theory can make managers more competent and more influential by giving them an understanding of how organizations work. The study of organizations helps people see and understand things other people cannot see and understand. Organization theory provides ideas, concepts, and ways of thinking and interpreting that help managers effectively guide their organizations. When the old approaches are no longer working, are no longer working, organization theory helps managers understand why and develop new approaches to meet changing conditions.

1.8 ORGANIZATIONAL EFFECTIVENESS

Understanding organizational goals and strategies, as well as the concept of fitting design to various contingencies, is a first step toward understanding organizational effectiveness. Organizational goals represent the reason for an organization's existence and the outcomes it seeks to achieve.

Goals were earlier defined as the desired future state of the organization. Organizational effectiveness is the degree to which an organization realizes its goals. Effectiveness is a broad concept. It implicitly takes into consideration a range of variables at both the organizational and departmental levels. Effectiveness evaluates the extent to which multiple goals whether official or operative-are attained.

Efficiency is a more limited concept that pertains to the internal workings of the organization. Organizational efficiency is the amount of resources used to produce a unit of output. It can be measured as the ratio of inputs to outputs. If one organization can achieve a given production level with few resources than another organization it would be described as more efficient.

Sometimes efficiency leads to effectiveness. In other organizations, efficiency and effectiveness are not related. An organization may be highly efficient but fail to achieve its goals because it makes a product for which there is no demand. Likewise, an organization may achieve its profit goals but be inefficient.

Overall effectiveness is difficult to measure in organizations. Organizations are large, diverse, and fragmented. They perform many activities simultaneously. They pursue multiple goals. And they generate many outcomes, some intended and unintended. Managers determine what to measure in order to gauge the effectiveness of their organizations. One study found that many managers have a difficult time with the concept of evaluating effectiveness based on characteristics that are not subject to hard, quantitative measurement. However, top executives at some of today’s leading companies are finding new ways to measure effectiveness, using indicators such as “customer delights” and employee satisfaction. A number of approaches to measuring effectiveness look at which measurements managers choose to track. These contingency effectiveness approaches are based on looking at which part of the organization managers consider most important to measure.

1.8.1 Measuring Organizational Effectiveness

Contingency approaches to measuring effectiveness focus on different parts of the organization. Traditional approaches include the goal approach, the resource-based approach, and the internal process approach, as illustrated below. Organizations bring resources in from the environment, and those resources are transformed into outputs delivered back into the environment, as shown in the figure [see fig 1.1] given below. The goal approach to organizational effectiveness is concerned with the output side and whether the organization achieves its goals in terms of desired levels of outputs.

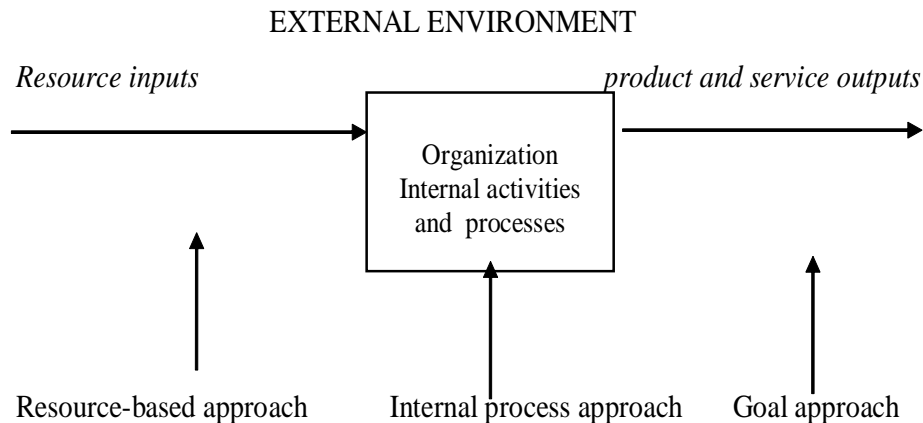


Fig 1.1 Contingency Approachs to the Measurement of Organizational Effectiveness

The resource-based approach assesses effectiveness by observing the beginning of the process and evaluating whether the organization effectively obtains resources necessary for high performance. The internal process approach looks at internal activities and assesses effectiveness by indicators of internal health and efficiency.

These traditional approaches all have something to offer, but each one tells only part of the story. A more recent stakeholder approach acknowledges that each organization

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has many constituencies that have a stake in its outcomes. The stakeholder approach focuses on the satisfaction of stakeholders as an indicator of the organization's performance.

1.8.1.1 Goal Approach

The goal approach to effectiveness consists of identifying an organization's output goals and assessing how well the organization has attained those goals. This is a logical approach because organizations do try to attain certain levels of output, profit or client satisfaction. The goal approach measures progress toward attainment of those goals. For example, an important measure for the Women's National Basketball Association is number of tickets sold per game. During the league's first season, President Val Ackerman set a goal of 4,000 to 5,000 tickets per game. The organization actually averaged nearly 9,700 tickets per game, indicating that the WNBA was highly effective in meeting its goal for attendance

Indicators: The important goals to consider are operative goals. Efforts to measure effectiveness have been more productive using operative goals than using official goals. Official goal tend to be abstract and difficult to measure. Operative goals reflect activities the organization is actually performing.

One example of multiple goals is from a survey of U.S business corporations. Their reported goals are shown in Exhibit 1.2. Twelve goals were listed as being important to these companies. These twelve goals represent outcomes that cannot be achieved simultaneously. They illustrate the array of outcomes organizations attempt to achieve.

Usefulness: The goal approach is used in business organizations because output goals can be readily measured. Business firms typically evaluate performance in terms of profitability, growth, market share, and return on investment. However, identifying, operative goals and measuring performance of an organization are not always easy. Two problems that must be resolved are the issues of multiple goals and subjective indicators of goal attainment.

Since organizations have multiple and conflicting goals, effectiveness often cannot be assessed by a single indicator. High achievement on one goal may mean low achievement on another. Moreover, there are department goals as well as overall performance goals. The full assessment of effectiveness should take into consideration several goals simultaneously.

The other issue to resolve with the goal approach is how to identify operative goals for an organization and how to measure goal attainment. For business organizations, there are often objective indicators for certain goals, such as employee welfare or social responsibility.

Exhibit 1.2 Reported goals of U.S Corporations

Goal	% Corporation
Profitability	89
Growth	82
Market share	66
Social responsibility	65
Employee Welfare	62
Product quality and service	60
Research and development	54
Diversification	51
Efficiency	50
Final stability	49
Resource conservation	39

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Someone has to go into the organization and learn what the actual goals are by talking with the top management team. Once goals are identified, subjective perceptions of goal attainment have to be used when quantitative indicators are not available. Managers rely on information from customers, competitors, suppliers, and employees, as well as their own intuition, when considering these goals. Jerre Stead, Chairman and CEO of Ingram Micro Inc., the world’s largest distributor of computer-technology products and services, goal of achieving “customer delight.” “These direct interactions don’t provide hard numbers,” he says, “but I sure do learn a lot”.

Although the goal approach seems to be the most logical way to asses organizational effectiveness, managers and evaluators should keep in mind that the actual measure of effectiveness is a complex process.

1.8.1.2 Resource-Based Approach

The resource-based approach looks at the input side of the transformation process. It assumes organizations must be successful in obtaining and managing valued resources in order to be effective. From a resource-based perspective, organizational effectiveness is defined as the ability of the organization, in either absolute or relative terms, to obtain scarce and valued resources and successfully integrate and manage them.

Indicators: Obtaining and successfully managing resources is the criterion by which organizational effectiveness is assessed. In a broad sense, indicators of effectiveness according to resource-based approach encompass the following dimensions.

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- Bargaining position- the ability of the organization to obtain from its environment scarce and valued resources, including financial resources, raw materials, human resources, knowledge and technology.
- The abilities of the organization's decision makers to perceive and correctly interpret the real properties of the external environment.
- The abilities of managers to use tangible (eg. supplies, people) and intangible (eg. knowledge, corporate culture) resources in day-to day organizational activities to achieve superior performance.
- The ability of the organization to respond to changes in the environment.

Usefulness: The resource-based approach is valuable when other indicators of performance are difficult to obtain. In many not-for-profit and social welfare organizations, for example, it is hard to measure output goals or internal efficiency. Some for-profit organizations also use a resource based approach. For example, Math soft, Inc., which provides a broad range of technical-calculation and analytical software for business and academia, evaluates its effectiveness partly by looking at how many top-rate PhD's it can recruit. CEO Charles Digate believes Math soft has a higher ratio of PhD's to total employees than any other software company, which directly affects product quality and the company's image.

Although the resource-based approach is valuable when other measures of effectiveness are not available, it does have shortcomings. For one thing, approach only vaguely considers the organization's link to the needs of customers in the external environment. A superior ability to acquire and use resources is important only if resources and capabilities are used to achieve something that meets a need in the environment. The resource-based approach is most valuable when measures of goal attainment cannot be readily obtained.

1.8.1.3 Internal Process Approach

In the internal based approach, effectiveness is measured as internal organizational health and efficiency. An effective organization has a smooth, well-oiled internal process. Employees are happy and satisfied. Departmental activities mesh with one another to ensure high productivity. This approach does not consider the external environment. The important element in effectiveness is what the organization does with the resources it has, as reflected in internal health and efficiency.

Indicators: One indicators of internal process effectiveness is the organization's economic efficiency. However, the best-known proponents of a process model are from the human relations approach to organizations. Such writers as Chris Argyris, Warren G. Bennis, Rensis Likert and Richard Beckhard have all worked extensively with human resources in organizations and emphasize the connection between human resources and effectiveness. Writers on corporate culture and organizational excellence have stressed the importance

of internal processes. Results from a study of nearly two hundred secondary schools showed that both human resources and employee-oriented processes were important in explaining and promoting effectiveness in those organizations.

These are indicators of an effective organization as seen from an internal process approach.

- Strong corporate culture and positive work climate.
- Team spirit, group loyalty, and team work.
- Confidence, trust, and communication between workers and management.
- Decision making near sources of information, regardless, of where those sources are on the organizational chart.
- Undistorted horizontal and vertical communication; sharing of relevant facts and feelings
- Rewards to managers for performance, growth, and development of subordinates and for creating an effective working group
- Interaction between the organization and its parts, with conflict that occurs over projects resolved in the interest of the organization.

Usefulness: The internal process approach is important because the efficient use of resources and harmonious internal functioning are ways to measure effectiveness. Today, most managers believe that happy, committed, actively involved employees and a positive corporate culture are important measures of effectiveness. Gary White, CEO of the Gymboree Corp., for example, believes that keeping employees happy is the key to long term success for his company, which runs parent-child play programs and operates more than 500 retail clothing stores.

The internal process approach also has shortcomings. Total output and the organization's relationship with the external environment are not evaluated. Also, evaluation of internal health and functioning are often subjective, because many aspects of inputs and internal process are not quantifiable. Managers should be aware that this approach alone represents a limited view of organizational effectiveness.

1.8.1.4 Stakeholder Approach

The stakeholder approach integrates diverse organizational activities by focus an organizational stakeholders. A stakeholder is any group within or outside an organization has a stake in the organization's performance. Creditors, suppliers, employees, and owners are all stakeholders. Each stakeholder will have a different criterion of effectiveness because it has a different interest in the organizations. Each stakeholder group has to be surveyed to learn whether the organization performs well from its viewpoint.

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Indicators: The initial work on evaluating effectiveness on the basis of stakeholder included ninety-seven small business in Texas. Seven stakeholder groups relevant to that business were surveyed to determine the perception of effectiveness from each viewpoint. The following table shows each stakeholder and its criterion of effectiveness.

Stakeholder	Effectiveness Criteria
1. Owners	Financial return
2. Employees	Work satisfaction, pay.
3. Customers	Quality of goods and services
4. Creditors	Creditworthiness
5. Community	Contribution to community affairs
6. Suppliers	Satisfactory transactions
7. Government	Obedience to laws, regulations.

The survey of stakeholders showed that a small business found it difficult to simultaneously fulfill the demands of all groups. One business may have employee satisfaction, but the satisfaction of other groups may be lower. Nevertheless, measuring all seven stakeholders provide a more accurate view of effectiveness than any single measure. Evaluating how organizations perform across each group offers an overall assessment of effectiveness.

Usefulness: The strength of the stakeholder approach is that it takes broad view of effectiveness and examines factors in the environment as well as within the organization. The stakeholder approach includes the community's notion of social responsibility, which is not formally measured in the goal, resource-based, and internal process approaches. The stakeholder approach also handles several criteria simultaneously- inputs, internal processing, outputs- and acknowledges that there is no single measure of effectiveness. The well-being of employees is just as important as attaining the owner's financial goals.

The stakeholder approach is gaining in popularity, based on the view that effectiveness is a complex, multidimensional concept, that has no single measure. Recent research has shown that the assessment of multiple stakeholder groups is an accurate reflection of effectiveness, especially with respect to organizational adaptability. Moreover, research shows that firms really do care about their reputation and status and do attempt to shape stakeholders assessments of their performance. If an organization performs poorly according to several interest groups, it is probably not meeting its effectiveness goals.

QUESTIONS

1. What is the definition of organization? Briefly explain each part of the definition.
2. How can a company's goals for employee development be related to its goals for innovation and change?
3. What is the difference between a goal and a strategy? Identify both a goal and a strategy for a campus or community organizations with which you are involved.
4. What levels of analysis are typically studied in organization theory? How would these contrast with the level of analysis studied in a course of psychology? Sociology? Political science?
5. Suppose you have been asked to evaluate the effectiveness of the public works department. Where would you begin, and would you proceed? What effectiveness approach would you prefer?
6. What are the advantages and advantages of the resource-based approach versus the goal approach for measuring organizational effectiveness?
7. A noted organization theorist once said, "Organizational effectiveness can be whatever top management defines it to be". Discuss

SUMMARY**KEY TERMS**

Organisation

Mission

Goals

Organisation Theory

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UNIT II

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ORGANIZATIONAL DISIGN

CHAPTER OBJECTIVE

- The purpose of this chapter is to understand the frame work for assessing environments and how organizations can respond to them.
- To identify the organizational domain and the sectors that influences the organization.
- To explore two major environmental forces on the organization—the need for information and the need for resources.
- How organizations respond to these forces through structural design, planning systems, and attempts to change and control elements in the environment.

2.1 DETERMINANTS OF ORGANIZATION DESIGN

The systems view pertains to dynamic, ongoing activities within organizations. The next step for understanding organizations is to look at dimensions that describe specific organizational design traits. These dimensions describe organizations much the same way that personality and physical traits describe people.

Organizational dimensions fall into two types; structural and contextual. Structural dimensions provide labels to describe the internal characteristics of an organization. They create a basis for measuring and comparing organizations. **Contextual dimensions characterize the whole organization, including its size, technology, environment, and goals.** They describe the organizational setting that influences and shapes the structural dimensions. Contextual dimensions can be confusing because they represent both the organization and the environment. Contextual dimensions can be envisioned as a set of overlapping elements that underlie an organization's structure and work processes. To understand and evaluate organizations, one must examine both structural and contextual dimensions. These dimensions of organization design interact with one another.

2.1.1 Structural Dimensions

1. Formalization pertains to the amount of written documentation in the organization. Documentation includes procedures, job descriptions, regulations, and policy manuals.

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These written documents describe behavior and activities. These written documents describe behavior and activities. Formalization is often measure by simply counting the number of pages of documentation within the organization. Large state universities, for example, tend to be high on formalization because they have several volumes of written rules for such things as registration, dropping and adding classes, student associations, dormitory governance, and financial assistance. A small, family-owned business, in contrast, may have almost no written rules and would be considered informal.

2. Specialization is the degree to which organizational tasks are subdivided into separate jobs. If specialization is extensive, each employee performs only a narrow range of tasks. If specialization is low, employees perform a wide range of tasks in their jobs. Specialization is sometimes referred as the *division of labor*.

3. Hierarchy of authority describes who reports to whom and the span of control for each manager. The hierarchy is depicted by the vertical lines on an organization chart. The hierarchy is related to *span of control* (the number of employees reporting to supervisor). When spans of control are narrow, the hierarchy tends to be tall. When spans of control are wide, the hierarchy of authority will be shorter.

4. Centralization refers to the hierarchical level that has authority to make a decision. When decision making is kept at the top level, the organization is centralized. When decisions are delegated to lower organizational levels, it is decentralized. Organizational decisions that might be centralized or decentralized include purchasing equipment, establishing goals, choosing suppliers, setting prices, hiring employees and deciding marketing territories.

5. Professionalism is the level of formal education and training of employees. Professionalism is considered high when employees require long periods of training to hold jobs in the organization. Professionalism is generally measured as the average number of years of education of employees, which could be as high as twenty in a medical practice and less than ten in a construction company.

6. Personnel ratios refer to the deployment of people to various functions and departments. Personnel ratios include the administrative ratio, the clerical ratio, the professional staff ratio, and the ratio of indirect to direct labor employees. A personnel ratio is measured by dividing the number of employees in a classification by the total number of organizational employees.

2.1.2 Contextual Dimensions

1. Size is the organization's magnitude as reflected in the number of people in the organization. It can be measured for the organization as a whole or for specific components, such as a plant or division. Because organizations are social systems, size is typically measured by the number of employees. Other measures such as total sales or total assets also reflect magnitude, but they do not indicate the size of the human part of the social system.

2. **Organizational technology** refers to the tools, techniques, and actions used to transform inputs into outputs. It concerns how the organization actually produces and services it provides for customers and includes such things as computer-aided manufacturing, advanced information systems, and the internet. An automobile assembly line, a college classroom, and an overnight package delivery system are technologies, although they differ from one another.

3. **The environment** includes all elements outside the boundary of the organization. Key elements include the industry, government, suppliers, customers, and the financial community. Environmental elements that affect an organization the most are often other organizations.

4. The organization's **goals and strategy** define the purpose and competitive techniques that set it apart from other organizations. Goals are often written down as an enduring statement of company intent. A strategy is the plan of action that describes resource allocation and activities for dealing with the environment and for reaching the organization's goals. Goals and strategies define the scope of operations and the relationship with employees, customers and competitors.

5. An organization's **culture** is the underlying set of key values, beliefs, understandings, and norms shared by employees. These underlying values may pertain to ethical behavior, commitment to employees, efficiency, or customer service, and they provide the glue to hold organization members together. An organization's culture is unwritten but can be observed in its stories, slogans, ceremonies, and dress and office layout.

The eleven contextual and structural dimensions discussed here are interdependent. For example, large organization's size, a routine technology, and a stable environment all tend to create an organization that has greater formalization, specialization, and centralization.

2.2 ORGANIZATIONS AS SYSTEMS

2.2.1 Open System

One significant development in the study of organizations was the distinction between closed and open systems. A closed system would not depend on its environment; it would be autonomous, enclosed, and sealed off from the outside world. Although a true closed system cannot exist, early organization studies focused on internal systems. Early management concepts, including scientific management, leadership style, and industrial engineering, were closed-system approaches because they took the environment for granted and assumed the organization would be to run things efficiently.

An open system must interact with the environment to survive; both consume resources and exports resources to the environment. It cannot seal itself off. It must continuously change and adapt to the environment. Open systems can be enormously complex. Intervals efficiency is just one issue- and sometimes a minor one. The organization has to find and

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obtain needed resources, interpret and act on environmental changes, dispose of outputs and control and coordinate internal activities in the face of environmental disturbances and uncertainty. Every system must interact with the environment to survive in an open system. One problem at IBM was that top managers seemed to forget they were part of an open system. They isolated themselves within the IBM culture and failed to pay close attention to what was going on with their customers, suppliers, and competitors. The rapid changes over the past few decades, including globalization and increased competition, the explosion of internet and e-business and the growing diversity of the population and workforce, have forced many managers to reorient toward an open-systems mindset and recognize their business as part of a complex, interconnected whole.

To understand the whole organization, it should be viewed as a system. A system is a set of interacting elements that acquires inputs from the environment, transforms them, and discharges outputs to the external environment. The need for inputs and outputs reflects dependency on the environment. Interacting elements mean that people and departments depend on one another and must work together.

Inputs to an organization system include employees, raw materials and other physical resources, information and financial resources. The transformation process changes these inputs into something of value that can be exported back to the environment. Outputs include specific products and services for customers and clients. Outputs may also include employee satisfaction, pollution and other by-products of the transformation processes.

A system is made up of several subsystems. These subsystems perform the specific functions required for organizational survival, such as production, boundary spanning, maintenance, adaptation and management. The production subsystem produces the product and service outputs of the organization. Boundary subsystems are responsible for exchanges with the external environment. They include activities such as purchasing supplies or marketing products. The maintenance subsystem maintains the smooth operation and upkeep the organizations physical and human elements. The adaptive subsystems are responsible for organizational change and adaptation. Management is a distinctive subsystem of the organization.

2.3 ORGANIZATIONAL CONFIGURATION

Various parts of the organization are designed to perform the key subsystem functions. One framework proposed by Henry Mintzberg suggests that every organization has five parts. The five parts of the organization may vary in size and importance depending on the organization's environment, technology and other factors.

Technical Core: The technical core includes people who do the basic work of the organization. It performs the production subsystem function and actually produces the product and service outputs of the organization. This is where the primary transformation

from inputs to outputs takes place. The technical core is the production department in a manufacturing firm, the teachers and classes in a university, and the medical activities in a hospital. At IBM, the technical core produces hardware, software, and e-business services for clients.

Technical Support: The technical support function helps the organization adapt to the environment. Technical support employees such as engineers and researchers scan the environment for problems, opportunities and technological developments. Technical support is responsible for creating innovations and technical core, helping the organization to change and adapt. Technical support at IBM is provided by departments such as technology, research, and development, and marketing research.

Administrative Support: The administrative support function is responsible for the smooth operation and upkeep of the organization, including its physical and human elements. This includes human resource activities such as recruiting and hiring, establishing compensation and benefits, and employee training and development, as well as maintenance activities such as cleaning of buildings and service and repair of machines. Administrative support functions in a corporation such as IBM might include the human resources department, organizational development, the employee cafeteria, and the maintenance staff.

Management: Management is a distinct subsystem, responsible for directing and coordinating other parts of the organization. Top management provides direction, strategy, goals and policies for the entire organization or major divisions. Middle management is responsible for implementation and coordination at the department level. In traditional organizations, middle managers are responsible for mediating between top management and the technical core, such as implementing rules and passing information up and down the hierarchy.

In real-life organizations, the five parts are interrelated and often serve more than one subsystem functions. For example, managers coordinate and direct other parts of the system, but they also be involved in administrative and technical support. In, addition, several of the parts serve the boundary spanning function mentioned in the previous section. For example, in the administrative support realm, human resources departments are responsible for working with the external environment to find quality employees. Purchasing departments acquire needed materials and supplies. In the technical support and area, research and development departments work directly with the external environment to learn about new technological developments. Managers perform boundary spanning as well, such as when Lou Gerstner of IBM works directly with major customers. The important boundary spanning subsystem is embraced by several areas, rather than being confined to one part of the organization.

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2.4 LEVELS OF ANALYSIS

In systems theory, each system is composed of subsystems. Systems are nested within systems, and one level of analysis has to be chosen as the primary focus. Four levels of analysis normally characterize organizations. The individual human being is to the organization what a cell is to biological system. The next higher system level is the group or department. These are collections of individuals who work together to perform group tasks. The next level of analysis is the organization itself. An organization is a collection of groups or departments that combine into the total organization. Organizations themselves can be grouped together into the next higher level of analysis, which is the inter-organizational set of community. The inter-organizational set is the group of organizations with which a single organization interacts. Other organizations in the community also make up an important part of organization's environment.

Organization theory focuses on the organizational level of analysis but with concern for groups and the environment. To explain the organization, one should look not only at its characteristics but also at the characteristics of environment and of the departments and groups that make up the organization.

Are individuals included in organization theory? Organization theory does consider the behavior of individuals, but in the aggregate. People are important, but they are not the primary focus of analysis. Organization theory is distinct from organizational behavior. Organizational behavior is micro approach to organizations because it focuses on the individuals within organizations as the relevant units of analysis. Organizational behavior examines concepts such as motivation, leadership style, and personality and is concerned with cognitive and emotional differences among people within organizations. Organization theory is a macro examination of organizations because it analyses the whole organization as a unit. Organizational is concerned with people aggregated into departments and organizations and with the differences in structure and behavior at the organization level of analysis. Organization theory is the sociology at organizations, while organizational behavior is the psychology of organizations.

A new approach to organization studies is called meso theory. Most organizational research and many management courses specialize in either organizational behavior or organizational theory. Meso theory concerns the integration of both micro and macro levels of analysis. Individuals and groups affect the organization and the organization in return influences individuals and groups. To thrive in organizations, managers, and employees need to understand multiple levels simultaneously. For example, research may show that employee diversity enhances innovation. To facilitate innovation, managers need to understand how structure and context are related to interactions among diverse employees to foster innovation.

For its part, organization theory is directly related to top and middle management concerns and partly relevant to lower management. Top managers are responsible for the entire organization and must set goals, develop strategy, interpret the external environment, and decide organization structure and design. Middle management is concerned with major departments, such as marketing or research, and must decide how the department relates to the rest of the organization. Middle managers must design their departments to fit work-unit technology and deals with issues of power and politics, inter group conflict and information and control systems, each of which is part of organization theory. Organization theory is only partly concerned with lower management because this level of supervision is concerned with employees who operate machines, type letters, teach classes, and sell goods. Organization theory is concerned with the big picture of the organization and its major departments.

2.5 CHALLENGES OF ORGANIZATIONAL STRATEGIES AND DESIGN

A strategy is a plan for interacting with the competitive environment to achieve organizational goals. Some managers think of goals and strategies as interchangeable, but for our purposes, goals define where the organization wants to go and strategies define how it will go there. For example, a goal may be to achieve 15 percent annual sales growth; strategies to reach that goal might include aggressive advertising to attract new customers, motivating sales people to increase the average size of customer purchases, and acquiring other business that produce similar products. Strategies can include any number of techniques to achieve the goal. The essence of formulating strategies is choosing whether the organization will perform different activities than its competitors or will execute similar activities more efficiently than its competitors do.

One model for formulating strategies is the porter model of competitive strategies, which provides a frame work for competitive action. After describing the model, we will discuss how the choice of strategies affects organization design.

2.5.1 Porter's Competitive Strategies

Michael E. Porter studied a number of businesses and introduced a framework describing three competitive strategies: low-cost leadership, differentiation and focus. The focus strategy, in which the organization concentrates on a specific market or buyer groups, is further divided into *focus low cost* and *focus differentiation*. This yields four basic strategies as given below (fig 2.1)

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		Competitive advantage	
		<i>Low Cost</i>	<i>Uniqueness</i>
Competitive scope	<i>Broad</i>	Low-cost leadership Example: Go Fly Ltd.	Differentiation Example: Starbucks Coffee Co
	<i>Narrow</i>	Focused low-cost differentiation Example: Enterprise Rent-a-car	Focused Differentiation Example: Edward Jones Investment

Figure 2.1. Porter's competitive strategies

To use this model managers evaluate two factors, competitive advantage and competitive scope. With respect to advantage, managers determine whether to compete through lower cost or through the ability to offer unique or distinctive products and services that can command a premium price. Managers then determine whether the organization will compete on a broad scope or a narrow scope. These choices determine the selection of strategies as illustrated above.

2.5.1.1 Differentiation

In a differentiation strategy, organizations attempt to distinguish their products and services from others in the industry. An organization may use advertising, distinctive product features, exceptional service, or new technology to achieve a product perceived as unique. This strategy usually targets customers who are not particularly concerned with price, so it can be quite profitable. Maytag appliances, Tommy Hilfiger clothing, and star bucks coffee are examples of products from companies using a differentiation strategy.

A differentiation strategy can reduce rivalry with competitors and fight off the threat of substitute products because customers are loyal to the company's brand. However, companies must remember that successful differentiation strategies require a number of costly activities, such as product research and design and extensive advertising. Companies that pursue a differentiation strategy need strong marketing abilities and creative employees who are given the time and resources to seek innovations.

2.5.1.2 *Low-Cost Leadership*

The low-cost leadership strategy tries to increase market share by emphasizing low cost compared to competitors. With a low-cost leadership strategy, the organization aggressively seeks efficient facilities, pursues cost reduction, and uses tight controls to produce products more efficiently than its competitors.

This strategy is primarily concerned with stability rather than taking risks or seeking new opportunities for innovation and growth. A low-cost position means the company can undercut competitor's prices and still offer comparable quality and earn a reasonable profit. GoFly Ltd., a start up airline based in London, England, is using a low-cost strategy to complete successfully against major carriers such as British Airways. CEO Barbara Cassani monitors costs closely so GoFly can keep prices low. For example, the company doesn't use travel agents, requiring that customers book flights directly by phone or on the web. Rather than free food and drinks, GoFly offers travelers a choice of quality refreshments at a fair price.

A low-cost strategy can help a company defend against current competitors because customers cannot find lower prices elsewhere. In addition, if substitute products or potential new competitors enter the picture, the low-cost producer is in a better position to prevent loss of market share.

2.5.1.3 *Focused*

With Porter's third strategy, the focus strategy, the organization concentrates on a specific regional market or buyer group. The company will try to achieve either a low-cost advantage or a differentiation advantage within a narrowly defined market. One example of focus strategy is Enterprise Rent-a-Car, which has made its mark by focusing on a market in which the major companies like Hertz and Avis don't even- compete the low-budget insurance replacement market. Customers whose cars have been wrecked and stolen have one less thing to worry about when enterprise delivers a rental car right to their driveway. Enterprise has been able to grow rapidly by using a focused low-cost strategy. Edward Jones, a St. Louis-based brokerage house, succeeded by building its business in rural and small-town America and providing investors with conservative, long-term, investments. Peter Drucker points out that the firm's safety-first orientation means it delivers a product "that no Wall Street house has ever sold before: peace of mind". The company is expanding rapidly, aiming to become the "Wal-Mart of Wall Street", by using this focused differentiation strategy.

2.6 HOW STRATEGIES AFFECT ORGANIZATION DESIGN

Choice of strategy affects internal organization characteristics. Organization design characteristics need to support the firm's competitive approach. For example, a company wanting to grow and invent new products looks and "feels" different from a company that is focused on maintaining market share for long-established products in a stable industry.

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With a low-cost leadership strategy, managers take an efficiency approach to organization design, whereas differentiation strategy calls for a flexible learning approach. A low-cost leadership strategy is associated with strong, centralized authority and tight control, standard operating procedures, and emphasis on efficient procurement and distribution systems. Employees generally perform routine tasks under close supervision and control and are not empowered to make decisions or take action on their own. A differentiation strategy, on the other hand, requires that employees be constantly experimenting and learning. Structure is fluid and flexible, with strong horizontal coordination. Empowered employees work directly with customers and are rewarded for creativity and risk-taking. The organization values research, creativity, and innovativeness over efficiency and standard procedures.

2.7 OTHER FACTORS AFFECTING ORGANIZATION DESIGN

Strategy is one important factor that affects organization design. Ultimately, however, organization design is a result of numerous contingencies. The emphasis given to efficiency and control versus learning flexibility is determined by the contingencies of strategy, environment, size, and life cycle, technology, and organization culture. The organization is designed to “fit” the contingency factors.

For example, in a stable environment, the organization can have a traditional structure that emphasizes vertical control, efficiency, specialization, standard procedures, and centralized decision making. However, a rapidly changing environment may call for a more flexible structure, with strong horizontal coordination and collaboration through teams or other mechanisms.

Contingency factors affecting organization design

STRATEGY

ENVIRONMENT

TECHNOLOGY

SIZE/LIFE CYCLE

CULTURE

In terms of size and lifecycle, young small organizations are generally informal and have little division of labor, few rules and regulations, and ad hoc budgeting performance systems. Large organizations such as IBM or Sears, on the other hand, have an extensive division of labor, numerous rules and regulations, and standard procedures and systems for budgeting, control, rewards, and innovation.

Design must also fit the workflow technology of the organization. For example, with mass production technology, such as a traditional automobile assembly line, the organization

functions best by emphasizing efficiency, formalization, specialization, centralized decision making, and tight control. An e-business, on the other hand, may need to be informal, and flexible. A final contingency that affects organization design is corporate culture. An organizational culture that values team work, collaboration, creativity, and open communication among all employees and managers, for example would no function well with a tight, vertical structure and strict rules and regulations.

One responsibility of managers is to design organizations that fit the contingency factors of strategy, environment, size and lifecycle, technology, and culture. Finding the right “fit” leads to organizational effectiveness, whereas a poor fit can lead to decline or even demise of the organization.

2.8 THE EXTERNAL ENVIRONMENT

Many companies are surprised by changes in the external environment. Perhaps the greatest tumult for today’s organization has been created by the rapid expansion of e-commerce. For example, Amazon.com was ringing up on-line book sales for more than a year before managers at Barnes and Noble even began thinking about a Web site. Barnes and Noble were highly successful with its book superstore concept, but its early efforts in e-commerce were marked by costly mistakes and missed opportunities. Even though the company burned through \$100 million in an effort to “crush Amazon,” Barnesandnoble.com was still selling only 15 percent of books bought online compared to Amazon’s 75 percent.

Firms in every industry, from auto manufacturing to telecommunications, face similar uncertainty. Many factors in the external environment cause turbulence and uncertainty for organizations. Small retailers have long suffered threats from huge discount stores such as Wal-Mart and Home Depot. Now, with electronics superstore Best Buy selling CDs for about half what they cost in traditional music stores, some record-selling chains have been forced into bankruptcy. In Western Europe, privatization of formerly state-owned enterprises has caused tremendous uncertainty for companies such as Swisscom, which seems to be thriving in the new environment. In the United States, the cattle industry has suffered declining prices because of increased imports of beef from Canada, Mexico, and Argentina. The list could go on and on. The external environment, including global competition, is the source of major threats facing today’s organizations. The environment often imposes major constraints on the choices managers make for the organization.

2.9 THE ENVIRONMENTAL DOMAIN

In a broad sense the environment is infinite and includes everything outside the organization. However, the analysis presented here considers only the aspects of the environment to which the organization is sensitive and must respond to survive. Thus, **organizational environment** is defined as all elements that exists outside the boundary of the organization and have the potential to affect all or part of the organization.

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The environment of an organization can be understood by analyzing its domain within external sectors. An organization's **domain** is the chosen environmental field of action. It is the territory an organization stakes out for itself with respect to products, services, and markets served. Domain defines the organization's niche and defines those external sectors with which the organization will interact to accomplish its goals. Barnes & Noble ignored an important part of its domain when the bookselling environment changed. The company was slow to take advantage of new technology for e-commerce, allowing the competition to gain a huge advantage.

The environment comprises several **sectors** or subdivisions of the external environment that contain similar elements. Ten sectors can be analyzed for each organization: industry, raw materials, human resources, financial resource, market, technology, economic conditions, government, socio cultural and international (figure 2.2). For most companies, the sectors can be further subdivided into the task environment and general environment.

2.10 TASK ENVIRONMENT

The **task environment** includes sectors with which the organization interacts directly and that have a direct impact on the organization's ability to achieve its goals. The task environment typically includes the industry, raw materials, and market sectors, and perhaps the human resources and international sectors.

The following examples illustrate how each of these sectors can affect organizations:

In the *industry sector*, cola rivals Coke and Pepsi are intensifying their competition in local markets. For example, in New York City, one of the few markets where Pepsi-Cola outsells Coca-cola Classic, each Coca-Cola marketing rep visits up to 120 small stores a week to push snazzier displays, better placement, and more promotions. In Harlem, where five convenience stores now sport red and white awnings thanks to Coca-Cola, small-store sales of Coke have doubled.

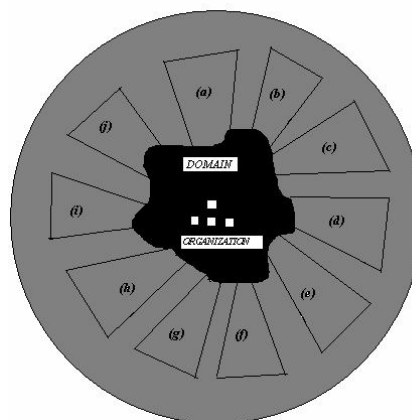


Figure 2.2. An Organization's Environment

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(a) Competitors, industry size and competitiveness, related industries	(g) Recession, unemployment rate, inflation rate, rate of investment, economics, growth
(b) Suppliers, manufacturers, real estate, services	(h) City, state, federal laws and regulations, taxes, services, court system, political processes
(c) Labor market, employment agencies, universities, training schools, employees in other companies, unionization	(i) Age, values, beliefs, education, religion, work ethic, consumer and green movements
(d) Stock markets, banks, savings and loans, private investors	(j) Competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rate
(e) Customers, clients, potential users of products and services	
(f) Techniques of production, science, computers, information technology, e-commerce	

- An interesting example in the *raw materials sector* concerns the beverage can industry. Steelmakers owned the beverage can market until the mid-1960s, when Reynolds Aluminum Company launched a huge aluminum recycling program to gain a cheaper source of raw materials and make aluminum cans price-competitive with steel.
- In the *market sector*, changes in toy-buying patterns, with parents wanting more educational toys and electronics, have stalled growth rates for companies such as Mattel and Hasbro. Even Barbie and GI Joe are suffering strategies and marketing sales declines. Toys “R” Us, once the giant of toy retailers, is reevaluating strategies and marketing plans to respond to changing customer desires.
- The *human resources sector* has become of significant concern to almost every business because of the tightest labor market in thirty years. Well-educated, computer-literate young workers, sometimes called *gold-collar workers*, can often demand high salaries and generous benefits because companies have great difficulty finding qualified workers.
- For U.S. automobile manufacturers, the *international sector* is part of the task environment because these companies face tough foreign competition, including an increasing number of foreign-owned manufacturing plants built on U.S. soil. The international sector as part of the general environment is discussed in more detail later in this chapter.

2.11 GENERAL ENVIRONMENT

The **general environment** includes those sectors that may not have a direct impact on the daily operations of a firm but will indirectly influence it. The general environment often includes the government, socio cultural, economic conditions, technology, and financial resources sectors. These sectors affect all organizations eventually. Consider the following examples:

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- In response to well-published problems with medical devices such as heart valves and breast implants, the FDA introduced more stringent regulations that significantly slowed the rate of reviewing and approving new products. ISS, a small company that manufactures surgical assistant system, that use 3-D computer imaging and robotic tools, could once bring a new product to market in two or three years; it is now lucky to make it in six because of these changes in the *government sector*.
- In the *socio cultural sector*, changing demographics are impacting numerous companies. The huge baby-boom generation is aging and losing some of its interest in high-cost, brand-name goods. Meanwhile, the sons and daughters of baby boomers, sometimes called “Generation Y,” disdain such once-favored brands as Nike and Levi Strauss. Companies are struggling to build loyalty among this new generation, which rivals the baby boom in size and will soon rival it in buying clout.
- General *economic conditions* often affect the way a company does business. To remain competitive in an era of low inflation, furniture maker Ethan Allen needed to keep prices low. To make a profit without raising prices, the company turned to making simpler furniture designs and increasing its technological efficiency.
- The most overwhelming change in the *technology sector* is the rapid expansion of the Internet as a place for doing business. The World Wide Web and other advances in information technology have changed the whole face of business. For example, new formats for storing and transmitting music over the Internet could alter the entire recording industry.
- All businesses have to be concerned with *financial resources*, but this sector is often first and foremost in the minds of entrepreneurs starting a new business. Scott Blum started Buy.com, which resells computers and other products at or below cost over the Internet, with money out of his own savings.

2.12 IMPACT OF INTERNATIONAL CONTEXT ON ENVIRONMENT

The international sector can directly affect many organizations, and it has become extremely important in the last few years. In addition, all domestic sectors can be affected by international events. Despite the significance of international today’s organizations, many students fail to appreciate the importance of international events and still think domestically. Think again. Even if you stay in your home town, your company may be purchased tomorrow by the English, Canadians, Japanese or Germans. For example, General Shale Brick, with headquarters in a small community in east Tennessee, was recently bought by Wiesenberger Baustoffindustrie AG, a Vienna, Austria, company that is the world’s largest brick maker. The Japanese alone own more than one thousand U.S. companies, including steel mills, rubber and tire factories, auto mobile assembly plants, and auto parts suppliers. Nationwide, more than 350,000 Americans work for Japanese companies. People employed by Pillsbury shall Firestone, and CBS records are working for foreign bosses.

The impact of the international sector has grown rapidly with advances in technology and communications. The distinction between domestic and foreign have become increasingly irrelevant as advances in transportation and electronic technology have reduced the impact of distance and time, as well as the differences among political and monetary systems, tastes, and standards. Global trade has tripled in the past twenty-first years, and today it is relatively easy for a firm of any size to operate on a global scale. One small company, Montague Corporation, designs unique including mountain bikes in Cambridge, Massachusetts, makes them in Taiwan, and sells most of them in Europe. Design changes are sent back and forth across three continents. Nestle, and France's Carrefour, the retailer that invented the *hypermarket* concept, all get a large percentage of their sales from outside their home countries. In this global environment, it is no surprise that foreign-born people with international experience have been appointed to run such U.S. companies, as Ford, Gerber, NCR, and Heinz. Consider the following trends.

- The North American Free Trade Agreement is spurring many U.S. companies including small businesses, to move into Canada and Mexico, affecting the market and human resources sectors.
- The European Union (EU) and Association of Southeast Asian Nations (ASEAN) may spawn large, powerful companies that compete easily with U.S. firms these companies could reshape the industry and market sectors as we now know them
- Despite recent economic woes, some analysts believe that in the twenty-first century most of the economic activity in the world will take place in Asia and the Pacific Basin, sharply affecting the economic conditions and financial resources sectors.
- Newly industrialized countries such as Korea, Taiwan, Singapore, and Spain produce huge volumes of low-cost, high-quality commodities that will have an impact on the competitiveness of many industries, markets, and raw materials in North America.
- Eastern Europe, Russia, and China are all shifting toward market economies that also will affect markets, raw materials, industry competition, and worldwide economic conditions.
- Hundreds of partnerships are taking place between North American firms and firms in all parts of the world, facilitating the exchange of technology and production capability, thereby redefining the technology, raw materials, and industry sectors.
- Many companies in the United States build twin plants—one in Texas and one in Mexico. The Mexican plants provide component assembly, and that helps combat Mexico's high unemployment. Called *maquiladoras*, these plants reshape the human resources and raw materials sectors.
- All of these international connections are spawning new state and federal regulations, thereby affecting the government sector; and beliefs and values are becoming shared worldwide, shaping the socio cultural sector.

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The increasing global interconnections have both positive and negative results for organization. The recent economic turmoil in Asia and Eastern Europe blindsided many companies, creating great uncertainty for organizations doing business there. In addition, as the economic malaise spread to Latin America, it had an even greater impact on some U.S. companies based in Florida, since Southern Florida's economy is closely integrated with that of Latin America. CHS Electronics, a Miami-based firm with extensive ties to Latin America, has seen more and more of its Latin customers paying with local currency, and is finding debts harder to collect.

Global interconnections also mean that competitiveness has reached a new level, as companies are competing on a broader scale than ever before. Less-developed countries are challenging mature countries in a number of industries. For example, India is becoming a major player in software development, and consumer electronics manufacturing, which long ago left the United States for Japan, is now rapidly leaving Japan for other countries in Asia.

Yet there is also a positive side. Domestic markets are saturated for many companies and the primary potential for growth lies overseas. Kimberly-Clark and Procter & Gamble, which spent years slugging it out in the now-flat U.S. diaper market, are targeting new markets in China, India, Brazil, Israel, and Russia. The demand for steel in China, India, and Brazil together is expected to grow 10 percent annually in the coming years—three times the U.S. rate. Nucor, a U.S.-based steel company, is opening a minimill in Thailand and partnering with a Brazilian company for a \$700 million steel mill in north-eastern Brazil. Other steel companies, such as LTV Corp. and North Star Steel, are moving into Asia, Europe, and Australia. And, despite the economic convulsions there, large Western companies such as Ford, Procter & Gamble, and Coca-Cola continue to view Southeast Asia as the big market of the future. When companies think globally, the whole world is their marketplace.

The growing importance of the international sector means that the environment for all organizations has become extremely complex and extremely competitive. However, every organization faces uncertainty as well as globally. In the following sections, we will discuss in greater detail how companies cope with and respond to environmental uncertainty and instability.

2.13 ENVIRONMENTAL UNCERTAINTY

How does the environment influence an organization? The patterns and events occurring across environmental sectors can be described along several dimensions, such as whether the environment is stable or unstable, homogeneous or heterogeneous, concentrated or dispersed, simple or complex; the extent of turbulence; and the amount of resources available to support the organization. These dimensions boil to two essential ways the environment influences organizations: (1) the need for information about the environment and (2) the

need for resources from the environment. The environmental conditions of complexity and change create a greater need to gather information and to respond of complexity and change creates a greater need to gather information and to respond based on that information. The organization also is concerned with scarce material and financial resources and with the need to ensure availability of resources. Each sector can be analyzed relative to these three analytical categories. The remainder of this section will discuss the information perspective, which is concerned with the uncertainty that environmental complexity and change create for the organization. Later in the chapter, we will discuss how organizations control the environment to acquire needed resources.

Organizations must cope with and manage **uncertainty** to be effective. Uncertainty means that decision makers do not have sufficient information about environmental factors, and they have a difficult time predicting external changes. Uncertainty increases the risk of failure for organizational responses and makes it difficult to compute costs and probabilities associated with decision alternatives. Characteristics of the environmental domain that influence uncertainty are the extent to which the external domain is simple or complex and the extent to which events are stable or unstable.

2.14 SIMPLE- COMPLEX DIMENSION

The simple-complex dimension concerns environmental complexity, which refers to heterogeneity, or the number and dissimilarity of external elements relevant to an organization's operations. In a complex environment, many diverse external elements interact with and influence the organization. In a simple environment, as few as three or four similar external elements influence the organization.

Telecommunications firms such as AT&T and British Telecom have a complex environment, as do universities. Universities span a large number of technologies and are a focal point for cultural and value changes. Government regulatory and granting agencies interact with a university, and so do a variety of professional and scientific associations, alumni, parents, foundations, legislators, community residents, international agencies, donors, corporations, and athletic teams. A large number of external elements thus make up the organization's domain, creating a complex environment. On the other hand, a family-owned hardware store in a suburban community is in a simple environment. The only external elements of any real importance are a few competitors, suppliers, and the customers. Government regulation is minimal, and cultural change has little impact. Human resources are not a problem because the store is run by family members of part-time help.

2.15 STABLE-UNSTABLE DIMENSION

The stable-unstable dimension refers to whether elements in the environment are dynamic. An environmental domain is stable if it remains the same over a period of months or years. Under unstable conditions, environmental elements shift abruptly. Instability may

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occur when competitors react with aggressive moves and countermoves regarding advertising and new products. For example, aggressive advertising and introduction of new products can create instability for companies, such as coke's giving away 2 million coca-cola cards to build its teen market in New York City and the introduction of Surge to compete with Pepsi's Mountain Dew. Sometimes specific, unpredictable events-such as reports of syringes in cans of Pepsi or glass shards in Gerber's baby foods, the poisoning of Tylenol, or the Church of Scientology's attack on the antidepressant drug Prozac-create unstable conditions. Today, "hate sites" on the World Wide Web, such as Ihatemcdonalds.com and Walmartsucks.com, are an important source of instability for scores of companies, from Allstate Insurance to Toys "R" Us. Microsoft critics can visit more than twenty hate sites.

Although environments are becoming more unstable for most organizations today, an example of a traditionally stable environment is a public utility. In the rural Midwest, demand and supply factors for a public utility are stable. A gradual increase in demand may occur, which is easily predicted over time. Tow companies, by contrast, have an unstable environment. Hot new toys are difficult to predict, a problem compounded by the fact that toys are subject to fad buying. Coleco Industries, makers of the once-famous Cabbage Patch Kids, and Worlds of Wonder, creators of Teddy Ruxipin, went bankrupt because of the unstable nature of the toy environment, their once-winning creations replaced by Bandai's Mighty Morphin Power Rangers or Playmate Toys' Teenage Mutant Ninja Turtles. Those toys, in turn, were replaced by fads such as Furby, Beanie Babies, Star Wars figures, and Pokemon.

2.16 ASSESSING ENVIRONMENTAL UNCERTAINTY

The simple-complex and stable-unstable dimensions are combined into a framework for assessing environmental uncertainty in figure 2.3. In the *simple, stable* environment, uncertainty is low. There are only a few external elements to contend with, and they tend to remain stable. The *complex, stable* environment represents somewhat greater uncertainty. A large number of elements have to be scanned, analyzed, and acted upon for the organization to perform well. External elements do not change rapidly or unexpectedly in this environment, Even greater uncertainty is felt in the *simple, unstable* environment.

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<p>Simple + Stable = Low Uncertainty</p> <ol style="list-style-type: none"> 1. Small number of external elements, and elements are similar 2. Elements remain the same or change slowly <p>Examples: Soft drink bottles, beer distributors, container manufacturers, food processors</p>	<p>Complex + Stable= Low-Moderate uncertainty</p> <ol style="list-style-type: none"> 1. Large number of external elements, and elements are dissimilar 2. Elements remain the same or change slowly <p>Examples: Universities, appliance Manufacturers, chemical companies, Insurance companies</p>
<p>Simple + Unstable = High-Moderate Uncertainty</p> <ol style="list-style-type: none"> 1. Small number of external elements, and elements are similar 2. Elements change frequently and unpredictably <p>Examples: E-commerce, fashion clothing, music industry, toy manufacturers</p>	<p>Complex + Unstable= High Uncertainty</p> <ol style="list-style-type: none"> 1. Large number of external elements, and elements are dissimilar 2. Elements change frequently and unpredictably <p>Examples: computers firms, aerospace firms, telecommunications firms, airlines</p>

SIMPLE

COMPLEX

Figure 2.3. Environmental Uncertainty

Rapid change creates uncertainty for managers. Even though the organization has few external elements, those elements are hard to predict, and they react unexpectedly to organizational initiatives. The greatest uncertainty for an organization occurs in the *complex, unstable* environment. A large number of elements impinge upon the organization, and they shift frequently or react strongly to organizational initiatives. When several sectors change simultaneously, the environment becomes turbulent.

A beer distributor functions in a simple, stable environment. Demand for beer changes only gradually. The distributor has an established delivery route, and supplies of beer arrive on schedule. State universities, appliance manufacturers, and insurance companies are in somewhat stable, complex environments. A large number of external elements are present, but although they change, changes are gradual and predictable.

2.17 ADAPTING TO ENVIRONMENTAL UNCERTAINTY

Once it has been analyzed how environment differ with respect to change and complexity, the next question is “how do organization adapt to each level of environmental uncertainty. Environmental uncertainty represents an important contingency for organisation structure & internal behaviors. Organisation facing uncertainty generally encourage cross functional communication and collaboration to help the company adapt changes in the economy. How the environment affects the organisation, how it will be managed and controlled with respect to positions and departments, organisation differentiation and integration control process and future planning and forecasting are some of the important

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issues that requires attention. It is obvious that organizations need to have the right fit between the internal structure and external environment.

1. Positions and departments

As the complexity in the external environment increases, so does the number of positions and departments within the organisation which in turn increases internal complexity. This relationship is part of being an open system. Each sector in the external environment requires an employee or department to deal with it. The human resources department deals with unemployed people who want to work for the company. The marketing department finds customers. Procurement employees obtain raw materials from hundreds of suppliers, the finance group deals with the bankers the legal department works with courts and government agencies. Many companies are adding e-business departments to handle electronic commerce and information technology departments to deal with increasing complexity of computerized information and knowledge management systems.

2. Buffering and boundary spanning

The traditional approach to coping with environmental uncertainty is to establish buffer departments. The buffering role is to absorb uncertainty from the environment. The technical core performs the primary production activity of an organisation. Buffer departments surround the technical core and exchange materials resources and money between the environment and the organisation. They help the technical core by stockpiling supplies and raw materials.

A newer approach some organizations are trying is to drop the buffers and expose the technical core to the uncertain environment. These organizations no longer create buffers because they believe being well connected to customers and suppliers is more important than internal efficiency. For e.g. John Deere has assembly line workers visiting local farms to determine and respond to customer simulated products and features. Opening up the organization to the environment makes it more fluid and adaptable.

3. **Boundary spanning roles** link and coordinate an organisation with key elements in the external environment. Boundary is primarily concerned with the exchange of information to (a) detect and bring in to the organisation information about changes in the environment (b) send information in to the environment that presents the organisation in a favorable light. Organizations have to keep in touch with what is going in the environment so that managers can respond to market changes and other developments. A survey of high tech firms found that 97% of competitive failures resulted from lack of attention to market changes or the failure to act on vital information. To detect and bring important information into the organisation, boundary personnel scan the environment. for eg a market research department scans and monitors trend in consumer taste. Boundary spanners in engineering and research and development (R&D) department scan new technological developments,

innovation and raw material. Boundary spanners prevent the organisation from stagnating by keeping top managers informed about environmental changes. The greater the uncertainty in the environment, the greater the importance of boundary spanners.

One of the fastest growing areas of boundary spanning is competitive intelligence. Companies large and small are setting up competitive intelligence departments or hiring outside specialists to gather information's on competitors. Competitive intelligence gives top executives a systematic way to collect and analyze public information on rivals and use it to make better decisions .using techniques that range from internet surfing to digging through trash cans, intelligence professionals dig up information on competitors new products, manufacturing costs, or training methods and share it with top leaders. For e.g. NutraSweet's competitive intelligence department helped the company delay a costly advertising campaign when it learned that a rival sweetener was at least five yrs away from FDA approval. In today's uncertain environment, competitive intelligence is a trend that is likely to increase. In addition there are companies that provide important information to top executive about how the company is perceived in the environment.

The boundary task of sending information into the environment to represent the organisation is used to influence other people's perception of the organisation. In the marketing department, advertising and sales people represent the organisation to customers. Purchasers may call on suppliers and describe purchasing needs. Many companies set up their own web page.

4. Differentiation and integration

Another response to environmental uncertainty is the amount of difference and integration among departments. Organisation differentiation is "the difference in cognitive and emotional orientations among managers in different functional departments, and the difference in formal structure among these departments. Success in each sector requires special expertise and behavior. Employees in a research and development department thus have unique attitudes, values, goals and education that distinguish them from employees in manufacturing or sales departments.

A study by Paul Lawrence and Jay Lorsch examined three organizational departments-manufacturing, research and sales in ten corporations. This study found that each department evolved toward a different orientation and structure to deal with specialized parts of the external environment. The differences that evolved among departments within the organizations are shown in fig. 2.2. One out come of high differentiation is that coordination among departments becomes difficult. More time and resources must be devoted for achieving coordination when attitude work orientation differs so widely. **Integration** is the quality of collaboration among departments. Formal integrators are often required to coordinate departments. When the environment is highly uncertain, frequent changes require more information processing to achieve horizontal coordination, so integrators become a

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necessary addition to the organisation structure. Some times iintegrators are called liaison personnel, project managers or brand managers.

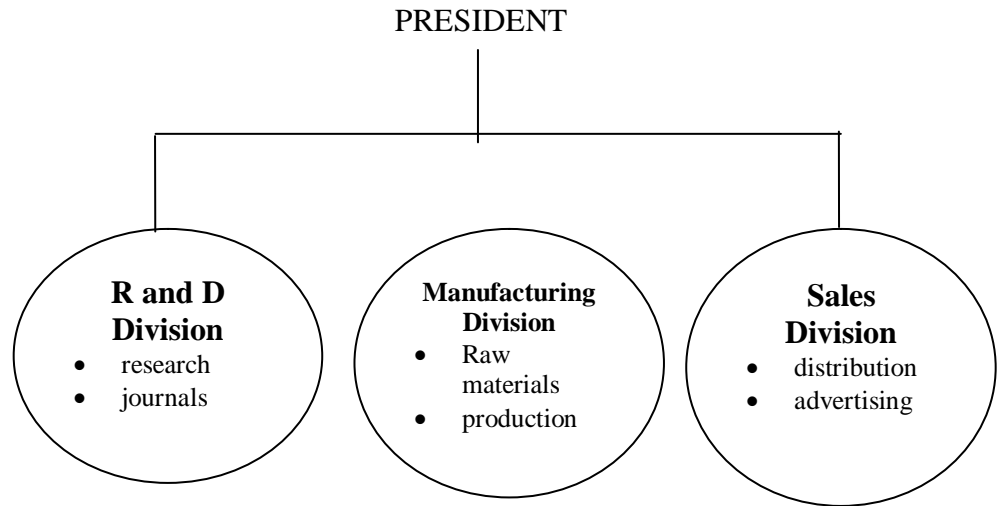


Figure 2.2 Organization differentiate to meet the needs of sub-environment

Difference in goals and orientations among organizations departments

	R&D Department	Manufacturing department	Sales department
Goals	New developments, quality	Efficient production	Customer satisfaction
Time horizon	Long	Short	Short
Interpersonal orientation	Mostly task	Task	Socia
Formality of structure	Low	High	High

Source: Based on Jay. W. Lorsch, Organization and Environment (Homewood: Irwin, 1969), 23-29.

In organizations characterized by very simple, stable environments almost no managers are assigned to integration roles. As environmental uncertainty increases, so does differentiation among departments; hence, the organisation must assign a larger % of manufacture to coordinating roles.

Lawerence and Lorsch research concluded that organizations perform better when the levels of differentiation and integration match the level of uncertainty in the environment. Organizations that performed well in uncertain environments had high levels of both differentiation and integration, while those performing well in less uncertain environments had lower levels of differentiation and integration.

5. Organic versus Mechanistic management

Another response to environmental uncertainty is the amount of formal structure and control imposed on employees. Tom Burns and G. M. Stalker observed twenty industrial firms in England and discovered that external environment was related to internal management structure. They were also centralized, with most decisions made at the top. Burns and Stalker called this a mechanistic organisation system.

In rapidly changing environments, the internal organisation was much looser, free flowing and adaptive. Rules and regulations often were not written down or, if written down was ignored. Decision making authority was decentralized. Burns and Stalker used the term organic to characterize this type of management structure.

The table given below summarizes the difference between organic and mechanistic systems. As environmental uncertainty increases, organizations tend to become more organic, which means decentralizing authority and responsibility to lower levels, encouraging employees to take mechanistic and organic forms.

Mechanistic	Organic
1. Tasks are broken down into specialized separate parts.	1. Employee contributes to the common tasks of the department.
2. Tasks are rigidly defined	2. Tasks are adjusted and redefined through employee teamwork
3. There is a strict hierarchy of authority, control and many rules.	3. There is less hierarchy of authority and control and there are few rules
4. Knowledge and control of tasks are centralized at the top organisation.	4. Knowledge and control of tasks are located anywhere in the organisation
5. Communication is vertical.	5. Communication is horizontal.

care of problems by working directly with one another, encouraging team work, and taking an informal approach to assigning tasks and responsibilities. Thus the organisation is more fluid and is able to adapt continually to changes in the external environment.

6. Planning and Forecasting

The final organizational response to uncertainty is to increase planning & environmental forecasting. When the environment is stable, the organisation can concentrate on current operational problems and day to day efficiency. Long range planning and forecasting are not needed because environmental demands in the future will be the same as they are today.

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With increasing environmental uncertainty, planning and forecasting become necessary. Planning can soften the adverse impact of external shifting. Organizations that have unstable environment often established a separate planning department. In an unpredictable environment, planners scan environmental elements and analysis potential moves and counter moves by other organizations. Planning can be extensive and may forecast the scenarios for environmental contingencies. As time passes, plans are updated through spanning. However, planning does not substitute for other actions, such as boundary spanning. Indeed, under conditions of extraordinarily high uncertainty, formal plan may not be helpful because the future is so difficult to predict.

2.18 TECHNIQUES TO ESTABLISH FAVOURABLE LINKAGES

2.18.1 Formal strategic alliances

When there is a high level of complementarities between the business lines, geographical positions, or skills of two companies, the firms often go the route of a strategic alliance rather than ownership through merger or acquisition. Such alliances are formed through contracts and joint venture. Contracts and joint ventures reduce uncertainty through a legal & binding relationship with another firm. Contracts come in the form of license and agreements that involve the purchase of rights to use the asset for a specific time. Contracts can provide long terms security by tying customers and suppliers to specific amounts. The organization share the risk and cost associated with large projects or innovations.

2.18.2 Cooptation, interlocking directorates

Cooptation occurs when leaders from important sectors in the environment are made part of the organisation. It takes place when influential suppliers or customers are appointed to the board of directors for eg., when the senior executive of a bank sits on the board of manufacturing company. As a board member, the banker may become physiologically co-opted in to the interest of the manufacturing firm. Community leaders also can be appointed to company's board of directors.

2.18.3 Executive requirement

transferring or exchanging executives also offers a method of establishing favorable linkages with external organizations for eg; each year the aerospace industry hires retired generals and executives from the department of defense.

2.18.4 Advertising and public relations

A traditional way of establishing favorable relationships is through advertising. Organizations spend large amount of money to influence the taste of consumers. Advertising is important in high competitive consumer industries that experience variable demands. Public relations are similar to advertising, except that stories often are free & aimed at public opinion. Public relation people cast an organisation in a favorable light in speeches

press reports & on television. It attempts to shape the company's image in the minds of the customers, suppliers and government officials for eg., to survive in this anti smoking era tobacco companies have launched an aggressive public relation campaign touting smokers rights and freedom choice.

Organizations can use a variety of techniques to establish favorable linkages that ensure the availability of scarce resources. Linkages provide control over vulnerable environmental elements. Strategic alliances, interlocking directorates, & outright ownership provide mechanisms to reduce resource dependency on the environment. Surprisingly Japan electronics company s has been slower to become involved in joint ventures & other strategic alliances.

2.19 CONTROLLING THE ENVIRONMENTAL DOMAIN

In addition to establishing favorable linkages to obtain resources, organizations often try to change the environment. There are 4 techniques for influencing or changing a firm's environmental domain. The organisation decides which business it is in, the market to enter and the suppliers, banks location to use & this domain is changed an. Organisation must try to find a domain where there is little competition, no government regulation, abundant suppliers, affluent customers, & barriers to keep competitors out. Acquisition & divestment are 2 techniques for altering the domain

2.19.1 Political activity, regulation

Political activity includes techniques to influence government legislation & regulation. Example general motors used political activity to successfully settle a battle with the U.S. transportation department over the safety of some of its pickup trucks. In one technique, organizations pay lobbyists to express their views to members of federal & state legislatures. In the telecommunication industry, the baby bells hired powerful lobbyists to influence a sweeping new telecommunications bill giving local phone companies access to new markets. Many CEO have easier access than lobbyist and can be effective when they do the politicking. Political activity is very important.

Politically strategy can be used to erect regulatory barriers against new competitors or to squash unfavorable legislation. The value of political activity is illustrated by the efforts of Sun micro systems and Netscape to persuade the justice department to break up Microsoft, arguing that Microsoft had acted as a monopoly in controlling the software industry and now threatens to extend that power to internet access.

2.19.2 Trade association

Much of the work to influence the external environment is accomplished jointly with other organizations that have similar interests. Most manufacturing companies are part of the National Association of Manufacturers and also belong to in their specific industry example the national tooling devotes a quarter of a million dollars each year to lobbying

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mainly on issues that affect small business ,such as health insurance. NTMA also gives its members statistics information that helps them become more competitive in the global market place.

2.19.3 Illegitimate activities

Illegitimate activities represent the final technique companies' sometime use to control their environmental domain. Certain conditions such as low profits, pressure from senior managers, or scarce resources may lead managers to adopt behaviors. Many well known companies have been found guilty of behaviors considered unlawful. Example behaviors include pay offs to foreign government, illegal political contributions, promotional gifts. In the defense industry the intense competition for declining contracts for major weapon systems led some companies to pay off officials.

2.20 IMPACT OF TECHNOLOGY ON JOB DESIGN

The relation between new technology and organisation seems to follow a pattern, beginning with immediate effects on the content of jobs followed (after a longer period) by impact on design of the organisation. The ultimate impact of technology on employee can be partially understood through the concepts of job design and sociotechnical systems.

2.20.1 Job Design

Job design includes the assignment of goals and tasks to be accomplished by employees. Managers may consciously change job design to improve productivity or worker motivation. For example, when workers are involved in performing boring, repetitive tasks, managers may introduce **job rotation**, which means moving employees from job to job to give them a greater variety of tasks .However, managers may also unconsciously influence job design through the introduction of new technologies, which can change how jobs are done and the very nature of jobs. Managers should understand how the introduction of a new technology may affect employee's jobs. The common theme of new technologies in the workplace is that they in some way substitute machinery for human labor in transforming inputs into outputs. Automated teller machines (ATMs) have replaced thousands of human bank tellers, for example.

In addition to actually replacing human workers, technology may have several different effects on the human job that remain. Research has indicated that mass production technologies tend to produce **job simplification**, which means that the variety and difficulty of tasks performed by a single person is reduced. The consequence is boring repetitive jobs that generally provide little satisfaction. More advanced technology, on the other hand tends to cause **job enrichment**, meaning that the job provides greater responsibility, recognition, and opportunities for growth and development. These technologies create a greater need for employee training and education because workers need higher-levels skills and greater competence to master their tasks. For example, ATMs took most the

routine tasks away from bank tellers and left them with the more complex tasks that require higher-levels skills. Studies of computer-integrated manufacturing found that it produces three noticeable results for employees: more opportunities for intellectual mastery and enhanced cognitive skills for workers, enabling more social interaction and the development of teamwork and coordination skills. Advanced manufacturing technology may also contribute to **job enlargement**, which is an expansion of the number of different tasks performed by an employee. Because fewer workers are needed with the new technology each employee has to be able to perform a greater number and variety of tasks.

With advanced technology, workers have to keep learning new skills because technology is changing so rapidly. Advances in information technology are having a significant effect on jobs in the service industry, including doctors' offices and medical clinics, law firms, financial planners and libraries. Workers may find that their jobs change almost daily because of new software programs, increased use of the internet and other advances in information technologies.

Advanced technology employees, does not always have a positive effect on employee ,but research finding in general are encouraging ,suggesting that jobs for workers are enriched rather than simplified, engaging their higher mental capacities, offering opportunities for learning and growth and providing greater job satisfaction.

2.20.2 Sociotechnical Systems

The sociotechnical systems approach recognizes the interaction of technical and human needs in effective job design, combining the needs of people with the organisation's need for technical efficiency. The socio portion of the approach refers to the people and group who work in organisation and how work is organised and coordinated. The technical portion refers to the materials, tools, machines and process used to transfers organizational inputs into outputs.

The goals of the sociotechnical systems approach is to design the organisation for joint optimization which means that an organisation functions best only when the social and technical systems are designed to fit the needs of one another. Designing the organisation to meet human needs while ignoring the technical systems, or changing technology to improve efficiency while ignoring human needs, may inadvertently cause performance problems. The sociotechnical system approach attempts to find a balance between what workers want and need and the technical requirement of the organisation's production system.

Sociotechnical principles evolved from the work of the Tavistock Institute, a research organisation in England, during the 1950s and 1960s. Examples of organisational change using sociotechnical systems principles have occurred in numerous organizations, including General Motors, Volvo, the Tennessee Valley Authority(TVA),and Procter & Gamble. Although there have been failure ,in many of these applications, the joint optimization of changes in technology and structure to meet the needs of people as well as efficiency improved performance, safety ,quality, absenteeism, and turnover. In some cases, work

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design was not the most efficient based on technical and scientific principles but worker involvement and commitment more than made up for the difference. Thus once again research shows that new technology often requires higher-level mental and social skills and can be organised to encourage the involvement and commitment of employees. Thereby benefiting both the employee and the organisation.

The sociotechnical systems principle that people should be viewed as resources and provided with appropriate skills, meaningful work, and suitable rewards becomes even more important in today's world of growing technological complexity. One study found that organisation that put too much faith in machines and technology and pay little attention to the appropriate management of people do not achieve advances in productivity and flexibility. Today's most successful companies strive to find the right mix of machines, computer systems, and people and the most effective way to coordinate them.

QUESTIONS

1. What is the difference between an open system and a closed system? Can you give an example for a closed system?
2. What is the difference between formalization and specialization? Do you think an organization high on one dimension would also be high on the other? Discuss
3. Why human organizations are considered more complex than machine-type systems? What is the implication of this complexity for managers?
4. Discuss the difference between a low-cost leadership and a differentiation strategy described in Porter's model of competitive strategies. Identify a company you are familiar with that illustrates each strategy and explain why.
5. What does *contingency* means? What are the implications of contingency theories for managers?

SUMMARY

KEY TERMS

Organisation design
 Task Environment
 Mechanistic
 Organic
 Sociotechnical systems

UNIT III

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ORGANISATIONAL CULTURE

CHAPTER OBJECTIVE

- The purpose of this chapter is to understand the concept of organization culture
- To understand the patterns of organizational culture.
- To examine the levels of organization culture.
- To understand the typology of organizational culture.

3.1 INTRODUCTION

Culture is a very powerful force at the workplace, which is consciously and deliberately cultivated and is passed on to the incoming employees. It reflects the true nature and personality of an organization.

There are various myths about organizational culture. Some of them are presented here along with the counter arguments.

1. Organizational culture is same as organizational climate: In management literature there is often ambiguity about the two concepts- organizational culture and organizational climate. As explained earlier, organizational culture is a macro phenomenon which refers to the patterns of beliefs, assumptions, values, and behaviours reflecting commonality in people working together. However, organizational climate is a micro phenomenon and reflects how employees in an organization feel about the characteristics and quality of culture like morale, goodwill, employee relations, job satisfaction, and commitment, at the organizational, department or unit level. It refers to the psychological environment in which behaviour of organizational members occurs. It is a relatively persistent set of perceptions held by organizational members about the organizational culture. Another viewpoint about climate is that various variables get subsumed under the concept of climate, whereas culture has unique indicators like symbols, rites, myths, and stories.

2. Artifacts and social institutions

Culture is same as “groupthink”: Since culture refers to shared assumptions and beliefs, it is likely to cause confusion. Groupthink refers to group members hiding any differences in how they feel and think and behave in a certain way. The

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phenomenon of groupthink is mostly used in a face to face situation when dealing with small groups. Culture, on the other hand, is a much larger phenomenon characterized by historical myths, symbols, beliefs, and artifacts.

3. Culture is same as organization: Culture is a result of sustained interaction among people in organizations and exists commonly in thoughts, feelings, and behaviour of people. Organizations on the other hand, consist of a set of expectations and a system of reward and punishment sustained by rules, regulations, and norms of behaviour.
4. Culture is a social structure: Social structures in various collectivities exhibit tangible and specific ways in which people relate to one another overtly. However, Culture operates on a system of unseen, abstract and emotionally loaded forms which guide organizational members to deal with their physical and social needs.

3.2 CONCEPTUAL FRAMEWORK

Culture has been defined differently by various scholars. According to Kroeber and Kluckhohn (1952) Culture consist of patterns, explicit and implicit, of and for behaviour acquired, and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts. The essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values. Culture systems may, on the one hand, be considered as products of action, and as conditioning elements of future action.

In the words of Hofstede (1980) culture is, “the collective programming of the mind which distinguishes the members of one human group from anotherthe interactive aggregate of common characteristics that influences a human group’s response to its environment.” Anthropologist Symington(1983) has defined culture as, “. . .that complex whole which includes knowledge, belief, art, law, morals, customs and any capabilities and habits acquired by a man as a member of society.”

The Indian perspective of culture given by Sinha (2000) suggests that “culture consists of totality of assumptions, beliefs, values, social systems and institutions, physical artifacts and behaviour of people, reflecting their desire to maintain continuity as well as to adapt to external demands.”

Work culture, on the other hand, is a totality of various levels of organizational and organismic factors centering on concern for work. The organizational factors (boundaries, goals, objectives, technology, managerial practices, material and human resources, and the constraints) and organismic factors (skills, knowledge, needs, and expectations) interact among themselves at various levels. Over a period of time they develop roles, norms, and values focusing work and are called work culture.

3.3 NATURE OF ORGANISATIONAL CULTURE

The culture of an organization may reflect in various forms adopted by the organization. These could be:

- The physical infrastructure
- Routine behaviour, language, ceremonies
- Gender equality, equity in payment
- Dominant values such as quality, efficiency and so on
- Philosophy that guides the organization's policies towards its employees and customers like 'customer first' and 'customer is king', and the manner in which employees deal with customers.

Individually none of these connote organizational culture; however, they reflect organizational culture. Although organizational culture has common properties, it is found that large organizations have a dominant culture and a number of sub-cultures. The core values shared by the majority of the organizational members constitute the dominant nature. Therefore, whenever one refers to the culture of an organization one actually talks about the dominant culture. Sub-cultures within an organization are a set of shared understandings among members of one group/department/geographic operations. For example, the finance department of an organization may have a sub-culture which is unique to this department vis-a vis other departments. This means that this department will not have the core values of the organization's dominant culture but also some unique values. If an organization does not have a dominant culture and is comprised only of various sub-cultures, its effectiveness would be difficult to judge and there will be no consistency of behaviour among departments. Hence, the aspect of common or shared understanding is an essential component of organizational culture. Also, organizational culture exists at various levels.

3.4 LEVELS OF ORGANISATIONAL CULTURE

One comes across a number of elements in the organization which depicts its culture. Organizational culture can be viewed at three levels based on manifestations of the culture in tangible and intangible forms.

1. At level one the organizational culture can be observed in the form of physical objects, technology and other visible forms of behaviour like ceremonies and rituals. Though the culture would be visible in various forms, it would be only at the superficial level. For example, people may interact with one another but what the underlying feelings are of whether there is understanding among them would require probing.
2. At level two there is greater awareness and internalization of cultural values. People in the organization try solutions of a problem in ways which have been tried and tested earlier. If the group is successful there will be shared perception of that 'success', leading to cognitive changes turning perceptions into values and beliefs.

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- Level three represents a process of conversion. When the group repeatedly observes that the method that was tried earlier works most of the time, it becomes the 'preferred solution' and gets converted into underlying assumptions or dominant value orientation. The conversion process has both advantages and disadvantages. The advantages are that the dominant value orientation guides behaviour, however at the same time it may influence objective and rational thinking.

These three levels range on a scale of superficial to deeply embedded. As cultural symbols get converted to shared assumptions, they move from a superficial level to a real internalized level. The deeply embedded level consists of current traditions, customs, and the ways of doing things based on prior success. The culture of quality, competitiveness, customer satisfactions, and leadership at WIPRO and NIIT are examples of internalized levels of organizational culture.

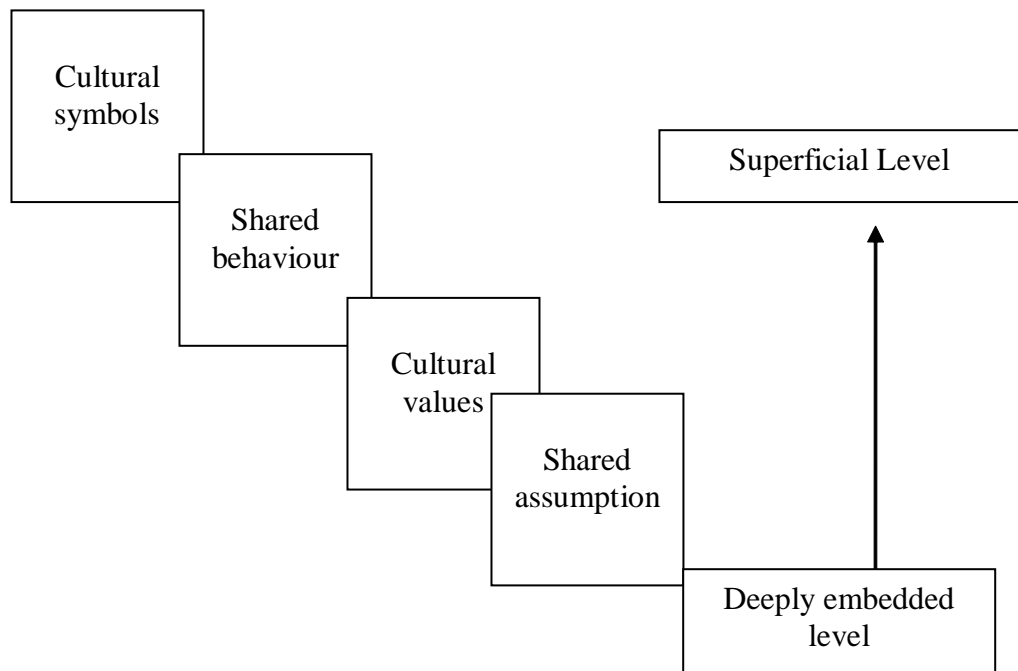


Figure 3.1 Levels of organizational culture

3.5 PATTERNS OF ORGANISATIONAL CULTURE

Organizational culture can vary in a number of ways. It is these variances that differentiate one organization from the others. Some of the bases of the differentiation are presented below:

- 1. Strong vs. weak culture:** Organizational culture can be labeled as strong or weak based on the sharing of the core values among organizational members and the degree of commitment, the members have to these core values. The higher the core values and commitment, the stronger the culture. A strong culture increases

the possibility of behaviour consistency amongst its members, while a weak culture opens avenues for each one of the members showing concerns unique to them.

2. **Soft vs. hard culture:** Soft work culture can emerge in an organization where the organization pursues multiple and conflicting goals. In a soft culture the employees choose to pursue a few objectives which serves personal or sectional interests rather than focusing on organizational interests. A typical example of soft culture can be found in a number of public sector organizations in India where the management feels constrained to take action against employees to maintain high productivity. The culture is welfare oriented; people are held accountable for their mistakes but are not rewarded for good performance. Consequently, the employees consider work to be less important than personal and social obligations. Sinha (1990) has presented a case study of a public sector fertilizer company which was established in an industrially backward rural area to promote employment generation and industrial activity. Under pressure from local communities and the government, the company succumbed to overstaffing mechanized operations into manual operations, payments of overtime, and poor discipline. This resulted in huge financial losses (up to 60 percent of the capita) to the company.
3. **Formal vs. informal culture:** The work culture of an organization, to a large extent, is influenced by the formal components of organizational culture. Roles, responsibilities, accountability, rules and regulations are components of formal culture. They set the expectations that the organization has from every member and indicates the consequences if these expectations are not fulfilled. Table below presents some of the components of formal culture and their implications for organizations.

Formal components of organizational culture:

Component	Description	Effect on organizational culture
1.Mission/Vision	The milestones to be reached	Could be unrealistic
2.Policies	Statements designed to be guidelines to behavioral decision	Policies if not drafted properly can provide leeway
3.Procedures	Methods providing specific guidelines	Can facilitate or create obstacles in smooth functioning
4.Rules	Specific instructions for performing a task	Rules could be a means or an end in themselves
5.State of organizational development	Organization at young, growing, maturing or mature stage of development	State of organizational development has direct impact on work culture.

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Informal culture on the other hand has tangible and intangible, specific and non specific manifestations of shared values, beliefs, and assumptions. This part of organizational culture comprising of artifacts, symbols, ceremonies, rites, and stories is highlighted in almost all the definitions of organizational culture.

3.6 TYPOLOGY OF ORGANISATIONAL CULTURE

Harrison (1972) and Handy(1991) have given the following four typologies of organizational culture.

1. **Power culture:** Power culture can be observed in small organizations and large conglomerates where there is centralized power. In this culture 'results' are the basis of assessment of effectiveness, sometimes to the satisfaction of the central authority figure. In this culture ends justify the means. There are both positive and negative aspects of this culture. On the positive side, the culture can help an organization become strong, dynamic, and fast to respond to external demands. On the flip side, it often leads to staff dissatisfaction, dependence on the ability and decision-making of the centralized power figure, dysfunctional conflict, and power lobbying. Only those members succeed who have a political bent of mind, power orientation and manipulative ness, and low need for security. Personal equation with the centre and control over make people powerful and influential.
2. **Role culture:** Based on logic and rationality, this culture is often referred to as bureaucracy. Appointment is done on the ability of the persons to carry out the functions satisfactorily. There is security for employees and career progressions are predictable. Coordination, however, takes place at the top. Departments are assigned specific functional roles and their work is governed by authority, structure, and a set of procedures. The departments follow certain mechanisms and rules for decision-making and resolving conflicts. There are both merits and demerits of this culture. In role culture, importance is given to consistency, predictability, and stability, consequently such a culture contributes to creation of stable environments. But the drawbacks is that it makes and adaptation to change difficult. Also, innovations, new ways of solving problems, and solving problems, and product and process innovations are discouraged. Such a culture is slow to respond to competitive pressures. However, some private sector organizations like IBM, TISCO, and public sector undertakings and banks have responded to globalizations pressures and have resorted to voluntary retirement schemes, decentralization, disinvestment, and downsizing.
3. **Task culture (project Team):** Task culture is a small team culture which exists in organizations in the form of network organization or project-oriented matrix organization. In this culture, power and authority are distributed to the right people at the appropriate level and the focus is on performance and results to be achieved. There is empowerment for decision-making with regard to the task. The team is formed on the basis of capability rather than seniority or status. The work in such a culture involves ambiguity and high risk; and organizational control is through resource allocation, Project budget, target setting, and monitoring. Most of the

staff in such a culture is specialists or technical people. The group works on synergy and harnesses members' expertise in the form of creativity and efficiency for optimum utilization of resources to complete the task efficiently. There is synchronization of personal and organizational goals.

4. **Person culture:** As the name indicate, the individual is the focal point, and examples of this culture could be found in voluntary groups like workers 'cooperatives and residents' associations where a number of individual decide to form a group to do their own thing. The culture exists only for the concerned and the group does not have any super-ordinate goals. There may be an office back up in the form of secretary. This culture is probably the only form of organization acceptable to some voluntary groups. The nature of power is consent which is derived from expertise and personal influence.

3.7 FUNCTIONS OF ORGANISATIONAL CULTURE

Culture is like a genetic code of an organization and is significant from various perspectives. Indian organizations have evolved by being culturally embedded. There are organizations founded by Tata, Godrej and others who have promoted and maintained a typical kind of culture over the decades. There are other organizations, which have evolved from being culturally embedded through being market driven. The organizations belonging to this category are Wipro, Ranbaxy, Sundaram Fastners, and NIIT who have used organizational culture for business growth, market capitalization, and market leadership. It is observed that small organizations draw on organizational culture and achieve competitive advantage in a niche market. One can find an example of this in southwest airlines in the US which provided cheap air transportation for a number of years. However, big firms like IBM and Sony have penetrated the world market through various business strategies and culture of effective managerial practices. Thus organizational culture performs the following functions:

1. **Culture supplements rational management:** Creation of an appropriate work culture is a time- consuming process. Therefore, organization culture cannot suddenly change the behaviour of people in an organization. A number of management tools are used to channelise the behaviour of people in a desired way. No change can be effectively brought about without involving people. Culture communicates to people through symbols, values, physical settings, and language, and thereby supplementing the rational management tools such as technology and structure.
2. **Culture facilitates induction and socialization:** Induction is a process through which new entrants to an organisation are socialized and indoctrinated in the expectations of the organisations; its cultural norms, and undefined conduct. The newcomer imbibes the culture of the organization which may involve changing his/ her attitudes and beliefs to achieving an internalized commitment to the organization. Different organizations follow different practices for induction. Gillette India has a system of online induction which enables an IT-savvy newcomer to pick and choose

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the areas where he/she needs more detailed information. Bureaucratic organizations, however, spend considerable requirements of such organizations. Central government organizations in India have a one-year probation training-cum-induction involving cultural training. On the other hand, younger and entrepreneurial organizations are less formal in their induction process. Here, the established senior members share with the newcomers stories of heroes, founders, and charismatic team leaders with vision.

3. **Culture promotes code of conduct:** A strong culture in an organization explicitly communicates accepted modes of behaviour so that people are conscious that certain behaviours are expected and others would never be visible. The presence of a strong culture would be evident where members share a set of beliefs, values, and assumptions which would influence their behaviour in an invisible way. Where culture has been fully assimilated by people they persistently indulge in a typical behaviour in a spontaneous way. Promotion of the culture of quality can help achieve good business results. Rohmetra (2000) conducted a study of cultural diversity and ethical behaviour. She collected data from 30 managers of Dogra culture and 35 managers of Laddakhi culture. Her results showed that the Dogra managers had highest consistency between what they believe and what they do at work, while the situation was the reverse for Laddakhi managers.
4. **Subcultures contribute to organizational diversity:** Sub-cultures, and sub-systems of values and assumptions which may be based on departmentalization, activity centre, or geographical locations, provide meaning to the interests of localized, specific groups of people within the macro organization. Sub-cultures can affect the organization in many ways: (i) they may perpetuate and strengthen the existing culture; (ii) they may promote something very different from those existing; (iii) they may promote a totally opposite sub-culture (beliefs and values) or counter culture when in a difficult situation.

Care needs to be exercised when promoting a counter culture as it may be detrimental to the larger organizational interest.

3.8 RESEARCH ON ORGANISATIONAL CULTURE

A frequently asked question which has acquired great significance with shrinking global distances is 'do people organize and work differently from culture to culture?' A number of studies have been conducted to answer these and other questions relating to cultural differences across countries.

Researches undertaken in various countries have 'revealed culturally based differences in people's values, attitudes and behaviours. Mc Gregor (1960) has given example of this in his 'Theory X' and 'Theory Y' which are based on a manager's assumptions about employee' behaviour. Theory X managers do not trust their subordinates for overall goals and tasks without exercising close supervision or tight control. In such a situation employees find that management trusts them and they give their best to their work. On seeing the

employees performance such managers develop a more favorable attitude toward employees. Similar results have been obtained in Canada and India (Adler, 1986).

Ouchi (1981) in his book on 'Theory Z' high lightened the cultural differences between American and Japanese cultures. American organizational culture has specialized in career paths, fast growth, individualized decision- making, individualized responsibility, explicit control, and concern for work relationship with employees. On the contrary, Japanese organizational culture is characterized by slow promotions, generalized career paths and job rotation across areas, group decision-making, high degree of trust, collective responsibility, and concern for work as well as social aspects of employees.

Hall (1976) has highlighted differences between high-context and low-context cultures. People belonging to high-context cultures depend heavily on the external situation and environment, and use non-verbal clues for exchanging and interpreting communications. He has cited examples of languages such as Arabic, Japanese, and Chinese where an indirect style of communication is valued. However, in low-context

Cultures, external environment has low importance, explicit, direct and "blunt" communication is valued and non-verbal clues are ignored.

Hofstede (1980) in his study of culture in forty countries, which was later, extended to sixty found significant cultural differences in work-related attitudes. One lakh sixty thousand employees from an American multinational corporation (IBM) served as the sample. The study revealed significant differences in the attitudes and behaviours of the workplace and managerial staff belonging to different countries, and these differences persisted over a period of time. Culture is linked to a collective programming of the minds of one group as distinct from other groups. He identified the following four primary dimensions on which employees and managers differed across cultures.

1. **Individualism/collectivism:** Individualism is marked by people focusing on themselves and to some extent, on their families. Collectivism distinguishes between in-group (comprising relatives, caste, and organization) and other groups. There are nations like the United States with an individualistic culture and Japan where the will of the group determines member's beliefs and behavior.
2. **Power Distance Orientation:** This dimension refers to superior sub-ordinate relationship. The superior is inclined to increase the inequality of power between himself and his subordinates, and the subordinates will endeavor to decrease that power distance. High power distance countries found by him are Philippines, Venezuela, and India.
3. **Uncertainty Avoidance:** Hofstede points at that different culture react differently and have varying levels of tolerance to uncertainty. Based on his study he has classified countries having high uncertainty avoidance such as Japan and Greece, and low uncertainty avoidance countries such, as the United states, Canada, and New Zealand.

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- 4. Masculinity/Feminity:** Masculinity has been defined as the extent to which the dominant values in society emphasize relationships among people, concern for others, and overall quality of life. Japan and Australia were found to be highly masculine, the Scandinavian countries as most feminine, and the United states as slightly masculine.

Sondergaard (1994) has reviewed 61 researches replicating Hofstede's method and has reported that the four above-mentioned dimensions have been "largely confirmed". Trompenaar (1996) based on his research on business organizations in 43 countries, has confirmed two dimensions-individualism/collectivism and power distance-which had been identified by Hofstede.

A number of studies have been done to study the relationship between firm size and organizational effectiveness and culture. Large firms promote inertia and complacency (Hannand and Freeman, 1948), resistance to adaptation (Aldrich and Auster, 1986), and aversion to risk (Hitt et al, 1990). Connell (2001) studied the influence of firm size on organizational culture and employee morale in six Australian workplaces and found that the organization size affected a number of variables. Small firms were found to have a positive culture, high employee morale, consultative management style, and organizational effectiveness.

In the Indian context, a study conducted by Sinha (1990) and his colleagues is of great significance. They studied 28 medium size organizations from the public and private sectors in Bihar. The study revealed that in a soft work culture, work values are displaced by non-work values and thereby the organization becomes ineffective. On the contrary in private organization the work remains the prime concern of all the stakeholders. However, the centrality of work in private organizations is based on vested interests, lacking ethics and concern for others. Assumptions, beliefs, and values of owners, managers, supervisors, and workers showed significant variations. Owners believed in profit maximizations at any cost. Managers and supervisors subscribed to the owner's beliefs, and workers felt that hard work was important, but also felt that the owners must play the role of mai-baba (parents).

Virmani and Guptan (1991) have reported anomalies between the western managerial systems, structures, and principles of management adopted by most of the public sector organizations in India and the traditional values and life styles of Indians. Neither could the organizations function the way these were envisaged to do, nor could the people adjust to the demands of the western type of organizations.

A study of organization culture and climate at ONGC undertaken by Sharma (2000) reveals that the organization has a dominant technocratic culture and soft sub-culture in a number of business groups (now called asset based structures). The work culture as perceived by a sample of 260 executives representing various functions from all over India has been summarized in the table given below:

PERCEPTION OF WORK CULTURE BY ONGC EXECUTIVES

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Dominant technocratic culture	Soft sub-culture
High technical know how	Emphasis on adherence to procedures rather than achievements. Paucity of latest technology.
Strong infrastructure	Many hierarchical levels Lack of cost consciousness Lack of accountability.
Availability of seismic and geological data base	Gap in plan and implementation.
Communication network	Undesirable union/pressure group activities.
Monopolistic presence	Lack of work ethics.
Potential for diversification	Promotion on seniority rather than performance.
Potential for onshore and offshore consultancy	Lack of job enrichment.
Highly skilled and trained manpower	Aging workforce.
Loyal workforce	Lack of empowerment.
Long and rich experience in oil exploration	Lengthy process, long lead time for material procurement Unequal workload.
Research and development facilities	Lack of coordination.

In addition to culture, a study on organizational climate was also undertaken by Sharma (2000) on a representative sample of 85 middle-level managers representing various functions from the entire country. The study sought their responses on 16 parameters of climate-Orientation, Quality making, Conflict management, Creativity and innovation, Communication, Image, Customer service, Role efficacy, Goal setting, Appraisal and counseling, Career planning, Training and climate. Comparatively low scores were obtained on such parameters as management of change, communication, corporate image, empowerment, creativity and innovation, career planning, reward and customer service.

As organization climate affects organizational culture, the authorities of ONGC initiated steps for the creation of an appropriate work culture for competitive advantage through training and human resources development. It had undergone a major restructuring exercise about 2 years ago with the help of an international consultant and had introduced organizational transformation project (OTP) in the Neelam offshore field and the western onshore region. As expected, the response was slow and there was covert resistance and fear among employees in the organization. Officers from some other regions exhibited jealousy against those who, due to the project, came into the limelight. The chairman, Mr.Subir Raha, had taken drastic steps for bringing about structural and cultural changes

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ever, since 2001. The board has been overhauled, the portfolios of directors have been changed, and business managers have been redesignated as asset managers.

3.9 SUMMARY

Culture in an organizational sense is referred to as a set of shared values and beliefs which form the pattern of work behaviour among the employees. It consists of norms, values and unwritten rules of conduct as well as management style, priorities and interpersonal relationships. While organizational culture reflects the nature of beliefs, values and expectations, the organizational climate refers to the degree to which these beliefs and expectations are fulfilled.

QUESTIONS

1. Define organizational culture. How does it differ from social culture?
2. Is Indian organizational culture closer to Japanese culture or western work culture? Explain your reasons.
3. Describe in detail the various level of culture
4. Organization culture generally reflects the beliefs and ideologies of the founder of the founder of such organizations. Do you agree with this assumption/ Give reasons.
5. What might be some of the advantages and disadvantages of having several sub-cultures within an organization?

SUMMARY

KEY TERMS

Organisational Culture

Power Culture

Role Culture

Task Culture

Person Culture

UNIT IV

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ORGANISATIONAL CHANGE

CHAPTER OBJECTIVE

- To explain the concept of organizational change
- To understand the factors influencing change.
- To understand the reasons for resistance to change.
- To examine the needs for organizational development interventions
- To orient readers to different techniques of OD interventions

4.1 INTRODUCTION TO ORGANIZATIONAL CHANGE

A major environmental force, which has brought with it new market opportunities and new markets threats is globalization. Customer's needs and preferences and technology changes are making it extremely difficult to make fairly accurate long term forecast. The environmental forces provide greater opportunities for growth and diversification, but also create more threats for the firm's survival. The organization has to adapt to changing environment, create internal capability to exploit new opportunities, and establish high performance standard in terms of cost, quality, technology, and customer orientation. The ability to adapt to change circumstances is the essence of competitive advantage. The organizational change is the fact of life. it is widely recognized that the effectiveness of an organization depend upon its ability to establish and maintain 'a good fit' between itself and its changing environment.

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Challenges of change

Examples;

- Improving **cost** effectiveness and **enhancing quality** through better operations, projects execution, improved systems and procedures, continuous improvement etc.
- New **product development**, technology up gradation.
- Greater customer orientation; providing higher **value**, newer services, tapping newer markets.
- Business development; **expansion**.
- Skill development; managing talent; generating commitment; changing mind sets.
- Restructuring – modifying structure, culture, process and styles. Creating capacity for adaptation and innovation.

Figure 4.1 Forces driving the need for change

In an **environment** characterized by shift pace of change, organizations recognize that their survival depends upon **excelling in the management of change**. A variety of conditions and factors, both internal and external, stimulate and facilitate organizational change. **The failure to recognize and deal with change** leads to three common errors {1} believing yesterday's solutions will solve today's problems {2} assuming present trends will continue; and {3} neglecting the opportunities of future change. Such errors end up providing very costly to organizational effectiveness.

4.2 WHAT IS CHANGE

For centuries philosophers have struggled with different notations and view of change .the focus of contemporary management scholars on a constant change owes a large dept to Heraclitus , who lived around 500bc .he said “ **everything is born in strife and is in constant flux and whatever lives, lives by destroying something else**” [Wagner,1995]. Through the practice of management is as old as humanity, its formal establishment as an academic subject is a fairly recent one [Carr et al, 1996]. Even more recent –dating back to the 1940s –is the emergence of ‘change management’ as a subject of enquiry.

According to chambers dictionary, **change means, to alter, to make different, to make or to pass from one state to another, to exchange**. in their writings, Chattopadhyay and Pareek {1982} describe organizational change as a relatively enduring alteration of the present state of an organization or its components and their differentiated and integrated functions in totality and partially , in order to obtain greater viability in the context of the

present and anticipated future environment .to Khandwalla { 1982}, organizational change means significant alternation in any one or more of the tasks ,techniques , structure and people of the organization .

Killmann { 1988} and his associates have given a more comprehensive description. They have identified the following **ten features of positive organizational change.**

1. It is response to environmental and technological change.
2. It provides a new model of organization for the feature by creating a new vision.
3. It is based on dissatisfaction with the old and belief in the new.
4. It is qualitatively different way of perceiving, thinking and behaving, that better fits the emerging environment.
5. It represents **system –wide change.**
6. It is backed by the top management **leadership.**
7. It is **ongoing process to meet specific objectives.**
8. It is orchestrated by internal and external experts.
9. It represents the leading edge of knowledge about organizational change.
10. It generates more open communications and feedback through organizations.

4.3 CHARACTERISTIC OF CHANGE

According to Costly and Todd { 1983} there are three special features of change that are of vital importance.

1. **Rate of Change:** Change does not occur at the same rate for all things or set of conditions. With the development of microprocessors and personal computers, the rate of change of many industries such as banking and telecommunications has gone up dramatically.
2. **Direction of Change:** This term is used to define the way present conditions will alter future events. Would people favor large departmental stores are smaller neighborhood shops, what would be preferred options for investing the savings and what choice of courses / specializations would students opt for? Such questions raise issue of direction of change .the need to predict the course of change accurately is as vital as forecasting how rapidly it will grow.
3. **Diffusion of change:** The term diffusion means to spread out. Diffusion of change frequently called **'dynamo effect'** for example a change in procurement procedure in a company may result in changes in several departments such as accounting ,receiving , inspection , and material control . It is virtually impossible to change any part of any organization without affecting to some degree some or all of the other parts.

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4.4 KINDS OF CHANGE

Change can be various kinds. It can take the shape of structural and cyclical kind or it could be planned and unplanned.

1. **Structural change:** It is a considerable quantitative rise or decline, which results in change in essential quality. **It is a non reversible;** and so requires permanent adjustment. essential quality changes took place for example in the speed of communication, which increased slightly as messages went from human runners to those transmitted by messengers on horse back but the telegraph, telephone, radio, television, cable network, internet and world wide web brought in a dramatic alternation. These changes are not non reversible. What has changed has undergone a permanent transformation and attained a fundamentally new state. However, there is no going back to the old state structural changes require a permanent adjustment. Not to respond to change is to be out of step, to fall behind, to be at growing advantages and thus to do well.
2. **Cyclical changes:** These are changes in certain measure or condition from level or state to which it is likely to **return later.** Over a time period cyclical changes follow the pattern in their fluctuation, returning regularly to prior state. They require only temporary adjustment. Perhaps fashion industry is a good example. It has seen thin ties to broad ties to thin ties several times. Since cyclical changes have a shorter duration, it is inappropriate to make permanent or irreversible decisions as a response to cyclical changes.
3. **Unplanned change:** Situations and conditions that are imposed on the organization, are often unforeseen. Responsiveness to unplanned changes require tremendous flexibility and adaptability on the part of organization.
4. **Planned change:** It can be defined as conscious deliberate and usually collaborative effort to improve operations of system. It involves some kind of organized effort and deliberate decisions to alter the organization. Planned change therefore involves inventing a future and creating conditions and resources for realizing for future.

Organizations are open systems that depend on the environment. As the environment does not stand still, organization must develop mechanisms to facilitate planned changes {Robbins 1983}. The concepts of planned change and managed change, commonly used in literature refer to changes that are deliberately shaped by the members of the organization. Throughout the large and expanding body of literature change in business organization, there is no consensus that planned organizational change is the most effective means by which change can be effected. The objective of planned change is to keep the organizations current and viable.

4.5 UNDERSTANDING ORGANISATIONAL CHANGE

Organization goes through two types of change. One is slow, incremental, continuous change and the other is rapid, radical and discontinuous change. Any type of organizational

change involves elements of both continuity and discontinuity. Continuous changes are relatively calm periods of evolution on the other hand, discontinuous changes involves upheavals in response to or in anticipation of critical environment changes , such as abrupt changes in legal, political or technological conditions. The business context in India following liberalization is a significant discontinuity. Discontinuous changes demand new strategies, structures, and processes. They involve much higher level of risk and uncertainty. Nilakant and Ramnarayan (1988) present an example of how Agriculture Finance Corporation, Zimbabwe, changed its strategy to suit new realities. Nadler (1988) presents a typology of organizational change that is based on two dimension of change – incremental or strategic and (b) positioning of change in relation to key external events – reactive and anticipatory.

Anticipatory	Tuning	Reorientation
Reactive	Adaptation	Re-creation
Incremental changes		Strategic changes

Figure 4.2. Types of Organizational Changes

Tuning refers to incremental changes made in anticipation of future events. These changes are not done in response to any immediate need or problem but are aimed at finding ways to increase efficiency. Adaptation involves making incremental changes as a reaction to external events, which have already taken place that makes it is necessary for organization to respond. **Reorientation** is the strategic change in anticipation of external events. These changes involve fundamental redirection, but carried out in planned way to enhance the competitive position of the company in the emerging scenario. **Re-creation** change is radical departure from the past practices and may include shifts in senior leadership strategy, and culture. Nadler { 1988 } describe re-creating as ‘frame breaking’. Strategic changes are more intense than incremental changes and reactive changes are more intense that anticipatory changes. An additional factor is thinking about changes involves the characteristic of the organization being changed. **Organization become more difficult to change as they increase their complexity**. a major challenge is how to manage the re – orientations in very complex organization .Organization in a competitive environment must face and cope with rapid changes by re-conceptualizing strategy, sharing the responsibility for strategy more broadly within the firm, and focusing in organizational capabilities as the real source of competitive advantage.

4.6 BEHAVIORAL REACTIONS TO CHANGE

An individual’s attitude towards change is shaped by certain factors. These factors influence the thinking process, and to individual tend to perceive situations in a certain way, and this in turn motivates them to behave in particular manner. It’s therefore, important to identify these reactions and apply relevant managerial strategies to facilitate the change

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process. Figure 4.3 presents the key forces acting on the organizational member, and shaping their behavior pattern.

Internal forces constitute an **individual's attitude**, personality and learning ability. For some individuals the need for consistency and stability are high, therefore a level of uncertainty develops a negative attitude as it disturbs their state of mind. Personality is a combination of psychological traits and difference people react to similar set of external cues in different ways. if individuals have been exposed to variety of situations , they develop the ability to grasp and adapt to novel situations .the external forces can create uncertainty for organizational members . Some member may experience of fear of loss, while other may perceive an opportunity for challenge and growth .perception is a process by which individuals organize and interpret their sensory impressions in order to give a meaning to their experiences .the internal and external forces are perceived differently by different individuals. While some may have positive reactions, others may respond by withdrawing, showing worry, anger and confusion. They may lead to following negative reactions to change (Woodward & Buchholz, 1987).

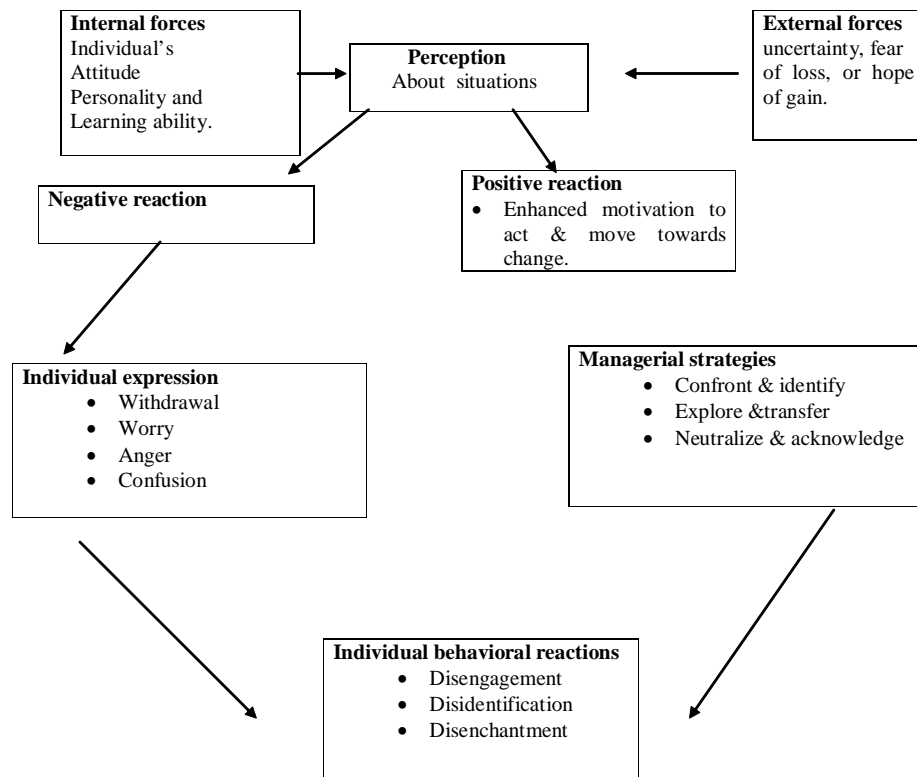


Figure 4.3. Forces influencing individual behavioral reactions.

- 1. Disengagement:** It is a psychological withdrawn from change. It is the symptom of loss of initiative and interest of jobs; doing nothing and hoping for the best; lack of drive and commitment; physically present but mentally absent; and doing only

meaning to get job done .a change agent to identify and comfort and disengagement behavior. The strategy would be to help the individuals to air their feelings and surface their concerns .by doing so management can get the clarity and commitment back.

2. **Disidentification:** This causes the individual to worry and feel vulnerable .its symptom are that individuals begin to live in the past, they fall back on the old ways of doing things and feel their identity has been threatened by change. When faced with disidentification, the change agent can explore and transfer all the possibilities of having the same positive experience in new situation. Individuals need to help to let go with old ways, and experience positive reactions to new ways of performing their jobs.
3. **Disenchantment:** It is the expression of negativity or anger. the usual symptom are confusion ,denial of change , a feeling that the best has been lost ,leading to building coalitions and destructive behaviors like bad mouthing , back stabbing , sabotage and spreading rumors. A change agent has to acknowledge and neutralize disenchantment behavior. The first step is to bring these individuals from their highly negative, emotionally charged state or more neutral state. The essence lies in allowing the individuals to let off the necessary steam so that they come to terms with their anger. Additionally, the organizational needs to acknowledge anger as normal, and should not hold anything against the concerned organizational members.
4. **Disorientation:** It is state of confusion. Symptoms of disorientation are being unsure of their feeling, and seeking excessive details about work. When faced with disorientation, the change agent has to explain and plan by explaining the need of change. This enables the individuals to know where they would fit in a larger of scheme of things. Once the individual gets the feel of the situation, a series of steps can be planned to help the individual adjust to the new situations, and work on priority areas.

Managements should be able to diagnose these four behavioral reactions to change, as they are major threats to a change program. The guiding principal is no single universal strategy is applicable to all reactions. It is essential to recognize each reaction and to apply the relevant strategy.

4.7 RESISTANCE TO CHANGE

Changes meet with **varying degrees of resistance.** It is necessary to understand what factors create resistance and how they can effectively deal with. Few organizational change efforts tend to be complete failures, but few tend to be entirely successful either. Most effort encounter problems; they often take longer than expected or desired, they sometimes take toll on people's morale, and they often cost a great deal in terms of managerial times and emotional upheaval . Some organizations do not try to initiate needed changes because the managers involved are afraid that they are simply incapable of successfully implement them. Figure 4.4 presents the major aspects in dealing with resistance to change.

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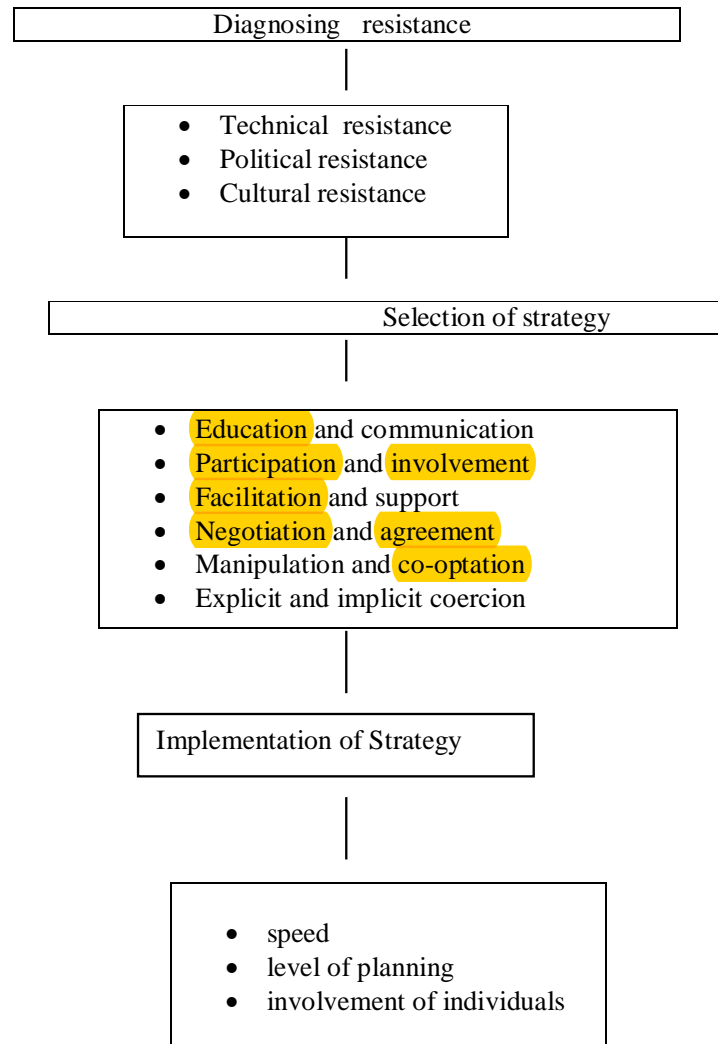


Figure 4.4. Forces influencing individual behavioral reactions

4.8 DIAGNOSING RESISTANCE

Organizational change efforts often run into human resistance. Every change, no matter how innocuous or even beneficial it may seem on the surface, cost somebody something (Fisher, 1995). Even changes that appear to be positive and rational involve loss and uncertainty, and some emotional turmoil. Nevertheless, individuals and groups can react very differently to change – from passively resisting it to aggressively trying to undermine it, to sincerely to embracing it.

A large part of explanation to resistance lies in the organizational members. These people resist change as a response to real and imagined threats to their self interest. The more investment one has in the status quo, greater is the threat of change. A threat needs to be real to create resistance; it can be perceived threat. Misunderstanding due to lack of

information or in accurate information, lack of trust in what management says, and different assessment in the same set of data can lead to resistance. In fact resistance to change is often strongest among those in power. In predict what form their resistance might take, it is necessary for managers to be aware of forms of resistance. Tichy and Sherman { 1933 } have categorized into three types: technical, cultural and political.

1. Technical resistance includes one more rational reason for resisting change, such as: habit and inertia: individuals used to old way of doing things, don't feel comfortable with new approaches. Lack of understanding: people may not understand the implications of change and perceive that it might cost them much more than they will gain. Difficulty in learning new skills: individuals are required to develop new skills and behavior requiring people to change too much, too quickly. Even when managers intellectually understand need for change, they are emotionally unable to make the transition. Sunk costs: individuals have invested time, attention and energy in learning certain ways of doing things. These have to change; they may so fear that what may work today may not be tomorrow's way of doing things leaving them confused and resistant.

2. Political resistance arises as a response to the disruption of existing power structure and coalitions. Other common reason for this type of resistance is: parochial self-interest: this happen when individuals think they will lose something of value as a result of change. The focus is on their own best interests and not of the total organization. The political behavior can take several forms depending upon situations { opposing camps may be publicly fight things out, going underground and undermining other effort in subtle ways }. Different assessment among individuals and those initiating the change: the individual affected by change see more cost than benefits resulting from change not only for themselves but for their company as well, than the managers who may feel a growing need for change. It is necessary to explore the concerns raised and try to incorporate those in making decisions about the change program .resource allocation doing more with less make the normal practice of resource allocation tougher. Competition for scarce organizational resource leads to political resistance to change effort.

3. Cultural resistance results from individuals having mindsets and perspectives built up over the years. Common types include: entrenched cultural mindsets, large gap between the desired and the existing mindset, selective perception (realities perceived differently), and fear of letting go { old ways are predictable }.

4.9 SELECTION OF STRATEGY

Kotter and Schlesinger { 1979 } suggest the following strategies for dealing with resistance to change.

- 1. Education and communication:** one of the most common ways of overcoming resistance is to communicate educate people about changes beforehand. The education process can involve one to one discussion, presentations to groups, or

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memos and report. However success of strategy requires a good relationship between initiators and resisters, and the credibility / trust that change initiators enjoy in the eyes of resisters.

2. **Participation and involvement:** Participation leads to commitment. If the initiators involve the potential resisters in the design and implementation of the change they can often forestall resistance. However, unless managed properly participation may lead to poor solutions and enormous time consumption particularly when the change has to be made immediately.
3. **Facilitation and support:** Another way that manager can deal with potential resistance is by being supportive. It includes providing training in new skills and emotional support. However this approach can be time consuming and may still fail.
4. **Negotiation and agreement:** Offering negotiated incentives to active or potential resisters is another way of dealing with resistance. However, one of the dangers in negotiations may be that it may create an impression that all aspects of the change program are open to negotiations.
5. **Manipulation and co-optation:** In some situations, managers also resort to covert attempts to manipulate by selective use of information and structuring of events. One common form of manipulation is co-opting or involving resisters by offering them a desirable role in the change programme. Co-optation does not mean seeking advice but only endorsement. However, if people co-opted feel that they are being lied to, they may respond negatively.
6. **Explicit and implicit coercion:** sometimes the managers are required to deal with resistance coercively. Here the essential force people to accept change by explicitly and implicitly threatening them. However using coercion is a risky process because people strongly resent forced change.

4.10 IMPLEMENTATION OF STRATEGY

In bringing about change, managers explicitly or implicitly make strategic choices regarding the speed of the effort, the amount of planning, and the involvement of others. The strategic options available for implementation may be thought of as existing on a continuum as depicted.

At one end of the continuum the change strategy call for a very rapid implementation, with a clear plan of action and little involvement of others. At the end of the continuum, the strategy would call for much slower change process, a less clearly defined plan and involvement on the part of the many people other than the change determining the parameters of the change. Where should a change effort be on the above strategic continuum? The answer to this question depends on the following four factors:

1. **The amount of any kind of resistance that is anticipated:** All factor being equal, the greater the anticipated resistance, the more difficult it would be simply

to overwhelm it and implement change. The manager will, therefore need to move towards the slower end of the continuum to find ways to reduce resistance.



Figure 4.5 Continuum of options for change implementations

2. The position of initiator and the resisters, especially with regard to power:

The less influential the initiator is with respect to others, the more initiating manager must move to the slower end of continuum.

3. Location of expertise: It is important to consider who has the relevant data for the designing the change and who has the energy for implementing it .the more the initiators anticipate that they need information and commitment from others to help design and implement the ,change the more they must move to slower end. Gaining useful information and commitment requires time and involvement with others.

4. Stakes involved: the greater the risk potential and threats organizational performance and survival if the present situations is not changed, the one more move to the rapid end of the continuum.

Organizational change efforts that ignore these factors inevitably run into problems .forcing changes on people have just to man negative side effects over both and long term. A change initiator must invest time and attention to developing a shared need for change and mobilizing people. A manager can improve his/her chance of success in an organizational change.

- (a) Carefully identifying the current situations, problems, and the factor that have lead to these problems.
- (b) Analyzing the factors relevant for producing the needed changes.
- (c) Selecting a change strategy based on analysis of the factor listed above, and making thoughtful choices with regard to the speed of change, the amount of planning, and the degree of involvement of others.
- (d) Monitoring the implementation process, and making appropriate mid course corrections.

As seen above, there are two broadly approaches in implementing change – participative approach and directive approach. The rationale behind these approaches is summarized. Just a continuity and discontinuity are integral parts of any change; participation and coercion are also implicit in any change programme. An appropriate mix of participation

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and compulsion is needed in a change programme, in articulating new ideas and in managing resistance.

- (a) Raise the consciousness of participants.
- (b) Bring awareness of the gap between reality and ideas.
- (c) Provide a common flat form to articulate shared problems and difficulties.
- (d) Generate ideas for change.
- (e) Create greater awareness of change.

Training must be followed up with appropriate management actions and initiatives to make the change in reality.

4.11 OD INTERVENTION METHODS

1. Survey Feedback

Survey feedback is an OD method where by employee attitudes are surveyed using a questionnaire. The data are analyzed, feedback to employees, follow up actions are planned to improve the functioning of the organization and ease change attempt.

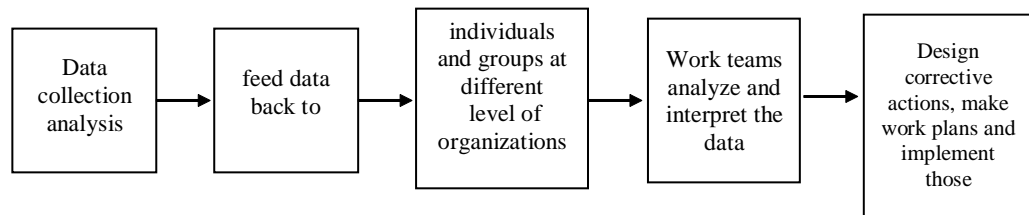


Figure 4.6 Steps in Survey feedback

For survey feedback to be effective, the following guidelines are important to follow.

- (a) Employee must be assured that their response to the questionnaire will be confidential and anonymous. Unless this assurance is given feedback is not honest.
- (b) Feedback should be reported in-group format.
- (c) The work group must be accepting the data as valid.
- (d) The purpose of survey has to be disclosed to the employee.
- (e) Effective follow up on the survey result is important. Without appropriate, follow up actions, employee should not take the survey process seriously the next time any such survey is undertaken.

2. Team building: This intervention is designed to improve the effectiveness of a work group. It usually begins with a diagnostic through team members identify their problems and develop actions to resolve the problems. The OD practitioner serves as a facilitator, and work is done by team members themselves. Team building develops mutual respect among the team members and learning to

effectively use mutual interdependence .the whole emphasis is on achievement of the team goal. Team building uses a variety of techniques such as presenting participants with outdoor experience and involving unfamiliar physical changes, which help them explore decision making and leadership issue.

3. **Role negotiations:** Role negotiation is a technique whereby individuals meet and clarify their mutual expectations, and negotiate how these can be best met in the reciprocal relationship . This helps process to work together.

4.12 ROLE OF LEADERSHIP AND CHANGES

Change by definition, requires creating a new system. It demands the role of leadership to initiate direct, and control change in terms of direction and speed .if the CEO gives the change program top priority and allocates it great deal of the time and attention, change will succeed. By the same token, if the CEO offers only lip service to change program changes just won't happen. The role of leadership, especially at the top is probably the most critical element in the major organizational change effort. This role cannot be delegated. The top management should lead by example for the success of a change effort.

Kotter (1995) describe eight steps which leaders have to follow in leading change.

- (a) Establishing a sense of urgency.
- (b) Forming a powerful guiding coalition.
- (c) Creating a vision.
- (d) Communicating vision.
- (e) Empowering others to act on the vision.
- (f) Planning for creating short term wins or successes.
- (g) Consolidating improvements and producing still more change.
- (h) Institutionalizing new approach by developing means to ensure leadership, development and succession.

While strong leadership is necessary it cannot itself sustain a large scale change. Management of change in large organization is too large an undertaking, for one leader on the top, however competent or committed he may be. To bring about effective and sustainable change, it requires assembling a team of change agents. The team may consist of both internal and external members. There is need to create a new vision so that the organization is prepared to commit to change in terms of alignment of new structures, resource generation, and a structural design to suit a new expatiations. Once the road blocks to change are reduced or removed, change can become a way of life in the organization.

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4.13 FOUNDATIONS OF ORGANIZATIONAL DEVELOPMENT

The knowledge base of OD is extensive and is constantly growing. Here we describe what we believe are the most important underpinnings for the field. We will examine the following concepts:

- Models and theories of planned change
- Systems theory
- Participation and empowerment
- Teams and team work
- Parallel learning structures
- A normative-re-educative strategy of changing
- Applied behavioral science
- Action research

4.14 MODELS AND THEORIES OF PLANNED CHANGE

Organization development is planned change in an organizational context. The development of models of planned change facilitated the development of OD. Models and theories depict, in words or pictures the important features of some phenomenon, describe those features as variables, and specify the relationships among the variables. Planned change theories are rudimentary as far as explaining relationships among variables, but pretty good for identifying the important variable involved. Several recent theories show great promise for increasing our understanding of what happens and how it happens in planned change. Here we provide a framework for thinking about planned change by exploring several models from the literature.

1. Kurt Lewin and Friends

Kurt Lewin, introduced two ideas about change that have been influential since the 1940s. The first idea states that what is occurring at any point in time is resultant in a field of opposing forces. That is, the status quo—whatever is happening right now—is the result of forces pushing in opposing directions. For example, we can think of the production level of a manufacturing plant as a resultant equilibrium point in a field of forces, with some forces pushing toward higher levels of production and some forces pushing toward lower levels of production. The production level tends to remain fairly constant because the field of forces remains fairly constant. Likewise, we can think of the level of morale in that plant as a resultant equilibrium point. Although morale may get a little better or a little worse on occasion, it generally hovers around some equilibrium point that is the resultant in a field of forces, some forces pushing toward higher analysis, we can identify the major forces that make up the field of forces and then develop action plans for moving the equilibrium point in one direction or the other. This concept is useful for thinking about the dynamics of change situations.

Lewin's second idea was a model of the change process itself. He suggested that change is a three-stage process: unfreezing the old behavior (or situation), moving to a new level of behavior, and refreezing the behavior at the new level. Change entails moving from one equilibrium point to another. Take the example of a man who smokes cigarettes and wants to quit. The three-stage model says he must first unfreeze the old behavior of smoking. Next, he must move, that is, change his behavior from being a permanent-not smoking becomes the new equilibrium point. Refreezing the desired behavior requires establishing a new field of forces to support the new behavior.

Lewin's three-stage model is a powerful tool for understanding change situations. Edgar Schein took this excellent idea and improved it by specifying the psychological mechanisms involved in each stage, as shown below. In stage 1, unfreezing, disconfirmation creates pain and discomfort, which cause guilt and anxiety, which motivate the person to change. But unless the person feels comfortable with dropping the old behaviors and acquiring new ones, change will not occur. That is, the person must develop a sense of psychological safety in order to replace the old behaviors with new behaviors.

Stage 1. Unfreezing. Creating motivation and readiness to change through

- a. Disconfirmation of lack of confirmation
- b. Creation of guilt or anxiety
- c. Provision of psychological safety

Stage 2. Changing through Cognitive Restructuring: Helping the client to see things, judge things, feel things, and react to things differently based on a new point of view obtained through.

- a. Identifying with a new role model, mentor, etc.
- b. Scanning the environment for new relevant information

Stage 3. Refreezing. Helping the client to integrate the new point of view into

- a. The total personality and self-concept
- b. Significant relationships

In stage 2, moving, the person undergoes cognitive restructuring. The person acquires information and evidence showing that the change is desirable and possible. This motivating evidence is gained by, for example, identifying with ex-smokers and learning about the health risks of smoking.

The primary task in stage 3, refreezing, is to integrate the new behaviors into the person's personality and attitudes. That is, stabilizing the changes requires testing to see if they fit – fit with the individual, and fit with the individual's social surroundings. The phrase significant relationships refer to important people in the person's social environment – do these significant others approve of the changes?

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Another modification of Lewin's model was proposed by Ronald Lippitt, Jeanne Watson, and Bruce Westley. They expanded the three – stage model into a seven – stage model representing the consulting process.

Their seven stages are as follows:

Phase 1. Developing a need for change. This phase corresponds to Lewin's unfreezing phase.

Phase 2. Establishing a change relationship. In this phase a client system in need of help and change agent from outside the system establish a working relationship.

Phase 3. Clarifying or diagnosing the client system's problem.

Phase 4. Examining alternative routes and goals; establishing goal and intentions of action.

Phase 5. Transforming intentions into actual change efforts. Phases 3, 4, and 5 correspond to Lewin's moving phase.

Phase 6. Generalizing and stabilizing change. This phase corresponds to Lewin's refreezing phase.

Phase 7. Achieving a terminal relationship that is, terminating the client – consultant relationship.

This seven – stage model lays out the logical steps involved in OD consulting. Similar models have been developed by Kolb and Frohman and by Burke. These "road maps" are useful for thinking about change.

2. Beyond the "Quick Fix"

A Comprehensive change model by Ralph Kidman specifies the critical leverage points for organizational change. We will briefly describe the "total system change" model presented in his book, "Managing beyond the Quick Fix". This model has five sequential stages: (1) initiating the program, (2) diagnosing the problems. (3) scheduling the "tracks", and (5) evaluating the results. Change programs take from one to five years to complete.

Initiating the program entail securing commitment from top management. Diagnosing the problems requires a thorough analysis of the problems and opportunities facing the organization. These problems and opportunities will be the targets of later interventions. Scheduling and implementing the "tracks", that, when functioning properly, cause the organization to be successful. Killmann's five tracks are: (1) the culture track, (2) the management skill track, (3) the team – building track, (4) the strategy structure track, and (5) the reward system track. Interventions include training programs problems - solving sessions, critique of current practices and procedures, and so for the, Killmann's describe the five tracks:

What does each track do for the organization? The culture track enhances trust, communication, information sharing, and willingness to change among members the conditions that must exist before any other improvement effort can succeed. The management – skills track provides all management personnel with new ways of coping with complex problems and hidden assumptions. The team – building track infuse the new culture and updated management skills into each work unit – thereby instilling cooperation organization – wide so that complex problems can be addressed with all the expertise and information available. The strategy – structure track develops either a completely new or a revise strategic plan for the firm and then aligns divisions, departments, Work groups, jobs, and all resources with the new strategic directions. The reward systems track establishes a performance-based reward system that sustains all improvements by officially sanctioning the new culture, the use of updated management skills, and cooperative team efforts within and among all work groups.

An OD consultant implements the tracks in a phased sequence, beginning with the culture track, then moving to the management skill track, then moving to the teambuilding track, and so forth. Kilmann has tested his model at AT&T, Eastman Kodak, Ford, General Electric, General Foods, TRW and Westinghouse with good results.

3. The Burke – Litwin Model of Organizational Change

The next model to be examined is the Burke - Litwin model of individual and organizational performance, developed by Warner Burke and George Litwin. This model shows how to create first-order and second-order change (which the authors call “transactional change” and “transformational change”). In first-order change, some features of the organization change but the fundamental nature of the organization remains the same. First-order change goes by many different labels: transactional, evolutionary, adaptive, incremental, or continuous change. OD programs are directed toward both first – and second – order change, with an increasing emphasis on second-order, transformational change.

The model distinguishes between organizational climate and organizational culture. Organizational climate is define as peoples’s perceptions and attitudes about the organization – whether it is a good or bad place to work, friendly or unfriendly, hard working or easy-going ,and so forth. These perceptions are relatively easy to change because they are built on employees’ reactions to current managerial and organizational practices. On the other hand, organizational culture is defined as deep-seated values, assumptions, and beliefs that are enduring, often unconscious, and difficult to change. Changing culture is much more difficult that changing climate. The premise of the Burke-Litwin model is this: OD interventions directed toward structure, management practices, and systems (policies and procedures) result in first-order change; interventions directed toward mission and strategy, leadership, and organization culture result in second-order change.

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The model also makes a distinction between transactional and transformational leadership styles. These two concepts come from leadership research which found that some leaders are capable of obtaining extraordinary performance from followers while other leaders are not. Transformational leaders are “leaders who inspire followers to transcend their own self-interest for the good of the organization and who are capable of having a profound and extraordinary effect on their followers”. Transformational leadership embodies inspiration which leads to new heights of performance. Transactional leaders are “leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements”. Transactional leadership embodies a fair exchange between leader and follower that leads to “normal” performance. Transactional leadership is sufficient for causing first-order change.

Now let’s look at the Burke-Litwin model. We will do so in several steps. Figure 4.7 show the factors involved in first-order (transactional) change. Changing structure, management practices, and systems causes changes in work unit climate, which changes Motivation and, in turn, individual and organizational performance. Transactional leadership is required to make this change in organizational climate.

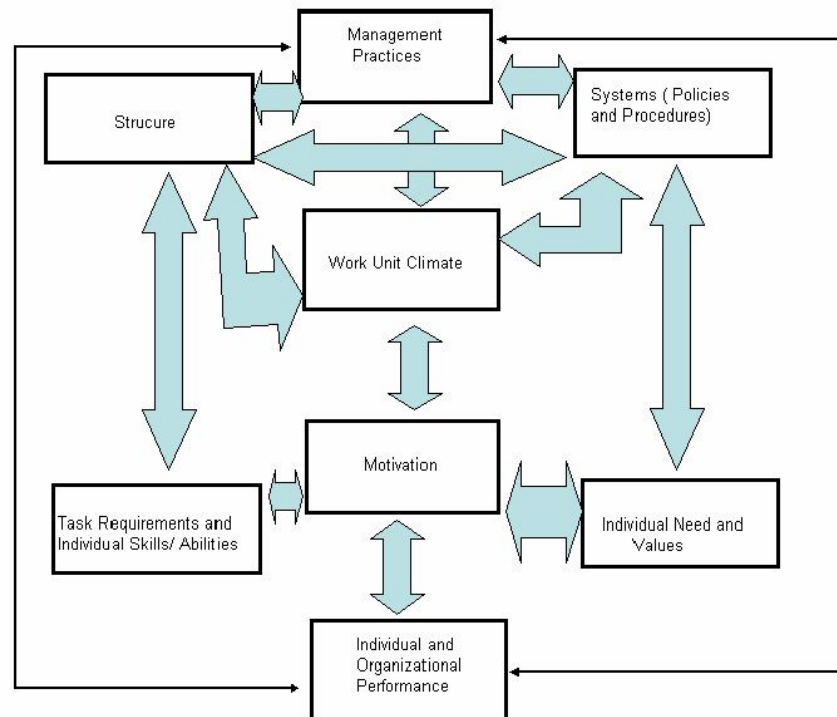


Figure 4.7 – The Transactional Factors Involved in First-Order Change

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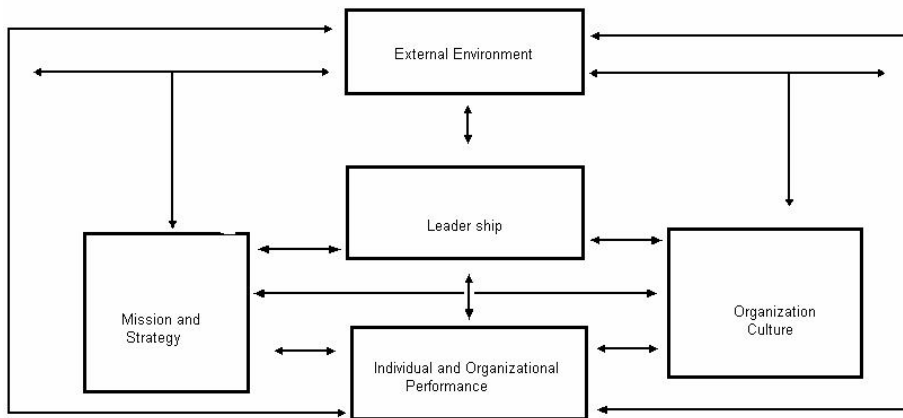


Figure 4.8: the transformational factors involved in second-order change

On the other hand, if we want to cause second-order (transformational) change, we must change mission and strategy, leadership styles, and organization culture, as shown in Figure 4.8. Interventions directed toward these factors transform the organization and cause a permanent change in organization culture, which produces changes in individual and organizational performance.

Both the figures together yield the full Burke-Litwin model shown in Figure 4.9. The top half of the figure displays the factors involved in transformational change. These factors are powerful enough to change the culture fundamentally. The bottom half of Figure 4.9 displays the factors involved in transactional change. These factors are able to change the climate.

To summarize, Burke and Litwin propose that Interventions directed toward leadership, mission and strategy, and organization culture produce transformational change or fundamental change in the organization's culture (figure 4.8). Interventions directed toward management practices, structure, and systems produce transactional change or change in organizational climate (figure 4.7). Burke says: Thus there are two distinct sets of organizational dynamics. One set primarily is associated with the transactional level of human behavior or the everyday interactions and exchanges that create the climate. The second set of dynamics is concerned with processes of human transformation; that is, sudden "leaps" in behavior; these transformational processes are for required for genuine change in the culture of an organization.

We consider the Burke-Litwin model to be a significant advance in thinking about planned change. The OD practitioner sizes up the change situation, determines the kind of change required (transactional or transformational), and then targets interventions toward factors of the organization that produce the desired change. Research by burke and his students suggest the model performs as intended.

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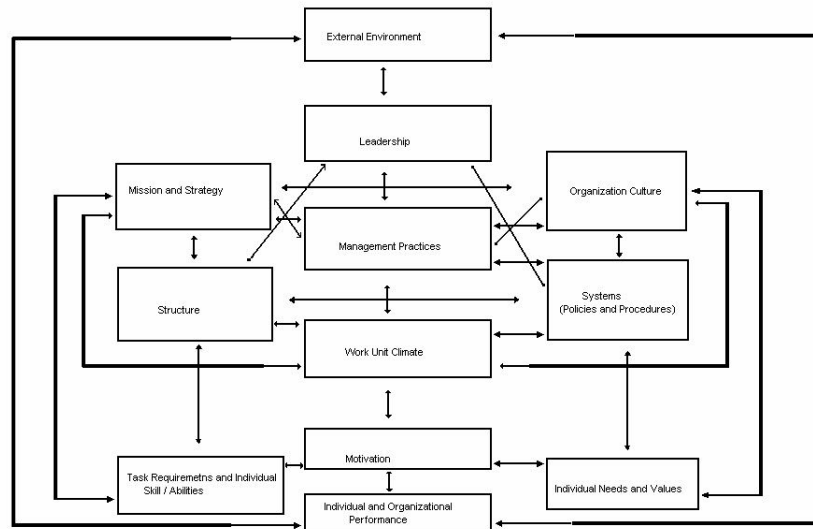


Figure 4.9 The Burke-Litwin Model of Organizational Performance and Change.

4. Porras and Robertson Model of Organizational Change

Jerry Porras and his associates developed a model of how organization development works; it is described in a discussion by Porras and Peter Robertson. The basic premise is that OD interventions alter features of the work setting causing changes in individuals' behaviors, which in turn lead to individual and organizational improvements. Organizational change occurs only when individuals change their behavior, and these behavior changes occur when elements of the work setting have been modified by OD inventions. The work setting plays a central role in this model and consists of four factors; organizing arrangements, social factors, physical setting, and technology, as shown in figure 4.10.

This model shows how OD interventions can be linked to factors in the work setting. For example, OD inventions that focus on goals, strategies, and rewards will affect organizing arrangements. Interventions that focus on culture, management style, and interaction processes will affect social factors. Interventions that focus on job design and work flow design will affect technology.

Figure 4.10 shows the work setting in the larger organizational framework. The premise modeled here is that work setting factors influence organizational members' cognitions (they learn what is expected, required, rewarded), which influence on the job behaviors, which determine organizational performance and individual development. It is how OD works, according to Porras and Robertson. The model is extremely useful for OD practitioners and organizational leaders.

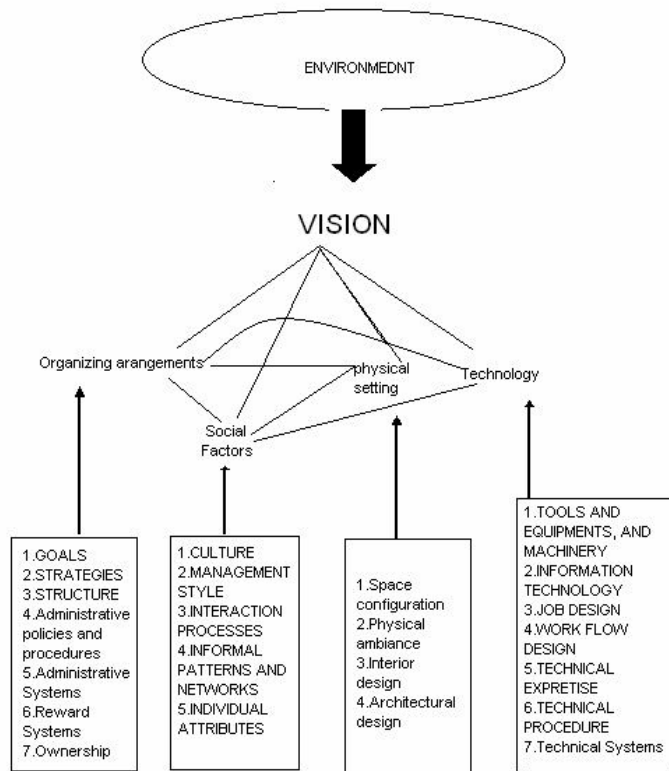


Figure 4.10: Organizational work setting factors

4.15 SYSTEM THEORY

A second foundation of organization development is systems theory, which views organizations as open systems theory, which views organization as open systems in active exchange with their environments. This section explains systems theory, describes the characteristics of systems, and shows how systems theory describes the characteristics of systems, and shows how systems theory enhances the practice of OD.

Ludwig von Bertalanffy first articulated the principles of general systems theory in 1950, and Katz and Kahn were the first to apply open systems theory to organizations in 1966. Systems theory is one of the most powerful conceptual tools available for understanding the dynamics of organizations and organizational change. Fagan defines system as “a set of objects together with relationships between the objects together with relationship between the objects and between their attributes. Vone Bertalanffy refers to a system a set of “elements standing in interaction”. Kast and Rosenzweig define system as “an organized, unitary whole composed of two or more interdependent parts, components, or subsystems, and delineated by identifiable boundaries from its environmental supra system”. Hanna says:” A system is an arrangement of interrelated parts. The words arrangement and interrelated describe interdependent elements forming an entity that is the

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system. Thus, when taking a systems approach, one begins by identifying the individual part and then seeks to understand the nature of their collective interaction. “to summarize, system denotes interdependency, interconnectedness, and interrelatedness among elements in a set that constitutes an identifiable whole or gestalt.

1. The Nature of Systems

The nature, dynamics, and characteristics of open systems are well known. Organizations are open systems. Therefore, studying open systems leads to a good understanding of organizations. Here we examine the characteristics of open drawing on expositions by Katz and Kahn and Hanna.

All open systems are input-throughput-output mechanisms. Systems take inputs from the environment in the form of energy, information, money, people, raw materials, and so on. They do something to the inputs via throughput, conversion, or transformation processes that change the inputs; and they export products to the environment in the form of outputs. Each of these three system processes must work well if the systems are to be effective and survive. Figure 6 shows a system in diagrammatic form.

Every system is delineated by a boundary. What is inside the boundary is the system, and what is outside the boundary is the environments. A good rule of thumb of drawing the boundary is that more energy exchange occurs within the boundary than across the boundary. Boundaries of open systems are permeable, in that they permit exchange of information, resources, and energy between system and environment.

Open systems have purposes and goals, the reasons for their existence. These purposes must align with purposes or needs in the environment. For example, the organization’s purposes will reflected in its outputs, and if the environment does not want the outputs, the organization will cease to exist.

A System in interaction With its Environment

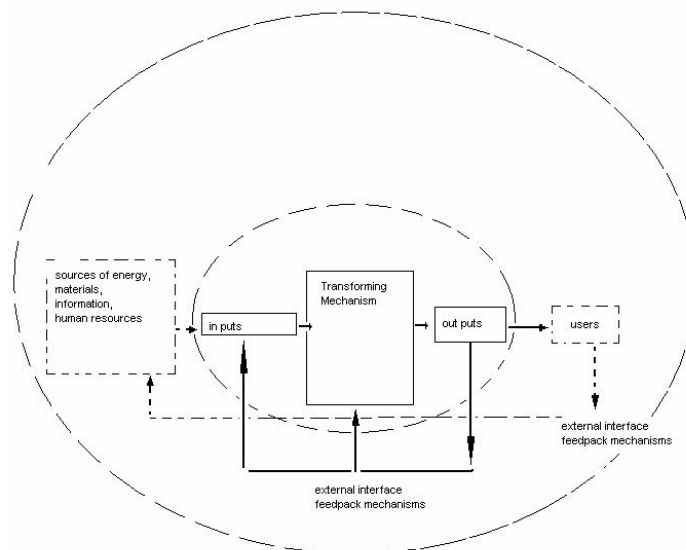


Figure 4.11 System and Environment

The law of entropy states that all systems 'run down' and disintegrate unless they reverse the entropic process by importing more energy than they use. Organizations achieve negative entropy when they are able to exchange their outputs for enough inputs to keep the system from running down.

Information is important to systems in several ways. Feedback is information from the environment about system performance. Systems require two kinds of feedback, negative and positive. Hanna writes; "Negative feedback measures whether or not the output is on course with purpose and goals. It is also known as deviation-correcting feedback. ... Positive feedback measure whether or not the purpose and goals are aligned with environments needs. It is sometimes called deviations-correcting feedback. For example, if a rocket ship traveling to the moon strays off its trajectory, it receives information to that effect in the form of negative feedback, and makes a course correction, if the mission (target) changes, however, that information is called positive feedback, and system adjusts to a new goal, say, "return to earth".

Here is another example of negative and positive feedbacks. Say your company makes buggy whips, and production plan calls for 100 buggy whips per month. Negative feedback tells you if you are on track with your scheduled production output. Positive feedback comes from the environment; it will signal whether the environment needs and/or wants buggy whips. Hanna states: "The usefulness of the two concepts is that they demonstrate that it is not enough to merely measure our outputs versus the intended targets. Survival of systems is equally influenced by whether or no the targets themselves are appropriate.

Systems are bombarded by all kinds of information; some is useful, but most is not useful. Systems "code" useful information and incorporate it, while screening out other information. For example, organizations in the fast-food industry pay a lot of attention to information about their industry – nutrition, eating fads, competitors, and the like. By the same token, they usually ignore information about other industries such as electronics, mining, aerospace, and so on.

Another characteristic of open systems is steady state or dynamic homeostasis; systems achieve a steady state or equilibrium point and seek to maintain this equilibrium against disruptive forces, either internal or external. As Katz and Kahn say: "the basic principle is the preservation of the character of the systems. Also systems tend to get more elaborated, differentiated, specialized, and complex over time: this process is called differentiation. With increased differentiation, increase integration and coordination are necessary. Another characteristic of systems is equifinality, the principle that there are multiple ways to arrive at a particular outcome or state - systems have multiple paths to goals. Subsystems exist within larger systems. These subsystems can be arranged into a hierarchy of systems moving from less important to more important.

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2. Congruence among System Elements

David Nadler and associates at Delta Consulting Group developed and congruence model for understanding organizational dynamics and change (see figure 4.12). This model depicts the organization as an input-throughput-output system.

The three major input factors are (1) the environment, which imposes constraints and opportunities about what the organization can and can not do; (2) resources available to the organization, such as capital, people, knowledge, and technology; and (3) history, which consists of memories of past successes, failures, important events, and critical decisions that still influence behavior today. Outputs are performance at the total organization level, unit / group level, and individual level. Elements of the organization per se are labeled strategy, what the organization is trying to accomplish and how it plans to do it; work, the tasks people perform to create products and service markets; people, which includes skills, knowledge, perceptions, and the workforce's expectations; formal organization, which includes formal structures, processes, and systems for performing the work; and informal organization, which includes the organization's culture, informal rules and understandings, and how things really work (versus how they are supposed to work as defined by the formal organization).

The congruence model's value is as analytical tool for (1) assessing the characteristics and functioning of each of the elements, and (2) evaluating the "goodness of fit" or how well the elements "go together". The premise is that alignment (harmony fit) must be present among the system's components for the organization to produce satisfactory outputs. For example, if people don't have the skills and knowledge required to do the work, performance will suffer. If the strategy calls for entrepreneurial quickness and risk-taking and the formal organizational is bureaucratic and highly centralized, performance will suffer. If the organization culture (informal organization) praises individual accomplishments and the work requires teamwork and collaboration, performance will suffer.

You can use this model to analyze organization with which you are familiar. In a company that is performing poorly, which components are "not functioning correctly" and which elements are poorly aligned? In companies showing outstanding performance, what is it about each element that causes that part of the system to function well, and what are the characteristics of each; element that cause all of them to fit together smoothly? The congruence model is an excellent diagnostic tool. Systems model are essential for the practice of OD.

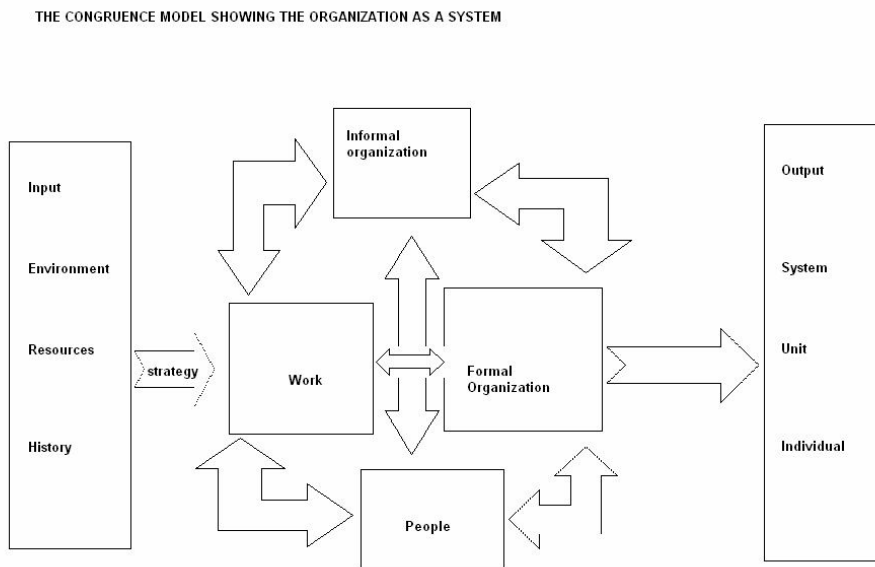


Figure 4.12 Sociotechnical Systems Theory and Open Systems Planning

Two major variations of open systems theory – sociotechnical systems theory (STS) and open systems planning (OSP) – play an especially important role in organization development. We will discuss these briefly.

To achieve high productivity and employee satisfaction, organizations must optimize both systems. It is the principal conceptual foundation for efforts in work redesign and organization restructuring, two active segments of OD today.

A number of design principles have been developed to implement sociotechnical systems theory. Principles such as optimizing the social and technical systems, forming autonomous work groups, training group members in multiple skills, giving information and feedback to the people doing the work, and identifying core tasks help STS consultants structure organizations and tasks for maximum effectiveness and efficiency. High-performance organizations almost always use principles from sociotechnical systems theory, especially autonomous work groups (self-regulated teams or self-directed teams), multiskilled teams, controlling variance at the source, and information to the point of action, that is, to the workers doing the job. Another important application of systems theory in organization development is open systems planning.

Hanna writes: In the late 1960's a small team of consultants led by James Clark, Charles Krone, G.K. Jayaram, and Will McWhinney developed a technology for addressing the interface between organization and the environment. Their technology became known as Open Systems Planning (OSP). It was the first attempt to help organizations methodically analyze the environmental demands and expectations placed on them and plan to successfully meet these demands and expectations.

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Open systems planning entails (1) scanning the environment to determine the expectations of external organization and stakeholders: (2) developing scenarios of possible futures, both realistic (likely to happen if the organization continues on its current course) and ideal (what the organization would like to see happen): and (3) developing action plans to ensure that a desirable future occurs. Most OD practitioners engaged in redesign projects use a combination of sociotechnical systems theory and open systems planning. For example, this combination is often used in designing high-performance organizations.

3. Open Systems Thinking

An open system thinking is required for creating learning organizations. According to Peter Senge learning organizations can cope effectively with rapidly changing environmental demands. Senge believes five disciplines must be mastered to create a learning organization: personal mastery, mental models, building shared vision, team learning, and systems thinking. Of all these discipline, the fifth discipline, systems thinking, is most important. He says of systems thinking:

It is the discipline that integrates the disciplines, fusing them into a coherent body of theory and practice. It keeps them from being separate gimmicks or the latest organization change fads. Without a systemic orientation, there is no motivation to look at how the discipline interrelates. By enhancing each of the other discipline, it continually reminds us that the whole and exceed the sum of its parts.

In conclusion, systems theory pervades the theory and practice of organization development, from diagnosis to intervention to evaluation. Viewing organizations from their perspective has several consequences. First, issues, events, forces, and incidents are not viewed as isolate phenomena, but seen in relation to other issues, events, and forces. Second, because most phenomena have more than one cause, a systems approach encourages analysis of events in terms of multiple causation rather than single causation. Third, changing one part of a system influences other parts; therefore, OD practitioners expect multiple effects, not single effects, from their activities. Fourth, according to field theory (Kurt Lewin), the forces in the field at the time of the event are the relevant forces for analysis. This idea moves the practitioner away from analyzing historical events and toward examining contemporary events and forces. Fifth, is to change a system, and not just its component parts.

4. Participation and Empowerment

One of the most important foundations of organization development is a participation/empowerment model. Participation in OD programs is not restricted to elites or the top people; it is extended broadly throughout the organization. Increased participation and empowerment have always been central goals and fundamental values of the field. These pillars of OD practice are validated by both research and practice.

Research on group dynamic began in the 1940s and achieved exponential growth in the 1950s and 1960s. This research demonstrated that most people desire increased involvement and participation. Further, involvement and participation energize grater performance, produce better solution to problems, and greatly enhance acceptance of decisions. Researchers found that group dynamics work to overcome resistance to change, increase commitment to the organization, reduce stress levels, and generally make people feel better about themselves and their worlds. Participation is a powerful elixir-it is good for people and performance.

The empower is to give someone power, which is done by giving individuals the authority to make decisions, to contribute their ideas, to exert influence, and to be responsible. Participation is an especially effective from of empowerment. Participation enhances empowerment, and empowerment in turn enhances performance and individual well-being.

OD interventions are deliberately designed to increase involvement and participation by organization leader and members. For example, autonomous work groups, quality circles, teams building, survey feedback, quality of work life programs, search conferences, and the culture audit are all predicated on the belief that increased participation will lead to better solutions. Rules of thumb such as “Involve all those who are part of the problem or part of the solution”. And “Have decisions made by those who are closes to the problem”. Direct leaders to push decision making lower in the organization, treat those closest to the problem as the relevant experts, and give more power to more people. OD interventions are basically methods for increasing participation. The entire field of OD is about empowerment.

Robert Quinn and Gretchen Spreitzer found two vastly different views of empowerment. One view, which they call “mechanistic,” is a top-down delegation of decision making with clear boundaries and strict accountability that increase managerial control. The other view, called “Organic”, is bottom up and less controlling. They describe the organic view; “the other group of executives saw empowerment much differently. They believed that it was about risk-taking, growth, and change. Empowerment meant trusting people and tolerating their imperfections. The most important contrast between the two views involves the implicit but potentially volatile assumptions people make about trust and control. These authors believe the organic view, with its emphasis on risk-taking, personal initiative, and growth, is the more useful perspective.

A good manual for implementing empowerment strategies is James Belasco’s “Teaching the Elephant to Dance: the Manager’s Guide to Empowering Change”. Belasco presents numerous examples in which leaders reap extraordinary gains by empowering their employees. He believes that (1) only massive changes will suffice to keep organizations viable in the future; (2) people will not naturally embrace the needed changes; and (3) empowerment is the key to getting people to want to participate in change. Belasco uses a

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simple four-step model to describe the empowerment process: “preparation.” “create tomorrow,” “vision,” and “change”. One of the most important ingredients of empowerment is vision – a coherent, credible picture of the desired future. Developing a clear vision, devising a strategy to achieve the vision, and unleashing the intelligence and energy of the workforce to accomplish the vision are what empowerment is all about, according to Belasco. The valuable book is filled with interesting stories of successes and failures by managers using empowerment strategies to foster change.

The Leadership Challenge by Kouzes and Posner is another excellent manual on empowerment. For many years, Kouzes and Posner conducted leadership seminars in which, among other things, they asked participant to describe a “personal best” leadership stories led to identifying five leadership practices and ten behavioral commitments exhibited by successful, empowering leaders. The five practices, each with two behavioral commitments, are the following.

- Challenging the process
- Search for opportunities
- Experiment and take risk
- Inspiring a shared vision
- Envision the future
- Enlist others
- Enabling others to act
- Foster collaboration
- Strengthen others
- Modeling the way
- Set the example
- Plan small wins
- Encouraging the heart
- Recognize individual contributions
- Celebrate accomplishments.

Donald Peterson describes the organizational redesign of Ford Motor Company In his book, “A Better Idea”, John Hillkirk. Peterson was president, CEO, and chairman of Ford during the turnaround of that 370,000-person company from one that was losing money and market share to one that produce high-quality products, made big profits, and created the Ford Taurus, one of the best-selling cars in American history. The primary vehicle for the turnaround was employee involvement, participation, and empowerment. In the early 1980s, Ford launched programs in EI (employee involvement), participative management training for supervisors, employee involvement teams, and total quality management. The net effect was significant change in the company’s culture from being a

top-down, autocratic, functionally oriented company to one that gave responsibility and power to cross-functional teams at all levels of the organization. Ford became a different company, and much more successful company, by empowering its employees.

In *Thriving on Chaos*, by Tom Peters, the same themes appear (1) creating total customer responsiveness, (2) Pursuing fast-paced innovation, (3) achieving flexibility by empowering people, (4) learning to love – change a new view of leadership at all levels, and (5) building organizational systems that supporting not inhibit, the first four themes. These conditions can be met only through having “turned on”, empowered “prescriptions” for “achieving flexibility by empowering people”: Involve everyone in everything; use self-managing teams; listen / celebrate / recognize; spend time lavishly on recruiting; train and retrain; provide incentive pay for everyone; provide an employment

Guarantee; simplify/reduce structure; reconceive the middle manager’s role; and eliminate bureaucratic rules and humiliating conditions. This advice is powerful, practical, and cogent. Empowerment is an important ingredient in high-performance organizations especially when empowered employees are formed into empowered teams.

5. Teams and Teamwork

A fundamental belief in organization development is that work teams are the building of organizations. A second fundamental belief is that teams must manage their culture, processes, systems, and relationships if they are to be effective. Theory, research, and practice attest to the central role teams play in organizational success. Teams and teamwork are part of the foundation of organization development. The previous discussion focused on empowerment and concluded that the act of empowering individuals greatly increased their performance and satisfaction. The message of this section is that putting those empowered individuals into teams creates extraordinary effects on performance and satisfaction.

Teams and teamwork are among the “hottest” things happening in organizations today – Teams and teamwork are “in”. The evidence is abundantly clear; effective teams produce results far beyond the performance of unrelated individuals. Teams are important for a number of reasons. First, much individual behavior is rooted in the sociocultural norms and values, the effects on individual behavior are immediate and lasting. Second, many tasks are so complex they cannot be performed by individuals; people must work together to accomplish them. Third, teams create synergy that is the sum of the efforts of team’s members is far greater than the sum of the individual efforts of people working alone. Synergy is principal reason teams are so important. Fourth, teams satisfy people’s needs for social interaction, status, recognition, and respect – teams nurture human nature. In this section, we examine the potential of teams and teams work, and explore ways to realize that potential.

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A number of OD interventions are specifically designed to improve team performance. Examples are team building, inter-group team building, process consultation, quality circles, parallel learning structures, sociotechnical systems programs, Grid OD, and techniques such as role analysis technique, and responsibility charting. These interventions apply to formal work teams as well as startup teams, cross-functional teams, temporary teams, and the like.

Team building activities are now away of life for many organizations. Teams periodically hold team-building meetings, people are trained in group dynamics and group problem-solving skills, and individuals are trained as group leaders and group facilitators. Organizations using autonomous work groups or self-directed teams devote considerable time and effort to ensure that team member 'posses the skill to be effective in groups. The net effect is that teams perform at increasingly higher levels, that they achieve synergy, and that teamwork becomes more satisfying for team members.

Investigators are discovering why some teams are successful while others are not. Larson and LaFasto studied a number of high-performance teams, and found eight characteristics always present; (1) a clear, elevating goal; (2) a results-driven stricture; (3) competent team members; (4) unified commitment; (5) a collaborative climate; (6) standards of excellence; (7) external support and recognition; and (8) principled leadership. All these characteristics are required of superior team performance; when any one feature is lost, team performance decline. High-performance teams regulate the behavior of team members, help each other, find innovative ways around barriers, and set ever-higher goals. Larson and LaFasto also discovered that the most frequent cause of team failure was letting personal or political agendas take precedence over the clear and elevating team goal.

Another excellent source of information about teams is *The Wisdom of Teams; Creating the High-Performance Organization*, by Jon Katzenback and Douglas Smith. They, too, studied a number of teams in a wide variety of settings. For them, a group of individuals becomes a team only when committed to achieving high-performance goals. Without demanding performance goals, groups never jell into teams. Therefore, they write, "Organizational leaders can foster teams' performance best by building a strong performance ethic, rather than by establishing a team-promoting environment alone. A key characteristic of high-performance teams is discipline. "Groups become teams through disciplined action. They shape a common purpose, agree on performance goals, define a common working approach, develop high levels of complementary skills, and hold themselves mutually accountable for results. And, as with any effective discipline, they never stop doing any of these things". It's hard work for groups to become teams, but hard work is required to create high-performance organizations.

Katzenback and Smith believe teams will become even more important in the future. They write. "in fact, most models of the 'organization of the future' that we have heard about – 'networked', 'clustered', 'nonhierarchical', 'horizontal', and so forth – are premised

on teams surpassing individuals as the primary performance unit in the company". This book gives example of high-performing teams, teaches the basics of team development, and offers how-to advice for turning groups into teams.

Tom Peters asserts in Liberation Management that cross-functional, autonomous, empowered teams are what the best organizations are using right now to outdistance the competition. He uses examples from EDS (Electronic Data Systems), Union Pacific Railroad, Teleflex, and countless other organizations to demonstrate the ability of small project teams to produce high quality, superior customer service, flexible response, and continuous learning. High responsibility, clear objectives, and high accountability drive these project teams to outperform traditional organization structures on every measurable dimension. Projects are the work of the future; projects will be performed by teams. Interestingly, normal hierarchical considerations become obsolete for these project teams – you could be the boss of one team, and report to one of your subordinates on another team.

Sources for learning about team effectiveness are plentiful. Michael Doyle and David Straus's How to Make Meetings Work contains valuable instruction about the roles of leaders, facilitators, and recorders of groups. William G.Dyer's Team Building and Larry Hirsch horn's managing in the New Team Environment offer advice on team building, facilitation, and team effectiveness. Edgar Schein's Process Consultation books show how to manage group processes for greater effectiveness. Kimball Fisher's Leading Self-Directed Work Teams describes the difficulties involved in moving from the role of supervisor to that of coach, but provides an excellent road map for making the transition. Inside Teams: How 20 World-Class Organizations are winning through Teamwork by Richard Wellins, William Byham, and George Dixon presents an extensive inside look at self-managed teams – how they are organized, how they operate, and what results they produce.

An emerging development is the application of technology to improve team performance, Groupware is the generic term for electronic and non electronic tools designed to help teams, especially business teams, function better. Authors who have contributed to this subject explain how to design a team room – a room filled with tools, gadgets, and furniture to help teams be more effective. A key goal is to help teams make better decisions; therefore, the room provides a variety of decision-support tools, including computer workstations. Experimentation with groupware is certain to increase in the future. Teams have always been an important foundation of OD, but there is a growing awareness of the teams' unique ability to create synergy, respond quickly and flexibly to problems, find new ways to get the job done, and satisfy social needs in the workplace.

6. Parallel Learning Structures

Parallel learning structures, specially created organizational structures for planning and guiding change programs, constitute another important foundation of organization

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development. Date Zand introduced this concept in 1974 under the label collateral organization and define it as “a supplemental organization coexisting with the usual, formal organization”. The purpose of the collateral organization is to deal with “ill-structured” problems the formal organization is unable to resolve. Considerable experimentation with collateral organizations occurred in the 1970s and 1980s.

Gervase Bushe and Abraham (Rami) Shani summarized and extended the work on this concept in their comprehensive treatment titled Parallel learning structures to refer to this structural intervention. Parallel learning structures are a mechanism to facilitate innovation in large bureaucratic organizations where the forces of inertia, hierarchical communication patterns, and standard ways of addressing problems inhibit learning, innovation, and change. In essence, parallel structures are a vehicle for learning how to change the systems, and them leading the change process.

Bushe and Shani describe the idea as follows; “we offer the term ‘parallel learning structure’ as a generic label to cover interventions where: (a) a ‘structure’ (that is a specific division and coordination of labor) is created that (b)operates ‘parallel’ (that is, tandem or side-by-side) with the formal hierarchy and structure and (c)has the purpose of increasing an organization’s learning (that is the creation and / or implementation of new thoughts and behaviors by employees). In its most basic form, a parallel learning structure consist of steering committee and a number of working groups that study what changes are needed, make recommendation for improvements, and monitor the change efforts. Additional refinements include having a steering committee and a number of working groups plus idea groups, action groups, work groups, or implementation groups, with the groups serving specific functions designated by the steering committee. The parallel structure should be a microcosm of the larger organization, that is, it should have representatives from all parts of the organization. One or more top executives should be members of the steering committee to give the parallel structure authority, legitimacy and clout.

The charge to members of the parallel learning structure is to think and behave in ways that are different from the normal roles and rules of the organization. Bushe and Shani say: The key thing about parallel structures is that they create a bounded space and time for thinking, talking, deciding and acting differently than normally takes place at work. If you don’t implement different norms and procedures, you don’t have a parallel structure. The most important and different task for the people creating the parallel learning structure is to create a different culture within it. It isn’t the supplemental structure that’s important. What’s important is that people act in a way that promotes learning and adaptation. Parallel structures help people break free of the normal constraints imposed by the organization, engage in genuine inquiry and experimentation, and initiate needed changes.

Most sociotechnical systems redesign effort and open systems planning programs use parallel structures. High performance organizations often use parallel structures to coordinate self-directed teams. At Ford Motor Company, a steering committee and working

groups were used to coordinate the employee involvement teams. Parallel learning structures are often the best way to initiate change in large bureaucratic organization’s methods of work and/or culture.

4.16 APPLIED BEHAVIOURAL SCIENCE

This foundation of OD relates to the primary knowledge base of the field, behavioral science knowledge. OD is the application of behavioral science knowledge, practices, and skills in ongoing systems in collaboration with system members. Although human behavior in organizations is far from an exact science, lawful patterns of events produce effectiveness and ineffectiveness. OD practitioners know about these patterns through research and theory. This aim of this discussion is to look briefly at how behavioral science knowledge becomes applied behavioral science knowledge.

A conventional distinction is made between (1) “pure” or basic science, the object of which is knowledge for its own sake, and (2) “technology”, applied science, or practice, the object of which is knowledge to solve practical, pressing problems. OD emphasizes the latter, applied science or practice. Greenwood discusses the activities of the practitioner as follow; “The problem that confronts a practitioner is customarily a state of disequilibrium that requires rectification. The practitioners examine the problem situations, on the basis of which he or she prescribes a solution that, hopefully, reestablishes the equilibrium, thereby solving the problem. This process is customarily referred to as diagnosis and treatment”. Both diagnosis and treatment consist of observing a situation and, on the basis of selected variables, placing it in a classification scheme or typology. The diagnostic typology allows the practitioner to know what category of situation he or she has examined; the treatment typology allows the practitioner to know what remedial efforts to apply to correct the problem

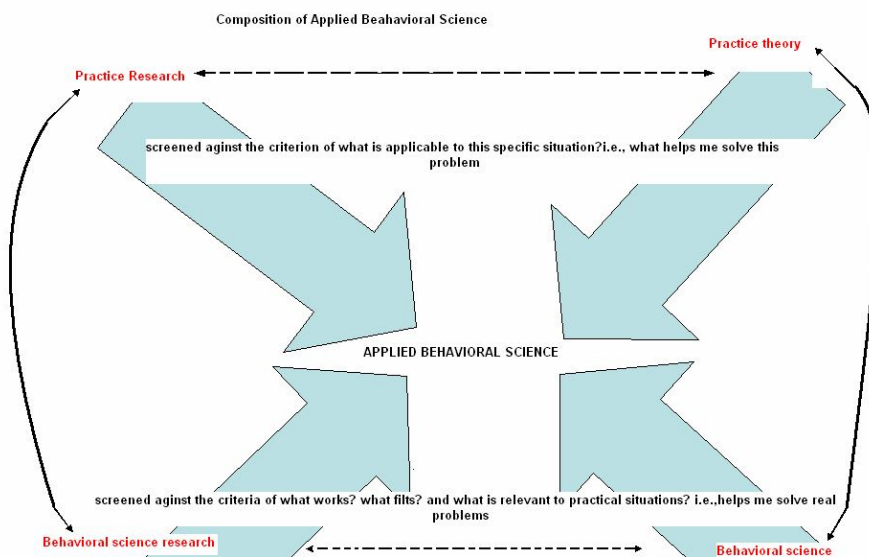


Figure 4.13 Composition of Applied Behavioral Science

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Organization development is both a result of behavioral science research and behavioral science theory. The two top inputs, practice research and practice theory, represent contributions from applied science.

4.17 ACTION AND RESEARCH

The action research model – a data-based, problem-solving method that replicates the steps involved in the scientific method of inquiry underlies most OD activities. Action research involves, and does or implements change efforts. Kurt Lewin, who developed the concept of action research, had this to say about it: The research needed for social practice can best be characterized as research for social management of social engineering. It is type of action-research, a comparative search on the conditions and effects of various forms of social action, and research leading to social action. This by no means implies that the research needed is in any respect less scientific or “lower” than what would be required for pure science in the field of social events. I am inclined to hold the opposite to be true.

4.18 MANAGING THE OD PROCESS

Here we examine what leaders, organization members, and OD practitioners do as they implement and manage organization development programs. By now you know that diagnosis forms a foundation for intervening, and that intervening involves implementing various change-inducing action programs. Thinking about how to manage their process is the focus of the present discussion.

1. DIAGNOSIS

All OD programs have three basic components; diagnosis, action, and program management. The diagnostic component represents a continuous collection of data about the total system, its subunits, its processes, and its culture. This action component consists of all the activities and interventions designed to improve the organization’s functioning. The program management component encompasses all activities designed to ensure success of the program. (In fact, all three components are interventions into the organization in that all impact organization members. They are separated here for analysis purposes.) Figure 2-1 shows what we mean when we describe the OD process in terms of diagnosis, action, and program management components.

The first step is to diagnose the state of the system, focusing on the client’s major concerns. What are its strengths? What are its problem areas? What are its unrealized opportunities? Is there a discrepancy between the vision of the desired future and the current situation? The diagnosis identifies strengths, opportunities, and problem areas. These action plans are OD interventions specifically tailored to address issues at the individual, group, inter group, or organizational levels, as well as issues related to selected processes. The other step consists of fact-finding about the results of the actions. Did the action have the desired effects? Is the problem solved or the opportunity achieved? If the answer is yes, organization members move on to new and different problems and opportunities: if

the answer is no, the members initiate new action plans and interventions to resolve the issue. When problems remain unsolved after an initial attack, it usually entails redefining the problem areas. During the entire sequence, managing the OD process itself requires attention. Energy and effort are directed to ensuring that the program is supported by the organization members, that the program is relevant to the organization’s priorities, and that the program is making discernible progress. Managing the OD program is a continuous activity.

Table 4-1 Diagnosing Organizational Subsystems

Diagnostic Targets	Explanation and Identifying Examples	Typical Information Sought	Common Methods of Diagnosis
The total organization (having a common “character” or mission and a common authority structure)	The total system is the entity analyzed. Diagnosis also includes extra system (environmental) organizations, groups, or forces, such as customers, suppliers, and governmental regulations. Examples: a manufacturing firm, a hospital, a school systems, a department store chain, a church denomination.	What are the norms of the organization? What is the organization’s culture? What are the attitudes and feelings toward such things as compensation, organization goals, supervision, and top management? What is the organization climate – opens vs. closed, authoritarian vs. democratic, cooperative vs. competitive? How well do key organizational processes functions? How effective are the organization’s “sensing mechanisms” to monitor internal and external demands? Are organization goal and strategy understood and accepted? What is the organization’s performance?	Questionnaire surveys are most popular with large organizations. Interviews, both group and individual, are useful for getting detailed information. Panels or representative members surveyed periodically are useful to chart changes over time. Examination of organizational records – rules, regulations, policies, symbols of office and/ or status, etc., yields insight into the organization’s culture and functioning. Diagnostic meetings held at various levels yield a great amount of information in a short time period. Focus groups give valuable information.
Large complex and heterogeneous subsystems	This target group refers to major units within a larger organization – divisions, subsidiary companies, “European operations”, and functional departments such as marketing, manufacturing, and human resources.	The entire preceding, plus: how does this subsystem view the whole and vice versa? What are the unique demands on this subsystem? Are organization structures and processes related to the major problems confronting this subsystem and its submits? Are the subsystem’s goals compatible with organization goals? Do conflicting role demand and functional identity get in the way of effective subsystem performance? The key issue is “part-whole” relationships and alignment.	If the subsystems are large or widely dispersed, questionnaire survey techniques are recommended. Interviews, observations, and organization record are good sources of information about performance and problems. Interviews of “liaisons” between “part” and “whole” are valuable.

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Small, simple, and relatively homogeneous subsystems	These are typically formal work groups or teams. They may be permanent groups, temporary task forces or newly constituted groups (e.g., the group charge with the “start-up” of a new operation, or the group formed by an acquisition or merger). Examples are the top-management team, managers and key subordinates, task force teams, the workforce in an office, the teachers in a single school.	Questions on culture, climate, attitudes, and feelings are relevant here, plus: what are the major problems of the team? How can team effectiveness be improved? What do people do that gets in the way of others? Are member/leader relations those that are desired? Do individuals know how their jobs relate to group and organizational goals? Are the group’s processes effective? Is good use made of group and individual resources?	Typical methods include the following: individual interviews, followed by a group meeting to review the interview data; questionnaires; observation of staff meetings and other day-to-day operations; and a formal group meeting for self diagnosis.
Interface or inter group subsystems	These consist of subsets of the total system that contain members of two subsystems, such as a matrix organizational structure requiring an individual or a group to have two reporting lines. But members of another subsystem such as production and maintenance overlaps, marketing and production overlaps.	How do each subsystem see the other? What problems do the subsystems get in each other’s way? How can they collaborate to improve the performance of both groups? Are goals, sub goals, areas of authority and responsibility clear? What is the nature of the climate between the groups? What do the members want it to be?	Confrontation meetings between both groups are often the method for data gathering and planning corrective actions. Organization mirroring meetings are used when three or more groups are involved. Interviews of each subsystem followed by a “sharing the data” meeting or observation of interactions can be used. Flowcharting critical processes are useful.
Dyads and/ or triads	Superior/ subordinate pairs, interdependent peers, linking pins – i.e., persons who have multiple group memberships all these are subsystems worthy of analysis.	What is the quality of the relationship? Do the parties have the necessary skills for task accomplishment? Are they collaborative or competitive? Are they effective as a subsystem? Are they supportive of each other?	Separate interviews followed by a meeting of the parties to view any discrepancies in the interview data are often used. Checking their perceptions of each other through confrontation situations may be useful. Observation is an important way to assess the dynamic quality of the interaction.
Individuals	All individual within the organization	Do people perform according to the organization’s expectations? How do they view their place and performance? Do certain kinds of problems typically arise? Do people meet standard and norms of the organization? Do they need particular knowledge, skills, or ability? What career development opportunities do they have/want/need? What pain are they experiencing?	Interviews, information from diagnostic meetings, or problems identified by the human resources department are source of information. Self assessment is another source.

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Roles	A role is a set of behaviors enacted by a person as a result of occupying a certain position within the organization. All persons in the organization have roles requiring certain behaviors: administrative assistants, supervisors, accountants, scientists, custodians, executives, sales representatives.	Should the role behaviors be added or subtracted from, or changed? Is the role defined adequately? What is the “fit” between person and role? Should the role performer be given special skills and knowledge? Is this the right person for this role?	Usually information comes from observations, interviews, role analysis technique, a team approach to “management by objectives”. Career planning activities yield this information as an output.
Communications patterns, styles and flows	Who talks to whom, about what? Who initiates? Is communication two-way or one-way? Is it top-down, down-up, lateral? Does information get to the right place in a timely manner?	Is communication directed upward, downward, laterally? Are communication filtered? Why? How? Do communication patterns “fit” the jobs to be accomplished? What is the “climate” of communications? Is communication open or closed?	Observations, especially in meetings; questionnaires for large organizations; interviews and discussions with group members – all these methods may be used analysis of. videotaped sessions is especially useful.
Goal setting	Setting task objectives and determining criteria to measure accomplishment of the objectives should take place at all organization levels.	Do people set goals? Who participates? Do they possess the necessary skills for effective goal setting? Are they able to set long-range and short-range objectives? Are goals achieved	Questionnaires, interviews, and observation are ways to assess goal-setting ability of individuals and groups within the organization.
Decision making, problem solving and action planning	Evaluating alternatives and choosing a plan of action are integral and central functions for organizations. They include getting the necessary information, establishing priorities, evaluating alternatives, and implementing and alternative.	Who makes decisions? Are they effective? Are all available sources used? Are additional decision-making skills needed? Are additional problem-solving skills needed? Are organization members satisfied with problem-solving and decision-making processes?	Observation of problem-solving meetings at various organizational levels is particularly valuable in diagnosing this process. Analysis of videotaped sessions is useful. Organizational records are valuable sources.
Conflict resolution and management	Conflict-interpersonal and inter group-frequently exists in organizations. Does the organization have effective ways of dealing with conflict?	Where does conflict exist? Who are the involved parties? How is it being managed? What are the system norms for dealing with conflict? Does the reward system promote conflict?	Interviews, third-party observations, and observation meetings are common methods to use.

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Managing interface relations	Interfaces represent this situation where two or more groups (subsystems) face common problems or overlapping responsibility. This is most often seen when two separate groups are interdependently related in achieving an objective but have separate accountability.	What is the nature of the relations between two groups? Are goal clear? Is responsibility clear? What major problems do the two groups face? What structural conditions promote/inhibit effective interface management?	Interviews, third-party observations, and observation of group meetings are common methods for diagnosing these processes.
Superior-subordinate relations	Formal authority in organization requires that some people lead and other follow; these situations are often a source of organizational problems.	What are the prevailing leadership styles? What problems arise between superiors and subordinates?	Questionnaires show overall leadership climate and norms. Interviews and questionnaires reveal desired leadership behaviors.
Technological and engineering systems	All organizations rely on multiple technologies-for production and operations, for information processing, for planning, for marketing, etc., to produce goods and services	Are the technologies adequate for satisfactory performance? What is the state of the art and how does this organization's technology compare with that? Are changes in technology needed?	Generally this area is not within the expertise of the OD consultant. He or she must then seek help from "experts" either inside the organization or outside. Interviews and group discussions focused on technology are among the best ways to determine the adequacy of technological systems. Sometimes outside experts conduct an audit and make recommendations; sometimes inside experts do.
Strategic management and long-range planning Vision/Mission formulation.	Monitoring the environment, adding and deleting "products". Predicting future events, and making decisions that affect the long-term organization to remain competitive and effective. Vision and mission establish the framework for strategy.	Who is responsible for "looking ahead" and for making long-range decisions? Do they have adequate tools and support? Have recent long-range decisions been effective? What is the nature of current and future environmental demands? What are the unique strengths and competencies of the organization? What are the threats to the organization? Is mission clear? Widely shared?	Interviews of key policy makers, group discussions, and examination of historical records give insights to this dimension.
Organizational learning	Learning from past successes and failures, from present "behind spots" and from present 'blind spots' and from all organizational members is essential to remain competitive, vital, and to develop new paradigms.	What are out strengths, problems areas? What observations, ideas, suggestions are available from all organizational members? Does our present behavior square with what we espouse? What are the "learning disabilities" (Senge) of this organization? Are the present paradigms be like? Are we recording our philosophy, our learning's, our progress?	Interviews, questionnaires, group methods of diagnosis; examination of assumptions and culture (Schein) games and exercises to create awareness of organizational learning disabilities; examination of defensive routines (Argyris, senge) visioning, including environment analysis.

Listed in table are central for effective organization functioning and because significant organizational problems often stem from them. Carefully examining the tables gives a good sense of the inner workings of an OD program – its thrusts, emphases, and mechanics.

Those tables are intended as tools for diagnosing organizations, their processes, and their subunits. Continual diagnosis is thus necessary in any planned change effort. Organization development continuously generates system data. Furthermore, in an OD program, although the results of diagnostic activities are important, how the information is collected and what is done with the information is also important. The OD practitioner and the organization members actively collaborate about such issues as what target groups to diagnose, how the diagnosis best accomplished, what processes to analyze, what to do with the information, and how to use the information to aid action planning. Usually information is collected through a variety of methods - interviews, observations, questionnaires, and organization records. Information is treated as the property of those people who generated it, and the data serve as the foundations for planning actions. This format is basically an action research model therefore; the diagnostic and action components are intimately related in organization development.

4.19 OD INTERVENTIONS

OD interventions are set of structured activities in which selected organizational units engage in a sequence of tasks that will lead to organizational improvement. Interventions are actions taken to produce desired changes. Typically, one of four conditions gives rise to the need for OD interventions. First, the organization has a problem: something is “broken”. Corrective actions interventions – are implemented to “fix” the problem. Second, the organization sees an unrealized opportunity; something it wants is beyond its reach. Enabling actions interventions – are developed to seize the opportunity. Third, features of the organization are out of alignment; parts of the organization are working at cross-purposes. Alignment activities – interventions – are developed to get things back “in sync”; fourth, the vision guiding the necessary structures, processes, and culture to support the new vision – interventions – are developed to make the new vision a reality. In summary, interventions are planned sets of action to change situation the organization members want to change. The range of OD interventions is quite extensive.

4.19.1 The Nature of OD Intervention

Planning action, executing actions, and evaluation the consequences of action are integral to organization development. This emphasis on action planning and action taking is a powerful feature of OD and, in some respects, is a distinguishing one. In many traditional educational and training activities, learning and action taking are separated. Knowledge and skills are “Learned” in one setting, say in a classroom and are then taken back to the organization with the learner being admonished to practice what he or she has learned, that is, to take action. Most OD interventions minimize this artificial separation in several ways. First, many intervention activities have two goals: an educational goal and an accomplishing-a-task goal. Second, OD problems-solving interventions tend to focus on real problems central to the organization’s needs. Third, OD interventions use several learning models, not just one

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The dual aspect of OD interventions can be clarified with an illustration. Let us say that the top executives of an organization spend three days in a workshop in which they do the following things: (1) explore the need for a long-range strategic plan for the organization; (2) learn how to formulate such a strategy by analyzing other strategies, determining the strategic variables, being shown a sequence of steps for preparing a comprehensive plan, and so forth; and (3) actually make a three-year strategic plan for the organizations. This intervention combines the dual features of learning and action: the executives learned about strategic planning, and they then generated and strategy. In some OD interventions, the “learning aspect” predominates, and in others, the “action aspect” predominates: but both aspects are present in most interventions. Organization development interventions tend to focus on real problems rather than hypothetical problems. Developing the skills and knowledge to solve real problems as they arise in their “natural state” minimizes the educational problem of “transfer of learning” from one situation to another (although the problem of generalization, that is, knowing the appropriate times and place to apply this particular set of skills and knowledge, is still present).

An additional feature of working on real problems in OD interventions is that the real set of individuals involved in the problem is the group the problem solvers work with. For example, in human relations class, if a manager were having trouble understand and working with minority employees, he or she would perhaps “role play” the situation with the instructor or fellow students. In OD, the manager would probably interact with the minority employees with whom he or she was having difficulties – but would do so in carefully structured activities that have a high probability of learning for both parties and high probability of being a “success experience” for both parties. Action programs in OD are closely linked with explicit goal and objective. Careful attention is given to translating goal into observable, explicit, and measurable actions, and equal care is given to ensuring that actions are relevant to and instrumental for attaining goals. Questions such as the following thus become an integral part of organizational life: how does this action relate to the goal we established? What are the action implications of that goal for me and my group? When we say we want to achieve a certain goal, what do we really mean by that, in measurable terms? Given several alternative forms of action, which one seems most appropriate to achieve the goal we have set?

Diagnosis, action taking, and goal setting are all linked in OD programs. Diagnostic activities precede action programs: that is, fact-finding provides a foundation for action. Actions are continuously evaluated for their contribution to goal accomplishment. Goals are continuously evaluated for whether they are attainable and whether they can be translated into action programs. Organization development is a continuous process of setting goals, collecting data about the status quo, planning and taking actions based on hypotheses and on the data, and evaluating the effects of action through additional data collection.

4.19.2 Analyzing Discrepancies

A useful model for thinking about diagnosis and intervention could be termed discrepancy analysis – examining the discrepancies or gaps between what is happening and what should be happening, and what should be happening, and the discrepancies between where one is and where one wants to be. Discrepancies, therefore, define both problems and goals. Discrepancies require study (diagnosis and planning) and action to eliminate the gaps. We believe that a good part of OD is problem solving, hence, discrepancy analysis. Action research describes an iterative problems-solving process that is essentially discrepancy analysis linked to action taking. Any manager’s primary task is essentially discrepancy analysis the study of problems and opportunities (goals) or the study of the discrepancies between where one is and where one wants to be. Organization development provides technologies for studying and closing gaps. Goals also represent gaps – gaps between where we are and where we want to be. Goal setting is the process of imposing a gap: goal accomplishment is made possible by taking action to close the gap.

Organization development is more than just problem solving and goal seeking, but large part of any OD programs is devoted to these two critical activities. Discrepancy analysis is a fruitful way to conceptualize problems and goals.

4.20 PROGRAMME MANAGEMENT COMPONENT

Just as OD practitioners apply behavioral science principles and practices to improve organizational functioning and individual development, they apply the same principles and practice as they manage OD programs. They attend equally to task and process. They consider system ramification of the program, involve organization members in planning and execution, use an action research mode, create feedback loops to ensure relevance and timeliness, and so forth. Managing the OD program effectively means the difference between success and failure. The aim of this section is to provide guidelines to help ensure success in managing OD programs. Specifically, we examine the phases in OD programs, several change management models, and procedure for creating parallel learning structures.

1. Phases of OD Programs

OD programs follow a logical progression of events. An important part of managing an OD program well is to execute each phase well. Warner Burke describes the following phase of OD programs.

1. Entry
2. Contraction
3. Diagnosis
4. Feedback
5. Planning change

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6. Intervention

7. Evaluation

Entry represents the initial contact between consultant and client; exploring the situation that led the client to seek a consultant; and determining whether the problem or opportunity, the client, and the consultant constitute a good match. Contracting involves establishing mutual expectations; reaching agreement on expenditures of time, money, resource, and energy; and generally clarifying what each party expects to get from the other and give to the other. Diagnosis is the fact-finding phase, which produces a picture of the situation through interviews, observations, questionnaires, examination of organization documents and information, and the like. The diagnostic phase has two steps gathering information and analyzing it. Feedback represents returning the analyzed information to the client system; the clients owning the data, their picture of the situation, clarification, and accuracy; and the client owning the data, their picture of the situation, and their problems and opportunities. Planning change involves the clients deciding what action steps to take based on the information they have just learned. Alternative possibilities are explored and critiqued: plans for action are selected and developed. Intervention implements sets off actions designed to correct the problems or seize the opportunities. Evaluation represents assessing the effects of the program Evaluation represents assessing the effects of the program: was it successful? What changes occurred? What were the causal mechanisms? Are we satisfied with the results?

These phases are straightforward and logical in description, but in practice they often overlap a great deal and look more like an evolving process than a linear progression. The most important point is that each phase builds the foundation for subsequent phases; therefore, each phase must be executed with care and precision. For example, if expectations are not clear in the contracting phase, this mismatch will surface later in unmet expectation and dissatisfaction. Or, if the analysis of the data during the diagnosis phase is incorrect, interventions may not be appropriate.

4.21. A MODEL FOR MANAGING CHANGE

Another way to think about managing OD programs is to ask the question; what are the key ingredients in successful change efforts? Cummings and Worley identify five sets for activities required for effective change management: (1) motivating change, (2) creating a vision, (3) developing political support, (4) managing the transition, and (5) sustaining momentum.

The first step is getting people to want to change, to believe change is necessary, and to commit to abandoning the status quo for an uncertain future. Cummings and Worley suggest three methods for creating readiness to change; sensitize people about the pressure for change, that is, why change must occur: show discrepancies between the current

(undesirable) state of affairs and the future (more desirable) state of affairs: and communicate positive, realistic expectations for the advantages of the change. One of the greatest motivators for change is pain – things aren't working, profits and market share are dropping, survival is in doubt – these conditions increase readiness for change.

Creating a vision provides a picture of the future and shows how individuals and groups will fit into that future. Well-defined visions reduce uncertainty, serve as goal to energize behavior, show that the future will be beneficial, and demonstrate that the future is attainable. The mission, values, and condition provide tangible goals to which organization members can direct their energies.

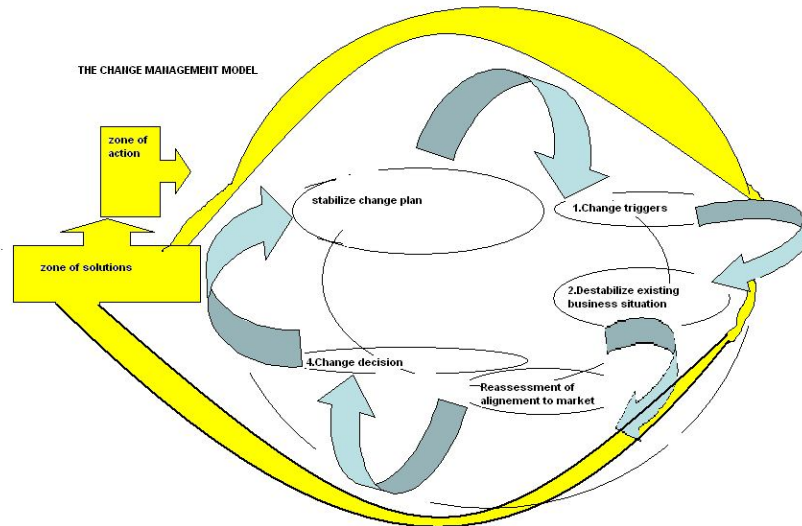
Developing political support is critical in successful change efforts. Powerful individuals and groups must be convinced that the change is good for them or at least will not significantly harm them, or else they will resist and even sabotage the effort. Cummings and Worley suggest that the practitioner assess his or her own power in the situation, identify the key player whose support is required for success, and persuade those key player that the change will have benefits for them.

Activities related to managing the transition are also extremely important. Richard Beckhard and Reuben Harris address this topic in their book, "Organizational transitions: Managing Complex Change". Beckhard and Harris propose that change efforts move through three states: the current, the transition state, and desired future state, and they suggest three set of activities for managing the transition state. "Activity planning" involves specifying the sequence of activities, events, and milestones that must occur during the transition. This plan serves as a road map for the organization members and as a checklist for measuring progress. "Commitment Planning" involves getting the support and commitment from key players in the organization whose leadership, resource, and energy are needed to make the transition succeed. "Management Structures" involve setting up parallel learning structures to initiate, lead, monitor, and facilitate the change.

1. The Change Management Handbook Model

The concepts of continuous process and alignment and the four levers – strategy, operations, culture, and reward – look familiar. The two new ideas are (1) aligning an organization with its marketplace, and (2) doing it more responsively and effectively than competitors. Earlier in this chapter we said OD practitioners help organization leader's work on their major concerns. What are the major concerns of most leaders to day? Aligning their organizations with the marketplace, and doing much faster and better than competitors! This concept is called "time-based competition" – getting products and services to customers before the competition.

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The model depicts the elements involved in a change situation. The inner circle shows a sequence of actions, beginning with a change trigger that destabilizes the business. This requires a reassessment of the market situation leading to a decision to change followed by actions to restabilize the situation. Change triggers are opportunities or threats, usually from the environment, that negatively impact the company's market position and customer base. Competitors developing new products, services, or cost saving methods are examples of change triggers. Changing customer wants, like smaller fuel-efficient cars or personal computers, are examples of change triggers. The important point is that a change trigger threatens (destabilizes) the company's ability to compete and the company must take actions (change) to right the situation.

The outer circle represents how the company's people respond to the change trigger: how long do they stay in the zone of self-deception (denying the existence of a problem) before they move to the zone of resolution (deciding that changes must be made) and the zone of action (making needed changes)? Staying in the zone of self-deception too long can be dangerous, as the American automobile companies and IBM discovered. The change trigger and zone of self-deception are important concepts to keep in mind when managing change programs.

- The company must accept the fact that change is going to happen and recur frequently.
- A system must be put in place for early detection of change triggers – generally defined as the threats or opportunities that can destabilize an existing business situation. These triggers usually occur in the competitive market or the customer base, but can also be generated internally. In any event, they are so powerful that they necessitate a new way of doing things.
- The system must not allow the company to take an “it can't happen to us” attitude. This is what we call the zone of self-deception that can follow discovery of the change trigger. IBM, GM, Sears, and other companies spent too much time in the zone of self-deception and are paying the price.

- Once the triggers are spotted, the company must have a definite competitive program for combating them or taking advantage of them – ultimately oriented toward the way customer are served.
- Whatever changes within the company are adopted, they must be executed so that four key levers – strategy, operations, cultures, and compensation – are totally in alignment and entire organization is aligned with the competitive market and customer base. A change in one primary internal element is always accompanied by changes in one or more of the others.
- Because change, whether good or bad, often is resisted in an organization, each company should have a sufficient number of critically placed people, know as change agents, who will spot the significant change and get the whole outfit to move on it.
- The board of directors must be actively involved in the change process. The chairman and the board's members must be considered change agents.
- The CEO must be a change agent in style, skill, and temperament, often taking the role of chief alignment officer. Only as chief alignment officer and the CEO significantly add value to his or her organization.
- As management becomes more ingrained at more companies, U.S. firms should ultimately adopt the European governance style under which chair people of the boards are not chief executive officers because there is an inherent conflict of interest in the dual roles.
- None of the above measure will work unless the company has taken a blood oath from the board on down – that the market and customer service rule the roost.

We believe the ideas are invaluable and that change is the greatest challenge leader's face today. Therefore, it is more important than ever that people be competition in OD theory and practice.

2. Some Pitfalls and How to Avoid Them

Successful organizational change requires knowledge, skill, a little bit of luck, and the ability to avoid mistakes. John Kotter, a professor at Harvard Business School, studies more than 100 companies engaged in planned change programs and identified eight mistakes that caused many programs to falter and/or fail. Fortunately, his studies also revealed how to avoid these pitfalls. He lists the following: (1) not establishing a great enough sense of urgency: (2) not creating a powerful enough guiding coalition: (3) lacking a vision: (4) under communicating the vision by a factor of ten (5) not removing obstacles to the new vision (6) not systematically planning for and creating short-term wins: (7) declaring victory too soon: and (8) not anchoring changes in the corporation's cultures.

According to Kotter, change processes unfold in a series of phases (in the order listed above) in which each phase establishes a foundation for the next phase. Failing to

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resolve the major challenges of each phase is a mistake that can damage, delay, or destroy the change effort.

Table 4.2 Eight steps for Successful Organizational Transformation

Eight steps to transforming your Organization

1. Establishing a sense of urgency
 - examining market and competitive realities
 - identifying and discussing crises, potential crises, or major opportunities
2. Forming a powerful guiding coalition
 - assembling a group with enough power to lead the change effort
 - encouraging the group to work together as a team
3. Creating a vision
 - Creating a vision to help direct the change effort
 - Developing strategies for achieving that vision
 - Communicating the vision
 - Using every vehicle possible to communicate the new vision and strategies.
 - Teaching new behaviors by the example of the guiding coalition
4. Empowering others to act on the vision
 - Getting rid of obstacle to change
 - Changing systems or structures that seriously undermine the vision
 - Encouraging risk taking and nontraditional ideas, activities, and actions
5. Planning for creating short-term wins
 - Planning for visible performance improvements
 - Creating those improvements
 - Recognizing and rewarding employees involved in the improvements
6. Consolidating improvements and producing still more change
 - Using increased credibility to change systems, structures, and policies that don't fit the vision
 - Hiring, promoting, and developing employees who can implement the vision
 - Reinvigorating the process with new projects, themes, and change agents.
7. Institutionalizing new approaches
 - Articulating the connections between the new behaviors and corporate success.
 - Developing the means to ensure leadership development and succession.

3. Summary of Program Management Issues

These ideas about managing OD programs describe some of the important factors OD practitioners take into account as they implement change efforts. Program management is complex, dynamic, difficult, and great fun. The challenges are many, but the sense of accomplishment is great for practitioners, leaders, and organization members alike as successes build upon successes and the organization realizes its goals.

Table 4.3 The Generic Parallel Learning Structure Intervention Process

<p>Phase 1; Initial Definition of Purpose and Scope</p> <p>Phase 2; Formatting of steering Committee</p> <ul style="list-style-type: none"> • Reexamining the need for change • Creating a vision statement • Defining boundaries, strategies, expectations, and rewards <p>Phase 3: Communicating to Organizing Members.</p> <p>Phase 4: Formation and Development of Study Groups</p> <ul style="list-style-type: none"> • Selecting and developing internal facilitators • Selecting study group members • Study group development • Establishing working procedures and norms <p>Phase 5: The Inquiry Process</p> <p>Phase 6: Identifying Potential Changes</p> <p>Phase 7: Experimental Implementation for Proposed Changes</p> <p>Phase 8: System wide Diffusion and Evaluation</p>
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Three components – diagnosis, intervention, and program management – critical to all organization development programs have been explored in this chapter. Each is important in its own right: all are vital to success. The more people learn about these three components, the more effective they will become in their organizational improvement efforts. Organization development is a complex blend of art, science, and craft gained through the study and mastery of these three components.

4.22 ACTION RESEARCH AND ORGANIZATIONAL DEVELOPMENT

Action research attempts to meet the dual goals of making action more effective and building a body of scientific knowledge around that action. Action in this context refers to programs and interventions designed to solve problems and improve conditions. Kurt Lewin, as a consummate applied social scientist and motivated by an interest in eradicating the problems of society, proposed action research as a new methodology for behavioral science. Lewin, believed that research on action programs, especially social change programs,

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was imperative if progress were to be made in solving social problems. Action research, he thought, would address several needs simultaneously: the pressing need for greater knowledge about the causes and dynamics of social ills; the need to understand the laws of social change: the need for greater collaboration and joint inquiry between scientist and practitioners: the need for “richer” data about real-world problems: the need to discover workable, practical solutions to problems: and the need to discover general laws explaining complex social phenomena.

Action research is a cornerstone of organization development, underlying both the theory and practice of the field. In this chapter, we first examine action research from two perspectives, as a process and as a problem-solving approach. Next, we explore the history and varieties of action research. Finally, we give examples of action research in OD.

4.23 AN OVERVIEW OF OD INTERVENTIONS

Work gets done in organization development when organization leaders and members systematically address problem and opportunities, usually guided by an OD practitioner. Practitioners have created an array of intervention to help organization members address specific problems effectively. Interventions such as team building, survey feedback, role analysis, and inter group conflict resolution were developed during the early years of organization development. Interventions such as quality of work life (QWL), work redesign using sociotechnical systems theory (STS), collateral organization (also known as parallel learning structures), and strategic planning methods were developed as the field continued to evolve. Today we have interventions aimed at developing self-directed teams. High-performance work systems, and self designing organization, as well as large-scale systems change models to help organization adapt and survive. OD interventions address a wide range of specific problems and opportunities. But OD is much more than just reaching into the “kit bag” and executing an intervention. OD is complete strategy for change that encompasses theory, practice methods, and values, interventions are just one component of the OD formula.

Knowing the OD interventions and the rationale for their use shows you how change takes place in OD programs because interventions are the vehicle for causing change. OD interventions are sets of structured activities in which selected organization units (target groups or individuals) engage in a task or a sequence of task with the goal of organizational improvement and individual development. Interventions constitute the action thrust of organization development. The OD practitioners, a professional versed in the theory and practice of OD, brings four sets of attributes to the organizational setting; to the organizational setting; a set of values: a set of assumptions about people, organization, and interpersonal relationships; a set of goal for the practitioner and organization the its members: and a set of structured activities that are the means for achieving the values assumptions, and goals.

These activities are denoted by the word interventions. The following points help practitioner's structure activities in "better" ways:

1. Structure the activity to include the relevant people, the people affected by the problems or the opportunity. For example, if the goal is improved team effectiveness, have the whole team engage in the activities. If the goal is improved relations between two separate work groups, have both work groups present. If the goal is to build linkages with some special group, say, the industrial relations people, have them there along with the people from the home group, if the goal is better customer service, include customers in the activity, preplanning the group composition is necessary for properly structuring the activity.
2. Structure the activity so that it is (a) problem oriented or opportunity oriented and (b) oriented to the problems and opportunity oriented and (b) oriented to the problems and opportunities generated by the clients themselves. Solving problems and capitalizing on opportunities are involving, interesting, and enjoyable tasks for most people, whether due to a desire for competence or mastery (as suggested by White), or a desire to achieve (as suggested by McClelland), especially when the issues have been defined by the client. When clients are solving issues that they have highest priority, the activity has built-in support and a high payoff.
3. Structure the activity so that the goal is clear and the way to reach the goal is clear. Few things are as demotivating as not knowing what one is working toward and not knowing how what one is doing contributes to goal attainment. Both these points are part of structuring the activity properly.
4. Structure the activity to ensure a high probability of success. Implicit in these points is the warning that the practitioners' and clients' expectations should be realistic. But more than that, manageable, attainable objectives once achieved produce feelings of success, competence, and potency for the people involved. This sense of achievement, in turn, raises aspiration levels and feelings of self-and-group-worth. The task can still be hard, complicated, taxing – but it should be attainable. And if participants fail to accomplish the goal, the reasons should be examined so this can be avoided in the future.
5. Structure the activity so that it contains both experience-based learning and conceptual learning. New learning's gained through experience become a permanent part of individual's repertoire when augmented with conceptual material that puts the experience into a broader framework of theory and behavior. Relating the experience to conceptual models and other experiences helps the learning become integrated of the individual.
6. Structure the climate of the activity so that individuals are "freed up" rather than anxious or defensive. That is, set the climate of interventions so that people expect "to learn together" and "to look at practices in an experimenting way so that we can build better procedures."
7. Structure the activity so that the participants learn both how to solve a particular problem and "learn how to learn". Such structure often means scheduling time

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for reflecting on the activity and teasing out learning's: it may mean devoting as much as half the activity to one focus and half to the other.

8. Structure the activity so that individuals learn about both task and process, the task is what the group is working on, that is, the stated agenda items. The term process refers to how the group is working and what else is going on as participants work on the task. Including the group's processes and dynamics, individual styles of interacting and behaving, and so on learning to be skill in both of these areas is a powerful asset.
9. Structure the activity so that individuals are engaged as whole persons, not segmented persons, it means calling in to pay role demands, toughs, beliefs, feeling, and striving, integrating disparate parts of individuals in a n organization world that commonly divides roles, feeling, and thoughts enhances the individual's ability to learn and grow .

These points developed from practice theory, causes interventions to be more effective. A third set of considerations concern choosing and sequencing intervention activities. Michael Beer suggests the following guidelines. These decision rules help a change agent focus on the relevant issues in making decisions about how to integrate a variety of interventions. They are rules of managing and implementation of processes.

1. Maximize diagnostics data. In general, interventions that will provide data needed to make subsequent intervention decisions should come first. This is particularly true when change agents do not know much about the situation. Violation of this rule can lead to choosing inappropriate interventions.
2. Maximize effectiveness. Interventions should be sequence so that early interventions enhance eth effectiveness of subsequent interventions. Or example interventions that develop readiness, motivation, knowledge, or skills required by other interventions should come first. Violation of the rules can result in interventions that do not achieve their objectives, regression, and need to start a new sequence of interventions.
3. Maximize efficiency, interventions should be sequenced to conserve organizational resources such as time, energy, and money violation of this rule will result in overlapping interventions or in interventions that are not needed by certain people of parts of the organization.
4. Maximize speed; interventions should be sequenced to maximize the speed with which ultimate organizational improvement is attained. Violation of this rule occurs when progress is slower than is necessary to conform to all the other rules.
5. Maximize relevance, interventions that management sees as most relevant to immediate problems should come first. In general, this means interventions that will have an impact on other organization's performance of task come before interventions that will have an impact on individuals or culture. Violation of this sure will result in loss of motivation to continue with organization development.

6. Minimize psychological and organizations strain. A sequence of interventions should be chosen that is least likely to created dysfunctional effects such as anxiety, insecurity, distrust, dashed expectations, psychological damage to people, and unanticipated and unwanted effects on organizational performance. Violating this rule will lower people's sense of competence and confidence and their commitment to organizational improvements. Paying attention to these guideline helps ensure success. Disregard of these rules has caused many an OD program to flounder.

Different interventions have different dynamics; they do different things because they are based on different causal mechanism. Its important to know the underlying casual mechanisms of interventions to ensure the intervention fits the desired outcomes. Robert Blake and Janne Mouton identified the following types of interventions based on the underlying casual mechanisms.

1. Discrepancy intervention, which calls attention to a contradiction in action or attitudes that then leads to exploration.
2. Theory intervention, where behavioral science knowledge and they are used to explain present behavior and assumptions underlying the behavior.
3. Procedural intervention, which represents a critiquing of how something is being done to determine whether the best methods are being used.
4. Relationship intervention, which focuses attention on interpersonal relationships (particularly those where there are strong negative feeling) and surfaces the issues for exploration and possible resolution.
5. Experimentation intervention, in which two different actions are tested for their consequences before a final decision on one is made.
6. Dilemma intervention, in which an imposed or emergent dilemma is used to force close examination of the possible choices involve and the assumptions underlying them.
7. Perspective intervention, which draws attention away from immediate actions and demands and allows a look at historical background. Context and future objective in order to assess whether or no the actions are "still on target."
8. Organization structure intervention, which calls for examination and evaluation of structural causes for organizational ineffectiveness.
9. Cultural intervention, which examine traditions, precedents, and practices – the fabric of the organization's culture –focused approach.

These different kinds of interventions provide a range of ways for the OD practitioner to intervene in the client system; they also explain the underlying dynamics of interventions. The following list show some of the result one can expect from OD interventions.

1. Feedback: It refers to learning new data about oneself, others, group processes, or organizational dynamic – data that one did not previously take active account of and that reflects an objective picture of the real world. Awareness of this new information my lead to change if the feedback is not too threatening. Feedback is prominent in

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interventions such as process consultations, organization mirroring, sensitivity training, coaching and counseling, and survey feedback.

2. Awareness of Changing Sociocultural Norms of Dysfunctional Current Norms. Often people modify their behavior, attitudes, and value when they become aware for changes in norms influencing their behavior. This awareness has change potential because the individual will adjust his or her behavior to bring it in line with the new norms. One's awareness that "this is anew ball game" or that "we're now playing with a new set of rules" causes changes in individual behavior. Also, awareness of dysfunctional current norms serves as an incentive to change. When people sense a discrepancy between the outcome their present norms are causing and the out comers they want, they are led to change, the casual mechanism probably operates in team building, inter group team – building activities, culture analysis, Grid OD, and sociotechnical systems programs

4.24 CONCLUSION

This overview of OD interventions – the action component of organization development – presents some of the thinking that goes into planning and implementing OD intervention. Leaders and practitioners are encouraged to learn the full range of interventions so that change effort will be relevant, timely, properly structured, and ultimately successful.

QUESTIONS

1. How can organization manage the dilemma of needing both stability and change?
Discuss
2. What are the various types of change? Under what circumstances would each change be desirable?
3. Why do organizations experience resistance to change? What steps can organization take to overcome this resistance?
4. How do the underling values of organization development compare to the values underlying other types of change?
5. Describe in detail the various characteristics of change agent.

SUMMARY

KEY TERMS

Organisational Charge

Survey feed back

Quick fix

System Theory

UNIT V

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ORGANISATION EVOLUTION AND SUSTENANCE

CHAPTER OBJECTIVE

- The purpose of this chapter is to explore the importance of decision making in organization.
- To understand various approaches involved in decision making
- To understand the relationship between creativity, innovation and entrepreneurship
- To understand the various stages of organization life cycle development

5.1 DECISION-MAKING PROCESS

Every organization grows, or fails as a result of decisions taken by its, managers, and decisions can be risky and uncertain, without any guarantee of success. Decision making must be done amidst constantly changing factors, unclear information, and conflicting points of view. Intel Corporation, the leading supplier of microprocessors in the computer industry, was propelled to its current dominance by a decision its then-CEO Andrew Grove made in the 1980s. Over the strong objections of other executives, groves decided to take Intel out of the DRAM memory-chip business- a technology Intel had invented-and focus relentlessly on microprocessors. The decision proves to be a boon to the company, but the outcome was certainly not clear in 1985.

Many organizational decisions are complete failures. For example, McDonald's Arch deluxe sandwich, introduced at a cost of \$100 million, was axed from the menu after only a few years. Toy makers Mattel and Hasbro both passed on the Ninja Turtles idea in the late 1980s, and the action figures went on to make billions. The decision by previous Toys "R" Us executives to cling to their 1970s-format stores enabled Wal-Mart to the overtake the company as the biggest U.S. toy retailer and gave online rivals such as eToys a head start in selling toys over the internet.

Managers also make many successful decisions every day. Mickey Drexler decided to launch old navy, a new kind of discount store, when sales and profit slowed at his Gap stores, and it was an instant success. In less than three years Gap opened 282 Old navy

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stores and sales hit \$1 billion. Nokia became a \$10 billion leader in the cellular phone and electronics industry because managers at the Finnish company decided to see off unrelated businesses such as paper, tires, and aluminum and concentrate the company's energy and resources on electronics. Richard Branson, founder of Virgin airlines, created a whole new retail category when he opened Virgin Bride, a bridal superstore that handles every aspect of wedding planning, from the invitations to the dress and wedding cake.

5.2 ORGANIZATIONAL DECISION MAKING STAGES

Decision making is a process of identifying and solving problems. The process contains two major stages. In the **problem identification stage**, information about environmental and organizational conditions is monitored to determine if performance is satisfactory and to diagnose the cause of shortcomings. The **problem solution** stage is when alternative courses of action are considered and one alternative is selected and implemented.

5.3 TYPES OF DECISIONS

Organizational decisions vary in complexity and can be categorized as programmed or non programmed. **Programmed decisions** are repetitive and well defined, and procedures exist for resolving the problem. They are well structured because criteria of performance are normally clear, good information is available about performance, alternatives are easily specified, and there is relative certainty that the chosen alternative will be successful. Examples of programmed decisions include decision rules, such as when to replace an office copy machine, when to reimburse managers for travel expenses, or whether an applicant has sufficient qualifications for an assembly-line job. Many companies adopt rules based on experience with programmed decisions. For example, general pricing rules in the restaurant industry are that food is marked up three times direct cost, beer four times, and liquor six times. A rule for large hotels staffing banquets is to allow one server per thirty guests for a sit-down function one server per forty guests for a buffet.

Non programmed decisions are novel and poorly defined, and procedure exists for solving the problem. They are used when an organization has not seen a problem before and may not know how to respond. Clear-cut decision criteria do not exist. Alternatives are fuzzy. There is uncertainty about whether a proposed solution will solve the problem. Typically, few alternatives can be developed for a non programmed decision, so a single solution is custom-tailored to the problem.

Many non programmed decisions involve strategic planning, because uncertainty is great and decisions are complex. For example, when he first began his job as CEO of Continental Airlines, Gordon M. Bethune decided to ground forty-one planes, cut more than 4200 jobs, and abolishes cut-rate fares as part of his strategy to make the ailing airline profitable again. Bethune and other top managers had to analyze complex problems, evaluate alternatives, and make a choice about how to pull Continental out of its slump? These and

other decisions have proved to be right on target, as Continental has enjoyed renewed profitability and a vastly improved service record.

Particularly complex non programmed decisions have been referred to as “wicked” decisions, because simply defining the problem can into a major task. Wicked problems are associated with manager conflicts over objectives and alternatives, rapidly changing circumstances, and unclear linkages among decision elements. Managers dealing with a wicked decision may hit on a solution that merely proves they failed to correctly define the problem to begin with.

5.4 INDIVIDUAL DECISION MAKING

Individual decision making by managers can be described in two ways. First is the rational approach, which suggests how managers should try to make decisions. Second is the bounded rationality perspective, which describes how decisions actually have to be made under severe time and resource constraints. The rational approach is an ideal manager may work toward but never reach.

5.4.1 Rational Approach

The rational approach to individual decision making stresses the need for systematic analysis of a problem followed by choice and implementation in a logical step-by-step sequence. The rational approach was developed to guide individual decision making because many managers were observed to be unsystematic and arbitrary in their approach to organizational decisions. Although the rational model is an “ideal” not fully achievable in the real world of uncertainty, complexity, and rapid change, the model does help managers think about decisions whenever possible. When managers have a deep understanding of the rational decision-making process, it can help them make better decisions even when there is a lack of clear information. The authors of a recent book on decision making use the example of the U.S. Marines, who have a reputation for handling complex problems quickly and decisively. However, the marines are trained to quickly go through a series of mental routines that help them analyze the situation and take action.

According to the rational approach, decision making can be broken down into eight steps.

- 1. Monitor the decision environment.** In the first step, a manager monitors internal and external information that will indicate deviations from planned or acceptable behavior. He or she talks to colleagues and reviews financial statements, performance evaluations, industry indices, competitors’ activities, and so forth. For example, during the pressure-packed five-week Christmas season, Linda Koslow, general manager of Marshall Fields’s Oakbrook, Illinois, store, checks out competitors around the mall, eyeing whether they are making down merchandise. She also scans printouts of her store’s previous day’s sales to learn what is or is not moving.

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2. **Define the decision problem.** The manager responds to deviation by identifying essential details of the problem: where, when, who was involved, who was affected, and how current activities are influenced. For Koslow, this means defining whether store profits are low because overall sales are less than expected or because certain lines of merchandise are not moving as expected.
3. **Specify decision objectives.** The manager determines what performance outcomes should be achieved by a decision.
4. **Diagnose the problem.** In this step, the manager digs below the surface to analyze the cause of the problem. Additional data may be gathered to facilitate the diagnosis. Understanding the cause enables appropriate treatment. For Koslow at Marshall Fields, the cause of slow sales may be competitors' marking down of merchandise or Marshall Field's failure to display hot-selling items in a visible location.
5. **Develop alternative solutions.** Before a manager can move ahead with a decisive action plan, he or she must have a clear understanding of the various options available to achieve desired objectives. The manager may seek ideas and suggestions from other people. Koslow's alternatives for increasing profits could include buying fresh merchandise, running a sale, or reducing the number of employees.
6. **Evaluate alternatives.** This step may involve the use of statistical techniques or personal experience to assess the probability that it will reach the desired objectives.
7. **Choose the best alternative.** This step is the core of the decision process. The manager uses his or her analysis of the problem, objectives, and alternatives to select a single alternative that has the best chance for success. At Marshall Fields, Koslow may choose to reduce the number of staff as a way to meet the profit goals rather than increase advertising or markdowns.
8. **Implement the chosen alternative.** Finally the manager uses managerial, administrative, and persuasive abilities and gives directions to ensure that the decision is carried out. For Linda Koslow, the decision cycle is a continuous process, with new decisions made daily based on monitoring of the environment for problem and opportunities.

The first four steps in this sequence are the problem identification stage, and the next four steps are the problem solution stage of decision making. All eight steps normally appear in a manager's decision, although each step may not be a distinct element. Managers may know from experience exactly what to do in a situation, so one or more steps will be minimized.

The rational approach works best for programmed decisions, when problems, objectives, and alternatives are clearly defined and the decision maker has time for an

orderly, thoughtful process. When decisions are non programmed, ill defined, and piling on top of one another, the individual manager should still try to use the steps in the rational approach, but he or she often will have to take short cuts by relying on intuition and experience. Deviations from the rational approach are explained by the bounded rationality perspective.

5.4.2 Bounded Rationality Perspective

The point of the rational approach is that managers should try to use systematic procedures to arrive at good decisions. When organizations are facing little competition and are dealing with well-understood issues, managers generally use rational procedures to make decisions. Yet researches into managerial decision making shows managers often are unable to follow an ideal procedure. In today's competitive environment, decisions often must be made very quickly. Time pressure, a large number of internal and external factors affecting a decision, and the ill-defined nature of many problems make systematic analysis virtually impossible. Managers have only so much time and mental capacity and, hence, cannot evaluate every goal, problem, and alternative. The attempt to be rational is bounded (limited) by the enormous complexity of many problems.

The bounded rationality perspective is often associated with intuitive decision process. In **intuitive decision making**, experience and judgment rather than sequential logic or explicit reasoning are used to make decisions. Intuition is not arbitrary or irrational because it is based on years or practice and hands- on experience, often stored in the subconscious. When managers use their intuition based on long experience with organizational issues, they more rapidly perceive and understand problems, and they develop a gut feeling or hunch about which alternative will solve a problem, speeding the decision-making process. Indeed, many universities are offering courses in creativity and intuition so business students can learn to understand and rely on these processes.

In a situation of great complexity or ambiguity, previous experience and judgment are needed to incorporate intangible elements at both the problem identification and problem solution stages. A study of manager problem finding showed that thirty of thirty-three problems were ambiguous and ill defined. Bits and scraps of unrelated information from informal sources resulted in a pattern in the manager's mind. The manager could not "prove" a problem existed but knew intuitively that a certain area needed attention. A too simple view of a complex problem is often associated with decision failure, and research shows managers are more likely to respond intuitively to a perceived threat to the organization than to an opportunity.

Organizations are composed of managers who make decisions using both rational and intuitive processes; but organization-level decisions are not usually made by a single manager. Many organizational decisions involve many departments, multiple viewpoints, and even other organizations, which are beyond the scope of and individual manager.

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The process by which decisions are made are influenced by a number of factors, particularly the organization's own internal structures as well as the degree or stability or instability of the external environment. Research into organization-level decision making has identified four types of organizational decision-making process; the management science approach, the Carnegie model, the incremental decision process model, and the garbage can model.

5.4.3 Management Science Approach

The **management science approach** to organizational decision making is the analog to the rational approach by individual managers. Management science came into being during World War II. At that time, mathematical and statistical techniques were applied to urgent, large-scale military problems that were beyond the ability of individual decision makers. Mathematicians, physicians and operations researchers used systems analysis to develop artillery trajectories, antisubmarine strategies, and bombing strategies such as salving (discharging multiple shells simultaneously). Consider the problem of a battleship trying to sink an enemy ship several miles away. The calculation for aiming the battleship's guns should consider distance, wind speed, shell size, speed and direction of ships, pitch and roll of the firing ship, and curvature of the earth. Methods for performing such calculations using trial and error and intuition are not accurate, take for too long, and may never achieve success.

This is where management science came in. Analysts were able to identify the relevant variables involved in aiming a ship's guns and could model them with the use of mathematical equations. Distance, speed, pitch, roll, shell size and so on could be calculated and entered into the equations. The answer was immediate, and the guns could begin firing. Factors such as pitch and roll were soon measured mechanically and fed directly into the targeting mechanism. Today the human element is completely removed from the targeting process. Radar picks up the target, and the entire sequence is computed automatically.

Management science yielded astonishing success for many military problems. This approach to decision making diffused into corporations and business schools, where techniques were studied and elaborated. Today, many corporations have assigned departments to use these techniques. The computer department develops quantitative data for analysis. Operations research departments use mathematical models to quantify relevant variables and develop a quantitative representation of alternative solutions and the probability of each one solving the problem. These departments also use such devices as linear programming, Bayesian statistics, PERT charts and computer simulations.

Management science is an excellent device for organizational decision making when problems are analyzable and the variables can be identified and measured. Mathematical models can contain a thousand or more variables, each one relevant in some way to the ultimate outcome. Management science techniques have been used to correctly solve

problems as diverse as finding the right spot for a church camp, test marketing the first of a new family of products, drilling for oil, and radically altering the distribution of telecommunications services. Other problems amenable to management science techniques are the scheduling of airline employees, ambulance technicians, telephone operators, and turnpike toll collectors.

Management science can accurately and quickly solve problems that have too many explicit variables for human processing. This system is at its best when applied to problems that are analyzable, are measurable, and can be structured in a logical way. Increasingly, sophisticated computer technology and software programs are allowing the expansion of management science to cover a broader range of problems than ever before. For example, GE Capital Mortgage Insurance Company used management science techniques to improve the decision making of loss management representatives, who have to decide whether the company can “cure” loans for customers who have stopped making payments or whether it will have to recommend foreclosure on the loan. By creating sophisticated decision-making software program called Loss Mitigation Optimizer that analyzes and measures relevant variables, GE Capital Mortgage Insurance improved its cure rates from 30 percent of cases to more than 50 percent, while representatives were taking 30 to 50 percent less time per deal. Savings jumped dramatically, to about \$8,000 per case, resulting in a savings of \$115 million in net income over an eighteen-month period.

Management science has also produced many failures. In recent years, many banks have begun using computerized scoring systems to rate those applying for credit, but some argue that human judgment is needed to account for extenuating circumstances. In one case, a member of the Federal Reserve Board, the agency that sets interest rates and regulates banks, was denied a Toys “R” Us credit card based on his computerized score. One problem with the management science approach is that quantitative data are not rich. Informal cues that indicate the existence of problems have to be sensed on a more personal basis by managers. The most sophisticated mathematical analysis is of no value if the important factors cannot be quantified and included in the model. Such things as competitor reactions, consumer “tastes”, and product “warmth” are quantitative dimensions. In these situations, the role of management science is to supplement manager decision making. Quantitative results can be given to managers for discussion and interpretation along with their informal opinions, judgment and intuition. The final decision can include qualitative factors as well as quantitative calculations.

5.4.4 Carnegie Model

The Carnegie model of organizational decision making is based on the work of Richard Cyert, James March, and Herbert Simon, who were all associated with Carnegie-Mellon University. Their research helped formulate the bounded rationality approach to individual decision making as well as provide new insights about organizations decisions. Until their

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work, research in economics assumed that business firms made decisions as a single entity, as if all relevant information were funneled to the top decision maker for a choice. Research by Carnegie group indicated that organization-level decisions involved many managers and that a final choice was based on a coalition among several managers who agree about organizational goals and problem priorities. It could include managers from line departments, staff specialists, and even external groups, such as powerful customers, bankers, or union representatives.

Management coalitions are needed during decision making for two reasons. First, organizational goals are often ambiguous, and operative goals of departments are often inconsistent. When goals are ambiguous and inconsistent, managers disagree about problem priorities. They must bargain about problem and build a coalition around the question of which problems solve.

The second reason for coalitions is that individual managers intend to be rational but function with human cognitive limitations and other constraints, as described earlier. Managers do not have the time, resources, or mental capacity to identify all dimensions and to process all information relevant to a decision. These limitations lead to coalition-building behaviors. Managers talk to each other and exchange points of view to gather information and reduce ambiguity. People who have relevant information or a stake in a decision outcome are consulted. Building a coalition will lead to a decision that is supported by interested parties.

The process of coalition formation has several implications for organizational decision behavior. First, decisions are made to satisfice rather than to optimize problem solution. **Satisfying** means organizations accept a “satisfactory” rather than a maximum level of performance, enabling them to achieve several goals simultaneously. In decision making, the coalition will accept a solution that is perceived as satisfactory to all coalition members. Second, managers are concerned with immediate problems and short-run solutions. They engage in what Cyert and March called problematic search.

Problematic search means managers look around in the immediate environment for a solution to quickly resolve a problem. Managers don't expect a perfect solution when the situation is ill defined and conflict-laden. This contrast with the management science approach, which assumes that analysis, can uncover every reasonable alternative. The Carnegie model says search behavior is just sufficient to produce a satisfactory solution and that emerges. Third, discussion and bargaining are especially important in the problems, action will not be taken. The decision process described in the Carnegie model is summarized in exhibit given below.

The Carnegie model points out that building agreement through a managerial coalition is a major part of organizational decision making. This especially true at upper management levels. Discussions and bargaining are time consuming, so search procedures are usually

simple and the selected alternative satisfies rather than optimizes problem solution. When problems are programmed- are clear and have been seen before- the organization will rely on previous procedures and routines. Rules and procedures prevent the need for renewed coalition formation and political bargaining. Non programmed decisions however require bargaining and conflict resolutions.

5.4.5 Incremental Decision Process Model

Henry Mintzberg and his associates at McGill University in Montreal approached organizational decisions made in organization and traced the events associated with these decisions from beginning to end. Their research identified each step in the decision sequence. This approach to decision making, called the incremental decision process model, places less emphasis on the political and social factors described in the Carnegie model, but tells more about the structured sequence of activities undertaken from the discovery of a problem to its solution.

Sample decisions in Mintzberg's research included developing a new supper club, identifying a new market for a deodorant, installing a controversial new medical treatment in a hospital, and firing a star announcer. The scope and importance of these decisions are revealed in the length of time taken to complete them. Most of these decisions took more than a year, and one-third of them took more than two years. Most of these decisions were non programmed and required custom designed solutions.

One discovery from this research is that major organization choices are usually a series of small choices that combine to produce the major decision. Thus, many organizations decisions are a series of nibbles rather than a big bite. Organizations move through several decision points and may hit barriers along the way. Mintzberg called these barriers decision interrupts. An interrupt may mean an organization has to cycle back through a previous decision and try something new. Decision loops or cycles are one way the organization learns which alternatives will work. The ultimate solution may be very different from what was initially anticipated.

5.5 CREATIVITY AND INNOVATION

An important factor in managing people is creativity. A distinction can be made between creativity and innovation. The term creativity usually refers to the ability and power to develop new ideas. Innovation, on the other hand, usually means the use of these ideas. In an organization this can mean a new product, a new service, or a new way of doing things.

5.5.1 The Creative Process

The creative process is seldom simple and linear. Instead, it generally consists of four overlapping an interacting phases: (1) unconscious scanning, (2) intuition, (3) insight, and (4) logical formulation.

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The first phase, **unconscious scanning**, is difficult to explain because it is beyond consciousness. This scanning usually requires an absorption in the problem, which may be vague in the mind. Yet managers working under time constraints often make decisions prematurely rather than dealing thoroughly with ambiguous ill-defined problems.

The second phase, **intuition**, connects the unconscious with the conscious. This stage may involve a combination of factors that may seem contradictory at first. For example, in the 1920s Donaldson Brown and Alfred Sloan of General Motors conceived the idea of a decentralized division structure with centralized control – concepts which seem to contradict each other. Yet the idea makes sense when one recognizes the underlying principles of (1) giving responsibility of the operations to the general manager of each division, and (2) maintaining centralized control in head quarters over certain functions. It took the intuition of two great corporate leaders to see that these two principles could interact in the managerial process. Intuition needs time to work. It requires that people find new combinations and integrate diverse concepts and ideas. Thus, one must think through the problem. Intuitive thinking is promoted by several techniques such as brainstorming and synectics

Insight, the third phase of the creative process, is mostly the result of hard work. For example many ideas are needed in the development of a usable product, a new service, or a new process.

The last phase in the creative process is **logical formulation** or verification. Insight needs to be tested through logic or experiment. This may be accomplished by continuing to work on an idea or by inviting critiques from others. Brown and Sloan's idea of decentralization.

5.5.2 Techniques to enhance creativity

Creativity can be taught. Creative thoughts are often the fruits of extensive efforts, and several techniques are available to nurture those kinds of thoughts, especially in the decision-making process. Some techniques focus on group interactions; others focus on individual actions.

1. Brainstorming: One of the best-known techniques for facilitating creativity has been developed by Alex F Osborn, who has been called “the father of brainstorming”. The purpose of this approach is to improve problem solving by finding new and unusual solutions in the brainstorming session; a multiplication of ideas is sought. The rules are as follows:

1. No ideas are ever criticized
2. The more radical the ideas are, the better.
3. The quantity of idea production is stressed.
4. The improvement of ideas by others is encouraged.

Brainstorming, which emphasizes group thinking, was widely accepted after its introduction. However, the enthusiasm was dampened by research, which showed that individuals could develop better ideas working by themselves than could work in-group.

2. Synectics: Originally known as the Gordon technique, this system was further modified and became known as synectics. In this approach, the members of the synectics team are carefully selected for their suitability to deal with the problem, a problem that may involve the entire organization.

The leader of the group plays a vital role in this approach. In fact, only the leader knows the specific nature of the problem. This person narrows and carefully leads the discussion without revealing the actual problem itself. The main reason for this approach is to prevent the group from reaching a premature solution to the problem. The system involves a complex set of interactions from which a solution emerges – frequently the invention of a new product.

5.5.3 The Creative Manager

All too often it is assumed that most people are noncreative and have little ability to develop new ideas. This assumption, unfortunately, can be detrimental to the organization, for in the appropriate environment virtually all people are capable of being creative, even though the degree of creativity varies considerably among the individuals.

Generally speaking, creative people are inquisitive and come up with many new and unusual ideas; they are seldom satisfied with the status quo. Although intelligent, they not only rely on the rational process but also involve the emotional aspects of their personality in problem solving. They appear to be excited solving a problem, even to the point of tenacity. Creative individuals are aware of themselves and capable of independent judgment. They object to conformity and see themselves as being different.

Unquestionably, creative people can make great contributions to an enterprise. Change — as any manager knows — is not always popular. Moreover, change frequently has undesirable and unexpected side effects. Similarly, unusual ideas, pursued stubbornly, may frustrate others and inhibit the smooth functioning of an organization. Finally, creative individuals may be disruptive by ignoring established policies, rules, and regulations.

As a result creativity of most individuals is probably underutilized. However, individual and group techniques can be effectively used to nurture creativity, especially in the area of planning. But creativity is not a substitute for managerial judgement it is the manager who must determine and weigh the risks involved in pursuing unusual ideas and translating them into innovative practices.

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5.5.4 Innovation and Entrepreneurship

Recently, innovations and entrepreneurship have received considerable attention. It may be an appealing thought to get rich quick, often by establishing new companies.

Peter Drucker suggests that innovation applies not only to high-tech companies but also equally to low-tech, established businesses. Worthwhile innovations are not a matter of sheer luck; it requires systematic and rational work, well organized and managed for results.

What does entrepreneurship imply? It suggests dissatisfaction with how things are and awareness of a need to do things differently. Innovation comes about because of some of the following situations.

- The unexpected events, failure, or success
- The incongruous – what is assumed and what really is
- The process or task that needed improvement
- Changes in the market or industry structure
- Changes in demographics.
- Changes in meaning or in the way things are perceived
- Innovation based on knowledge

Innovations based solely on bright ideas may be very risky and are, at times, not successful. The most successful innovations are often the mundane ones. Innovation is not only relevant to high-tech firms but also crucial for old-line, traditional companies, which may not service without the infusion of innovation. Managers in those companies must create an environment that fosters entrepreneurial spirit and actions.

5.5.5. Conclusion

Decision making is a process of identifying and solving problems. To make correct decisions, the managers should be updated with the latest information pertaining to both internal and the external environment. Apart from being good decision makers, the managers, should also possess high creative ability, in order to make its organization compete and sustain in the market.

QUESTIONS

1. Explain the different types of Decisions.?
2. Discuss the Rational Approach to individual decision making
3. What do you mean by bounded Rationality perspective?
4. Narrate the Management Science Approach to organistional decision making
5. Explore the creativity process.

SUMMARY

KEY TERMS

Decision Making

Carnegie Model

Creativity

Innovation

Brainstorming

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