Management & Organizational Behavior

The Organization System and Development

Management and Organizational Behavior

Block

V

THE ORGANIZATION SYSTEM AND DEVELOPMENT

BLOCK V: THE ORGANIZATION SYSTEM AND DEVELOPMENT

The fifth block deals with organization system, change and development. The block contains six units. The first unit deals with the foundations of organization structure and relates organization design to employee behavior. The second unit focuses on decision-making, its techniques along with the aspect of group decision-making. The third unit is on power and politics in organizations while the fourth unit discusses organizational culture. The fifth unit focuses on planned change, stress management along with history of organization development (OD), processes and interventions. The sixth unit is on the future of organizational development.

The first unit is *Foundations of Organizational Structure:* The structure of organizations defines the framework within which employees are required to function and establishes the authority and responsibilities of all the individuals working in the organization. This unit discusses the key elements in designing an organizational structure and the commonly used organizational designs. It then establishes relationship between organizational design and employee behavior.

The second unit is *Decision Making*: Decision making is an integral part of management. This unit explains the nature of decision-making in organizations, the concept of decision rationality, and types of decisions. It discusses the models of behavioral decision-making, the behaviorally-oriented decision-making techniques. It also focuses on the importance of creativity in decision-making and on group decision-making.

The third unit is *Power and Politics*: Power and organizational politics are among the most controversial topics in the study of organizational behavior. After defining power, this unit distinguishes between power, authority, and influence and then explains the five bases of power. This unit also discusses dependency factor of power, contingency approach to power, coalitions, organizational politics and ethics of power and politics in the organizational set-up.

The fourth unit is *Organizational Culture*: Organizations develop a culture of their own over a period of time which makes it distinct from other organizations. After defining organizational culture, this unit gives characteristics of organizational culture. It also throws light on dominant culture, subculture, strong vs. weak cultures and changing organizational culture.

The fifth unit is *Organizational Change and Development:* An ever changing environment had made companies to be highly flexible and adaptable to changing conditions. This unit first discusses forces of change and planned change, then explains how organizational elements resist change and how such resistance may be overcome. Later, the history of organizational development and OD interventions are dealt with in addition to innovation and stress management.

The sixth unit is *Future of Organizational Development*: OD is a dynamic process which addresses the problems that arise in an organization. This unit discusses the strengths of OD and its future. It also explains the possible changes in OD processes and practices under the impact of the global economy, global workforce, and changing technology.

All six units are updated in 2021 with current examples and industry exhibits,

taken from reputed journals and magazines.

Unit 19

Foundations of Organizational Structure

Structure

19.1.   Introduction

The previous unit was about informal organizations and informal communications. This unit is about organizational structure.

Organizational structures lay the foundation for the accomplishment of organizational goals and objectives. The structure of organizations defines the framework within which employees are required to function. It also establishes the authority and responsibilities of all the individuals working in an organization. This, in turn, facilitates coordination among various activities and ensures the smooth functioning of the organization. Therefore, organizational structures have a tremendous impact on the success or failure of organizations.

This unit will explain the key elements in designing an organizational structure, the types of organizational design and will discuss the relationship between organizational design and employee behavior.

19.2.   Objectives

By the end of this unit, students should be able to:

- Define Organization Structure
- Explain the key elements in designing an organizational structure
- Describe the types of organization design
- Explain the relationship between organizational design and employee behavior

19.3.   Definition of Organizational Structure

According to Stephen P. Robbins, "An organizational structure defines how job tasks are formally divided, grouped, and coordinated." The organizational structure, according to Fred Luthans, represents the skeletal framework for organizational behavior.

19.4.   Key Elements in Designing an Organizational Structure

Following are the key elements in designing an organizational structure:

Work specialization

Work specialization refers to the extent to which the jobs in an organization are divided into sub-tasks. Each of these sub-tasks is performed by an individual employee. In work specialization, employees are required to learn only those skills that they require to perform their individual tasks. As a result, employees gain specialized knowledge in their respective tasks. Work specialization has the following advantages and disadvantages:

Advantages:

- As employees specialize in a particular task, it improves their productivity and speeds up the work process.

- The process of work specialization is cost-effective and time-saving, as the costs involved in training employees in a specific task are lower.

- Organizations can allocate tasks to employees according to their abilities. This again enhances the productivity of employees and their efficiency of work.

Disadvantages:

- Performing repetitive tasks may cause fatigue and stress in employees, and this may, in turn, lead to a reduction in productivity and efficiency levels.

- It has been observed that human fatigue leads to diseconomies of scale in work specialization.

The economies of work specialization are negated by the diseconomies that result due to human fatigue

Departmentalization

Departmentalization is the process in which jobs are grouped together to bring coordination among the organizational tasks. Departmentalization can be done in any of the following ways:

Departmentalization by function: Departmentalization by function is one of the most widely used forms of departmentalization. It involves grouping people with similar skills into one unit i.e. department. This helps the organization

make the best use of the employees' skills and also results in achieving economies of scale. However, differences in interests between two departments might lead to conflicts between members belonging to the two departments.

Departmentalization by product: Large and complex organizations consisting of a wide array of product portfolios generally resort to departmentalization by product. In this method, the organization is split into a number of Strategic Business Units (SBU), each producing a particular product or service. The SBUs are independent of each other and provide wide scope for the personal development and growth of employees.

Departmentalization by geography: In this method, grouping is based upon territories and regions. This helps organizations customize their products to suit the customers' tastes and preferences and formulate strategies depending on the intensity of competition in the region. For example, a company can have marketing departments in the northern, eastern, southern, and western regions of a country.

Departmentalization by process: In this method, the organization is divided into different departments based upon the work processes. For instance, a company manufacturing alloys may have different departments for the processes of hot rolling, cold rolling, casting, pressing, etc.

Departmentalization by customer: Financial services companies serve a variety of customers such as individual customers, corporate customers, overseas customers, etc. Thus, organizations can form departments based upon the type of customers.

Chain of command

Stephen Robbins defined the chain of command as the unbroken line of authority that extends from the topmost level to the lowest level of an organization hierarchy and clarifies reporting relationships within the organization. The concept of chain of command can be better understood with the help of the concepts of authority and unity of command.

Authority: This refers to the superior's right to order the subordinate to act in a particular manner (i.e. regarding the performance of organizational tasks). The subordinates are also under an obligation to carry out the orders given by the superior.

Unity of command: According to unity of command, an employee should not report to more than one superior. If an employee is assigned tasks by more than one superior, it could lead to confusion and conflicts, affecting the performance of the employee.

Activity: Suggest the most suitable form of departmentalization for each of the businesses given below and justify your answer:

- Shri Munshi Lal & Chand Company (Chand & Company) is a Lucknow-based company that manufactures and distributes a wide range of food products. The company's product portfolio includes Chand biscuits, Chand barfi, and Chand mixture. Within a few years of its inception, the company's products gained huge popularity all over Uttar Pradesh. Therefore, Chand & Company decided to expand its operations to cover the entire northern region of India. Which form of departmentalization do you think should the company adopt?

- MeGa Sys Pvt. Ltd. is a BPO situated in Bangalore that provides technical and non-technical support to its customers. The non-technical support includes answering inbound and outbound calls (related to general queries) of the customers. On the other hand, technical support services (to the customers) are categorized into various processes depending upon the technology of the products and services offered by the company (operating system, accounting package, etc.). To bring in more efficiency into its activities, the company plans to departmentalize its organizational structure depending upon the various functions in the organization. Suggest a type of departmentalization that would meet the requirements of MeGa Sys Pvt. Ltd.

Answer:

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Span of control

Span of control refers to the number of subordinates who directly report to a superior. Span of control is inversely proportionate to the degree of authority a manager possesses over his/her subordinates. (Refer Figure 19.1 & 19.2). As communication passes through several layers in the tall structure, the messages get distorted and the chances of employee receiving accurate information are low. Also, decision-making is very slow in the organizations having tall structures. Since the responsibilities are generally disseminated among managers at several layers, they do not find the need for delegation. Therefore, employees have little opportunity to develop entrepreneurial skills. One positive

aspect of tall structure is that it provides an opportunity for high level of interaction between the manager and the subordinate, due to less number of subordinates under the managers' control.

In organizations having flat structures, the span of control is large i.e. each manager has to manage a large number of subordinates. However, the number of levels in the hierarchy is fewer leading to a simple organization structure. There is smooth flow of communication that enables employees to receive information quickly and accurately. Since there are many employees at the same level, the efficiency of communication in flat structures depends heavily on the horizontal channel. Unless there is a high level of cooperation among employees, communication may not flow quickly.

Figure 19.1: Narrow Span of Control
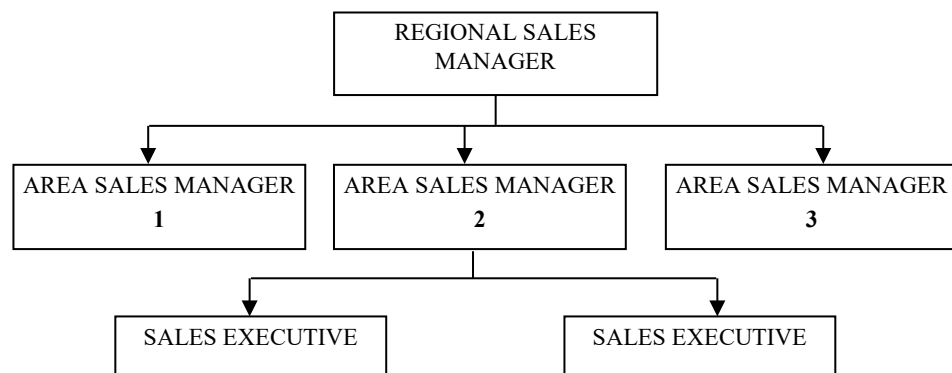
Figure 19.2: Wide Span of Control
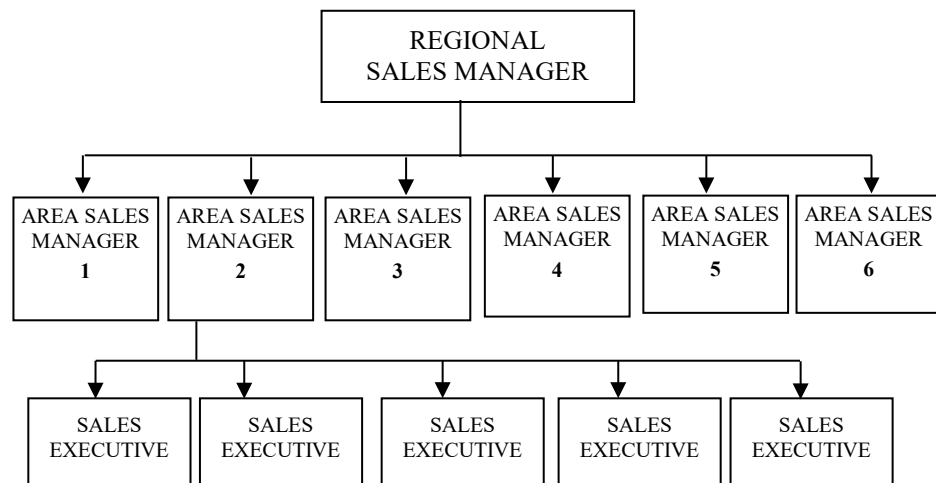
Source: ICFAI Center for Management Research

Decision making tends to be fast in flat structures because of the limited number of layers. As there are only few managers to handle a lot of responsibilities, they

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are compelled to delegate some of them to their subordinates. This encourages decentralization.

Centralization/Decentralization

In centralized organizations, power and authority are vested with the top management in the organizational hierarchy. In other words, the decision-making power lies with a single authority. Further, centralization can be functional, geographical, or analytical.

- *Functional Centralization:* Here, the organization establishes a separate department for every function in the organization. These departments carry out their respective functions for all the business units of the organization.

- *Geographical Centralization:* All operations of an organization are performed in one geographic region.

- *Analytical:* Here, use of centralization depends upon the extent to which decentralization takes place in the organization. For instance, in a centralized organization, a manager may opt to delegate a few responsibilities to his subordinates.

Decentralization refers to the delegation of authority and decision-making power to all levels of the organization. Decentralization too can be functional, geographical, or analytical.

- *Geographic Decentralization:* Here, different business units situated in different geographic locations perform all the operations.

- *Functional Decentralization:* The organization does not set up different departments for different functions. All the subsidiaries or business units perform all the functions.

- *Analytical:* Here, use of decentralization again is dependent on the discretion of the manager. A manager may resent delegating responsibilities to subordinates in a decentralized organization, if he/she does not trust his subordinates.

Formalization

Formalization refers to the extent to which the rules and procedures of an organization govern the roles and responsibilities of employees in their work place. Organizations employ control over the employees with the help of these rules and procedures. The rules and procedures can be explicit or implicit.

Explicit rules and procedures: Explicit rules are written descriptions of the roles and responsibilities of the job to be done by the employees.

Implicit rules and procedures: When the rules and procedures are not written in books or manuals but it is imperative that the employees adhere to them, then they are called implicit rules.

Activity: SunRise is a shoe retailing company based in Lucknow. Over a period, the organization set up two more business units, one each at Agra and Varanasi. The power and authority was vested with managers at the Lucknow office and the managers of the two units (at Agra and Varanasi) did not have any decision-making powers. For instance, if the manager at the business unit in Agra estimated that there would be greater demand for products in a particular season and that he needed to stock extra levels of inventory, then he was required to discuss this with the head office situated in Lucknow. By the time he convinced the higher authority regarding the relevance of his unit's needs, the decision was delayed. As a result, the unit lost out on valuable potential sales. Therefore, the managers of the business units at Agra and Varanasi decided to appeal to the top management to bring about a change in organizational structure. What according to you would be the ideal organizational structure for SunRise?

Answer:

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Check Your Progress-1

1. _____ is a process in which jobs are grouped together for coordination among organizational tasks.
   a. Departmentalization
   b. Chain of command
   c. Span of control
   d. Formalization

2. _____ involves breaking down an organization into small, independent units called Strategic Business Units, each of which produces a particular product or service.
   a. Departmentalization by function
   b. Departmentalization by product
   c. Departmentalization by process
   d. Departmentalization by geography

3. Which of the following alternatives are advantages of work specialization?
   i.   Improves employee productivity
   ii. Speeds up production in an organization
   iii. Allows organizations to allocate tasks to employees to suit their abilities
   iv. Is cost-effective and time-saving

   a. Only i, ii, and iii
   b. Only i, iii, and iv
   c. Only ii, iii, and iv
   d. i, ii, iii, and iv

4. With respect to decentralization, which of these statements is **definitely false**?
   a. In geographic decentralization, business units in each geographical region perform all operations (such as production, finance, marketing, human resources) related to them.
   b. In organizations following functional decentralization, there is a separate department for each function and it carries out that function for all business units of the organization.
   c. Decentralization means delegation of authority and decision-making power to different levels of the organization.
   d. The analytical use of the concept of decentralization depends on the nature of managers rather than on the formal policy of the organization.

5. The degree to which rules and procedures govern the roles and responsibilities of employees is referred to as _____.
   a. Bureaucracy
   b. Span of control
   c. Formalization
   d. Centralization

6. Which of the following alternatives are definitely **advantages** of a flat organization structure?
   i.   Fewer levels in the hierarchy
   ii. It ensures smooth flow of communication enabling employees to receive information quickly and accurately
   iii. It provides an opportunity for good interaction between the manager and the subordinates
   iv. Because of the limited number of layers, decision-making tends to be fast in such an organizational structure

   a. i, ii, and iii

b.   i, ii, and iv

c.   i, iii, and iv

d.   ii, iii, and iv

19.5.   Types of Organizational Design

The three most commonly used types of organizational designs are:

Simple structure

Simple structures are characterized by centralized authority with a low degree of formalization, wide span of control, and a few departments. The main feature of simple structures is that the decision-making power is completely held by a single authority. The management of simple structures is also relatively simple because of fewer hierarchical levels. This type of organizational structure is most suitable for small organizations.

The bureaucracy

The bureaucratic model of organization was founded in the early 1900s by Max Weber (Weber), a pioneer in modern sociology. According to him, the model complied with the values of Western culture which emphasized rationality. Weber believed that the bureaucratic model was rational in its approach. However, one major setback of this model is that during organizational restructuring, bureaucracy becomes a major barrier to implementation of change.

According to Weber, the following are the characteristics of a bureaucratic organization:

Work specialization: Bureaucratic organizations must clearly define the roles and responsibilities of employees, to avoid confusion regarding roles. Also the employees must be given the required authority to carry out their tasks effectively.

Division of labor: Division of labor enables the employees to gain expertise in a particular skill. But repetition of the same task gives rise to boredom, fatigue, and stress in employees. Division of labor also divides people into blue collar (workers) and white collar employees and widens the gap between them, both in the organization and the society.

Abstract rules: Weber proposed that an organization should have well-defined rules and regulations which would ensure that the employees worked in a coordinated manner to achieve the goals of the organization.

Impersonality of managers: According to Weber, managers of bureaucratic organizations must be devoid of feelings such as affection, enthusiasm, hatred,

and passion. Only then, would they be able to act in an unbiased manner with subordinates and be able to take rational decisions.

Hierarchy: Weber advocated a hierarchical structure for organizations in which the activities of employees at each level are monitored by employees at higher levels. Hierarchy ensures unity of command in the organization. It bestows power upon a few people to control and coordinate the activities of lower level employees. Hierarchy generally encourages vertical communication. Bureaucratic organizations are characterized by a hierarchical structure. In this system, every member in the organization is accountable for his/her actions. Authority flows from the top to the bottom and the decision-making power is vested with a few top officials. Vertical communication prevails in such organizations. Organizations that adopt rigid hierarchical structure discourage creativity and entrepreneurship in organizations. They cannot promptly respond to dynamic changes in market conditions and would lose ground to competitors.

The matrix organization

The matrix organization is a combination of two complementary structures – project structure and functional structure (Refer Figure 19.4). The matrix organization structures are not characterized by 'unity of command.' Every subordinate in the organization has to obey orders given by the functional head and the project manager.

In this type of organization, a project manager outsources the services required for the particular project to the personnel of functional departments. These personnel again are required to perform the duties given by their functional

Figure 19.3: Matrix Structure
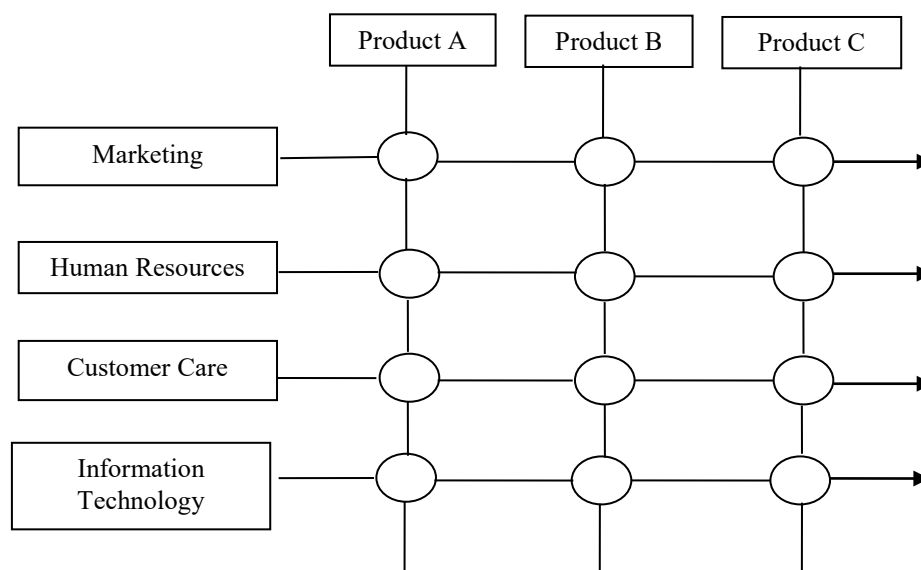
Source: ICFAI Research Centre

superiors as per their department's requirements. Therefore, a subordinate may have two or more bosses. The project manager and the functional head too are required to share their various resources with other projects and functional departments.

The main advantage of the matrix structure is that it facilitates coordination between the various complex functions of the organization. It also enables the organization to allocate functional specialists among different departments in an effective manner. Matrix structures enable organizations to make optimum utilization of employee skills, ensure that knowledge is available to employees in all the departments and projects, facilitate quick response to changes in customer demands and project requirements, and help organizations reduce costs and improve performance. The success of the structure depends on how effectively managers overcome the deficiencies of the structure and leverage its positive aspects.

Exhibit 19.1 discusses the ways in which organization structures to be made agile.

Exhibit 19.1: Agile Organization Structure

Traditional organizations use hierarchical models of organizational structure. In the recent past some of the organizations have "unstructured" this type of hierarchical structures and adapted <u>fitter, flatter, and faster</u> structures. They are experimenting with flexible operating models. In this blog the author suggests how to organize for the future which requires a dynamic, more flexible, and less structured operating model.

The following five steps may be adopted by companies if organisations want to make their structures agile:

1. *Flattening their structures to minimize layers and enhance speed.*

2. *Building flexible and dynamic teams to attend to emerging problems.*

3. *Providing a stable home base for employees so as to ensure career development.*

4. *Empowering leaders to have access to important information and rapid innovation.*

5. *Delegating clear decision rights to all levels.*

The flattened and flexible organizational structures help in quicker decision making and enable people know their roles, responsibilities, and decision-making rights.

Source: https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/fitter-flatter

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Activity: Marvel India Pvt. Ltd. (Marvel) is a cement manufacturing company. It supplies cement to different construction companies in the state of Andhra Pradesh. The company has a simple organizational structure, characterized by a centralized authority, few departments, and a wide span of control. The heads of different departments report to a single authority, i.e., the company's managing director. Marvel recently accepted a prestigious long-term project from the Government of India (GoI). Since the project was huge, the company decided to appoint a project head who would be responsible for all the activities related to the GoI project. The project manager was allowed to outsource the services and sources required for the completion of the project to various departments of Marvel. As a result, the various departmental heads would now report to both the managing director as well as the project head. Keeping this in mind, Marvel decided to make suitable changes in its organizational structure. Suggest the changes required to be made in the organizational structure of Marvel India Pvt. Ltd.

Answer:

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Check Your Progress-2

7. Which of the following is definitely a characteristic of an organization with a simple organizational structure?

   i.   Wide span of control

   ii.   Few departments

   iii. Centralized authority

   iv.   High degree of formalization

   a.   Only i, ii, and iii

   b.   Only i, ii, and iv

   c.   Only i, iii, and iv

   d.   Only ii, iii, and iv

8. In what kind of organizational structure is decision-making power for the entire organization vested in one person at the top?
   a. Bureaucracy
   b. Simple structure
   c. Matrix structure
   d. None of the above

9. What are the **disadvantages** of division of labor?
   a. Decrease in productivity and efficiency of an organization
   b. Repetition of the same task gives rise to boredom, fatigue, and stress in employees
   c. Division of labor segregates people into blue and white collar employees, and widens the gap between them, both in the organization and the society.
   d. Both (b) and (c)

10. Which of the following statements are **definitely true** about organizations adopting a rigid hierarchical structure?
    a. They discourage creativity and enterprenuership
    b. They cannot promptly respond to dynamic changes in market conditions
    c. Authority flows from the top to the bottom and the decision-making power is vested with a few top officials.
    d. All of the above

11. Which of the following structures combines the features of project design with those of a functional one?
    a. Tall structure
    b. Simple structure
    c. Bureaucratic structure
    d. Matrix structure

12. Matrix structure is a modern structure for organizational design. Which of the following alternatives refer to the main advantage of this structure?
    a. It facilitates coordination between various complex functions of the organization.
    b. It ensures unity of command in the organization
    c. It enables the organization to allocate functional specialists among different departments effectively
    d. It encourages vertical communication.

19.6. Organizational Design and Employee Behavior

One cannot conclude that a specific organizational structure will definitely lead to improved employee performance and increased job satisfaction. It has been observed that the personal preferences of individuals play a major role in shaping their organizational behavior. Individuals who prefer to be guided in their work by standard rules and procedures are comfortable with tasks that require a low level of skills, and can be performed mechanically. Such employees are most productive in mechanistic structures where there is a high degree of work specialization. Some employees are able to work to their full potential only when they are under minimum supervision. They are most productive in organization structures where there is a wide span of control. And employees with high self-esteem and self-confidence prefer making their own decisions and hence show more productivity in decentralized organization structures. Therefore, it is difficult to relate organizational design to employee behavior in organizations.

Check Your Progress-3

13. Certain employees are most productive in mechanistic structures where there is a high degree of work specialization. Who are these employees?
    a. Employees who prefer tasks that require low level of skills
    b. Employees who prefer tasks that can be performed mechanically
    c. Employees who prefer tasks that facilitate personal growth and give individuals an opportunity to utilize skills.
    d. Both (a) and (b)

14. Some employees are able to work to their full potential only when they are under minimum supervision. Such employees are most productive in which type of organization structure?
    a. In organizational structures where there is a narrow span of control.
    b. In organizations where the supervisor constantly guides subordinates.
    c. In organization structures where there is a wide span of control.
    d. Both (b) and (c)

19.7. Summary

- Organization structure may be defined as the framework of tasks, reporting, and authority relationships within which an organization functions.

- The key elements in designing an organization structure are work specialization, departmentalization, chain of control, span of control, centralization/ decentralization, and formalization.

- The various types of organizational designs could be simple structure, the bureaucracy, and the matrix organization.

- In simple structures, there is centralized authority and a wide span of control. The decision-making power and authority are vested with the top management.

- Bureaucratic organizations are characterized by work specialization and division of labor, abstract rules and regulations, impersonal managers, and hierarchy.

- The matrix organization is a combination of pure project structure and pure functional structure.

19.8.   Glossary

Decentralization – Decision discretion is pushed down to lower level employees.

Formalization – The degree to which jobs within the organization are standardized.

Span of control – The number of subordinates a manager directs.

19.9.   Self-Assessment Test

1. Define organizational structure. How do the following elements help in effective designing of an organizational structure a) formalization b) chain of command c) span of control and d) centralization and decentralization?

2. Briefly describe the various types of organizational structures.

19.10. Suggested Reading / Reference Material

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5. Stephen. P., Robbins, Judge, Timothy. A. & Vohra, N. Organizational Behavior (18th ed.). Pearson Education Inc.2019

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7. Udai Pareek & Sushama Khanna, Understanding Organizational Behaviour ISBN:9780199454716, Paperback, Oxford University Press, 2016

20.14. Answers to Check Your Progress Questions

1. **(a) Departmentalization**

    The process in which jobs are grouped together to bring coordination among organizational tasks is called departmentalization. Chain of command is defined as the unbroken line of authority extending from the topmost level to the lowest level of an organization and clarifies reporting relationship within the organization. Span of control refers to the ratio of managers to (immediate) subordinates. The degree to which rules and procedures govern the roles and responsibilities of employees is called formalization.

2. **(b) Departmentalization by product**

    Departmentalization by product involves breaking down an organization into small, independent units called Strategic Business Units, each of which produces a particular product or service. Departmentalization by function involves grouping people with similar skills into one unit, helping organizations utilize employee skills efficiently and achieve economy of scale. Departmentalization by process refers to the division into departments based on processes performed. Departmentalization by geography involves grouping of jobs on the basis of territory.

3. **(d) i, ii, iii, and iv**

    All the alternatives provided are benefits of work specialization. The practice of work specialization improves employee productivity and speeds up production in an organization. It is cost-effective to train employees in a single sub-task. If an employee has to perform all tasks for production of a particular product, a lot of time and energy is wasted in switching from one task to another. Also, the organization has to invest time and money in training each employee in different tasks. Work specialization allows organizations to allocate tasks to employees depending on their abilities, resulting in improved employee productivity and efficiency.

4. **(b) In organizations following functional decentralization, there is a separate department for each function and it carries out that function for all business units of the organization.**

    Except 'b' all other alternatives are true. 'b' is false as in organizations following functional decentralization, there are no departments exclusively performing a particular function. All functions are performed by subsidiaries and business units.

5. **(c) Formalization**

    The degree to which rules and procedures govern roles and responsibilities of employees is referred to as formalization. Bureaucracy is an organizational design while span of control is the ratio of managers to subordinates. Centralization refers to the concentration of power and authority at the topmost level of the organization.

6. **(b) i, ii, and iv**

    Except alternative 'iii' all others are advantages of a flat organization structure. Alternative 'iii' is an advantage of tall organization structure.

7. **(a) Only i, ii, and iii**

    Except iv, all other alternatives are characteristics of simple organization. The characteristics of simple organization are: wide span of control, few departments, centralized authority, and low degree of formalization.

8. **(b) Simple structure**

    A firm with a simple organization structure has a wide span of control, few departments, centralized authority, and a low degree of formalization. Simple structures are easily managed as they have only a few levels of hierarchy (two to three). In simple structures, the decision-making power for the entire organization is vested in one person. This structure is generally used in small organizations like retail stores and small consultancies.

9. **(d) Both (b) and (c)**

    Only (b) and (c) are the disadvantages of division of labor. 'a' is not a disadvantage as division of labor gives enough scope for employees to obtain expertise in a particular skill, which increases productivity and efficiency of an organization.

10. **(d) All of the above**

    Organizations that adopt rigid hierarchical structure discourage creativity and entrepreneurship in organizations. They cannot promptly respond to dynamic changes in market conditions and would lose ground to competitors. In this system, every member in the organization is accountable for his/her actions. Authority flows from the top to the bottom and the decision-making power is vested with a few top officials. Vertical communication prevails in such organizations.

11. **(d) Matrix structure**

    One of the characteristics of the matrix structure is that it combines the features of a project design with those of a functional one.

12. **(a) It facilitates coordination between various complex functions of the organization.**

    The main advantage of the matrix structure is that it facilitates coordination between various complex functions of the organization. It also enables allocation of functional specialists among different departments effectively.

13. **(d) Both (a) and (b)**

    Employees comfortable with tasks that require low level of skills that can be performed mechanically are most productive in mechanistic structures where there is a high degree of work specialization.

14. **(c) In organization structures where there is a wide span of control.**

    Employees able to work to their full potential only when they are under minimum supervision are most productive in organization structures where there is a wide span of control. Low level of supervision in these structures gives employees the freedom to plan their work. Freedom motivates them and results in job satisfaction.

Unit 20

Decision Making

Structure

20.1. Introduction

The previous unit was about organizational structure and discussed the key elements in designing an organization structure, and the types of organizational design. This unit is about decision making.

Decision making is an integral part of management. Managers often need to choose one course of action from among several alternatives available. In fact, the type of decisions made by the managers will have an impact on the organizational functioning. External environment, past experiences, the cognition levels of managers and human relationships within the organization influence the decision making of managers.

This unit explains the nature of decision making, types of decisions, creativity in decisions and how behavior-oriented decision making is beneficial for organizations.

20.2. Objectives

By the end of this unit, students should be able to:
- Explain the nature of Decision making

- Classify Decisions
- Compare and contrast the models of behavioral decision making
- Describe behaviorally oriented decision making techniques
- Discuss Group decision making

20.3. Nature of Decision Making

Decision making involves consideration of different alternatives from which the best is chosen. A definition of decision making as given by Robert Kreitner is that it is "a process of identifying and choosing alternative courses of action in a manner appropriate to the demands of the situation. The act of choosing implies that alternative courses of action must be weighed and weeded out." The process of decision making helps an individual to narrow down the choices available to him in order to arrive at the most suitable option.

Herbert A. Simon explained that decision making is a three phase process which includes intelligence activity, design activity, and choice activity. Intelligence activity involves identifying the available alternatives for a particular course of action. In this phase, the conditions in the environment which necessitate decision making are studied in detail. Design activity of decision making by managers includes the assessment of alternatives and the factors influencing the decisions. Choice activity is the final phase of the decision making process in which managers select a particular course of action from various alternatives after considering all the factors which will have an impact on the decisions being made. Decision making is a vibrant process and involves feedback at each phase. Exhibit 20.1 deals with an example of the process of decision-making done at WTO.

Exhibit 20.1 Decision-making at WTO

World Trade Organization (WTO) takes consensual decisions as all members participate and vote for a decision. It follows pre laid rules and major decisions are made by the membership as a whole, when o member objects to the decision. In case of dispute, voting will be undertaken and a majority decision is accepted. The WTO's two most important decision-making bodies are the Ministerial Conference and the General Council.

Source: https://guides.ll.georgetown.edu/c.php?g=363556&p=4154931, 2021

20.4. Decision Rationality

According to Fred Luthans, rationality in decision making is a means to an end. The decisions managers take should be rational so as to attain the objectives of the organization. The rational decision-making process involves logical step by

step decision making – problem definition, identification of key criteria, awareness of alternatives, evaluation of the alternatives based on the key criteria, and finally choosing the alternative with the highest value. In fact, decisions based on emotions or social pressure may not prove to be beneficial for the organization.

Exhibit 20.2 discusses principles for rational decision-making.

Exhibit 20.2: Decision-making in Uncertain Times

In uncertain times as that of COVID 19 pandemic, leaders find decision-making as challenging, Leaders need to make bold decisions as fast as they can in such uncertain situations. The McKinsey article suggests five principles to leaders to take quick decisions:

1. Pause decisions which are not urgent and prioritize the most pressing issues first. Leaders have to ignore distractions,
2. Usually leaders make decisions with a small team. In uncertain times, leaders should discard hierarchical model of decision-making and involve many stakeholders to make smart decisions by taking different views from many.
3. Make critical small choices-For instance, the critical small choice that made a big difference was that of the decision that was made to disperse severely injured people to eight different hospitals during Boston Marathon bombings in 2013.
4. Leaders have to focus on the strategic decisions rather than the tactical ones. By setting up a nerve centre. Decision can be made for staffing and distribution of resources become easy. Such type of leaders need to be empowered.

During critical times, leaders with the right temperament and character usually take decision in the best interest of the organization, putting aside their personal interests.

Source: https://www.mckinsey.com/business-functions/organization/our-insights/decision-making-in-uncertain-times March 24, 2020

20.5. Types of Decisions

Depending on the frequency with which decisions are to be made, there are two types of decisions. They are programmed and non-programmed.

Programmed decisions

If the occurrence of a particular situation is frequent, managers will have a prior idea about the appropriate decision for that situation. Decision rules act as guides to managers to enable them to make apt choices from the alternative courses of action available. As the managers will have adequate information about the situation, they make decisions in a structured manner. These decisions are termed as programmed decisions. Due to their being based on a specific decision rule, programmed decisions are highly structured decisions. They have

clear and explicit goals, established decision making procedures and are based on reliable and well-defined sources of information. Programmed decisions involve the decisions that are generally taken by personnel at the lower levels of management. Pricing decisions for orders placed by customers, decisions regarding the salary to be paid to employees, and decisions pertaining to reordering of office supplies are a few examples of programmed decisions.

Non-Programmed decisions

A new problem or decision making situation which involves the development and evaluation of alternatives without the aid of a decision rule is generally called a non-programmed decision. The top-level management of an organization has to make decisions when a new problem arises. Here, managers' lack structured information that can guide them in decision making. For instance, non-programmed decisions taken by the managers in organizations are how to market an entirely new product or service, take-over decisions, and decisions regarding expansion of operations to new countries.

Check Your Progress-1

1. Robert Kreitner defines _____ as a process of identifying and choosing alternative courses of action in a manner appropriate to the demand of the situation. The act of choosing implies that alternative courses of action must be weighed and weeded out.
   a. Divergent thinking
   b. Cognitive complexity
   c. Brainstorming
   d. Decision making

2. Rational decision-making process is a step by step and logical procedure towards the attainment of organizational goals. Arrange the steps in rational decision-making process in a proper sequence.
   i. Problem definition
   ii. Awareness of alternatives
   iii. Evaluation of the alternatives based on the key criteria
   iv. Identification of key criteria
   v. Choosing the alternative with the highest value

   a. i, iv, ii, iii, v
   b. i, v, ii, iii, iv
   c. ii, iv, iii, i, v
   d. ii, v, i, iii, iv

3. Which of the following alternatives are characteristics of a programmed decision?

   i.   Clear and explicit goals
   ii. Established decision-making procedures
   iii. Based on reliable and well-defined sources of information
   iv. Decisions are made at the top management level in organizations

   a. Only i, ii, and iii
   b. Only i, ii, and iv
   c. Only i, iii, and iv
   d. Only ii, iii, and iv

4. Decisions are of two types – programmed and non-programmed. Identify from the following the decisions which may be classified as programmed.

   i.   Decisions regarding pricing for orders placed by customers
   ii. Decisions regarding marketing of a new product or service
   iii. Decisions regarding the salary to be paid to employees
   iv. Decisions pertaining to reordering of office supplies

   a. Only ii and iii
   b. Only i, ii, and iv
   c. Only i, iii, and iv
   d. Only ii, iii, and iv

5. A new problem or decision-making situation which involves the development and evaluation of alternatives without the aid of a decision rule is generally called a _____.

   a. Choice activity
   b. Decision rationality
   c. Programmed decision
   d. Non-programmed decision

6. Decisions about how to market a new product or service are an example of _____.

   a. Programmed decisions
   b. Non-programmed decisions
   c. Structured decisions
   d. Both (a) and (c)

Activity: Assume that you are working as a human resource manager for Vector Inc., an international organization. You need to make a recruitment decision with regard to appointing a secretary for yourself. What would the steps in your decision-making process be?

Answer:

_____

_____

_____

_____

_____

20.6. Models of Behavioral Decision Making

The behavioral approach toward decision making emphasizes the role and importance of human behavior in the process of decision making. Unlike the rational approach toward decision making which emphasizes on the use of logic and complete rationality in making decisions, the behavioral approach emphasizes that decision makers are prone to varying degrees of rationality while making decisions and that one cannot be completely rational at all times. According to the behavioral approach, there is a scope for an element of subjectivity to creep in during the process of decision making.

The level of rationality in decisions forms the basis for various models of behavioral decision making. The different models of behavioral decision making according to the degree of rationality are: the economic rationality model (the most rational approach), Simon's bounded rationality model, the judgmental heuristics and biases model, and the social model (the least rational approach).

The economic rationality model

The basic assumption of the economic rationality model is that the decision maker is perfectly rational while making a decision. This model has emerged out of the classical model of economics. It also assumes that the decision maker establishes a link between the means and ends rationally, is fully aware about the available alternatives, has a consistent set of alternatives to guide him/her in decision making, and that there are 'n' number of permutations and combinations possible to arrive at the best alternative. It is assumed that organizational profitability can be maximized as a perfect environment for making decisions is provided by the economic rationality model. However, this model seeks an analytical justification for all decisions and does not give importance to human behavior. New rational techniques like Activity based Costing (ABC), Economic Value Added (EVA) and Market Value Added

(MVA) are bringing in changes in the accounting and financial techniques being applied in the organizations. ABC takes into consideration the various tasks of employees to determine costs. EVA is a modern approach to finance according to which 'a decision is rational if the earnings are higher than the cost of capital.' MVA helps in estimating the market value of a firm. The sum of MVA and the invested capital gives the total market value of the firm.

Simon's bounded rationality model

This model of decision making takes into consideration the human behavior in the decision making process and also has a relatively realistic approach. The assumptions of Simon's bounded rationality model are:

- Decision makers consider decisions which are not fully rational i.e., less-than-ideal. Thus, decision makers attempt to satisfy with a 'less-than-ideal' alternative.

- The decision makers are content with a simple understanding and perception of the problem rather than trying to fully analyze the situation.

- The decision makers choose from among the alternatives based on simple rules of thumb or tricks of trade or past experience. These techniques do not trigger the creative abilities of the people involved in the decision making process.

This model can be beneficial for decision making in organizations which do not have fixed objectives and no information about alternatives. However, it ignores the personal bias of decision makers in decision making.

Judgmental heuristics and biases model

Kahneman and Tversky proposed the judgmental and biases model for decision making with a behavioral approach. This model identifies the cognitive biases of the decision maker and is considered as an improvised model of the bounded rationality model. This model assumes that managers develop heuristics or thumb rules on which to base their decisions as they gain experience. These heuristics help managers to overcome pressures and constraints of time. However, they also lead to biased decisions. This model identifies three major biases namely, the availability heuristic, the representative heuristic, and the anchoring and adjustment heuristic that lead to a relatively irrational decision-making process.

The availability heuristic: According to the model, events which are emotional and vivid in nature, are easily imagined, and are easily 'available' or recalled from memory. The decision maker is influenced by this readily available information. For instance, it is common for performance appraisals to be affected by a recent or unusual (both positive and negative) behavior on the part

of the appraisee, which is instantly recollected by the appraiser. This leads to a bias in decision making.

The representative heuristic: This heuristic occurs when the probability of the outcome is predicted by the decision makers based on previous experiences. This type of bias creeps into decisions if the decision maker compares the present situation with a previous happening. For example, the price of a newly launched product might be fixed high considering the success of an earlier product of the company.

The anchoring and adjustment heuristic: When a decision maker makes a decision by anchoring the process to an initial value and then goes on adjusting this value to finally come to a conclusion, he is said to resort to anchoring and adjustment heuristic. For example, an employee may be rated as good in the performance appraisal for the current year based on his good performance in the past five years. These biases make the model a complex behavioral approach to decision making.

The social model

The social model of behavioral decision making highlights the influence of emotions and feelings on the decisions made by the people in organizations. This model has its basis in psychology and suggests that unconscious desires influence human behavior to a large extent. People tend to make irrational decisions under social influences. Solomon Asch, a pioneer in social psychology, conducted a conformity experiment to demonstrate the impact of social influence over human behavior and decision making processes. These experiments highlighted how the decision-making process has social influences. In the experiments, seven to nine individuals were grouped and given the task of comparing the lengths of a certain set of lines. As part of the experiment, the experimenter had a prior agreement with all members of the group except one, to give wrong answers for the questions put to them. The lone member was influenced by other members of the group to give wrong answers. In fact, almost 37 percent of individuals yielded to group pressure and gave answers which they knew were incorrect.

The social model tries to explain the reasons for erratic decision making by the decision makers. Barry M. Staw and Jerry Ross explained 'escalation of commitment' in their *Understanding Behavior in Escalation Situations.* Escalation of commitment is the inherent propensity of decision makers to commit resources to a course of action that is certain to fail. Four reasons are cited for this behavior.

- **Characteristics of the project:** Certain characteristics of the project like delayed return on investment and lack of substantial profitability make managers hesitant to implement the project and force them to take

alternative decisions, even if they think they are not appropriate. These characteristics tend to escalate their commitment towards wrong or sub-optimal decisions.

- **Psychological determinants**: The decision makers tend to psychologically support the decisions they have made even if they are found to be wrong and tend to ignore all negative information associated with the situation.

- **Social forces**: The decision makers' desire to be accepted by the group, and peer pressure are social forces which may encourage them to repeatedly confirm to the wrong decision.

- **Organizational determinants**: Factors like unfavorable organizational structure, dysfunctional politics, resistance to change, and lack of communication between different groups of the organization may also encourage the commitment of the decision makers to take wrong decisions.

In this way, the social model tries to explain how the complexity of human nature has a major role to play in the decision-making process.

Check Your Progress-2

7. Arrange the various behavioral models of decision making in increasing 'degree of rationality.'
   i. Judgmental heuristics and biases model
   ii. Economic rationality model
   iii. Simon's bounded rationality model
   iv Social model

   a. ii, iii, i, iv
   b. iv, i, iii, ii
   c. ii, iv, iii, i
   d. i, iii, iv, ii

8. Identify the characteristics of Simon's bounded rationality model.
   i. As per this model, decision makers consider decisions which are not fully rational i.e., less-than-ideal.
   ii. This model is believed to work under conditions where perfect information about the nature of the problem or alternative courses of action is not available.
   iii. This model suggests that unconscious desires influence human behavior to a large extent.
   iv. This model is advantageous in the sense that it measures the extent of personal bias.

a. Only i and ii

b. Only i, iii, and iv

c. Only ii, iii, and iv

d. i, ii, iii, and iv

9. In the _____ model of behavioral decision making that is drawn from psychology, human emotions and feelings are said to affect the decision-making process of the decision makers.

a. Judgmental heuristics and biases

b. Social

c. Simon's bounded rationality

d. Economic rationality

10. Solomon Asch conducted a conformity experiment to demonstrate the impact of social influence over human behavior and decision-making processes. Which one of the following statements about the experiment is definitely **false**?

a. The experiment involved groups of seven to nine individuals each.

b. All the members of each group, except one, had a prior arrangement with the experimenter to give obviously wrong answers to most of the questions posed by the experimenter in order to influence the lone member.

c. It was found that only 37% of the individuals did not crumble to group pressure and insisted on a decision that they thought was correct.

d. This experiment thus brings out the impact of social influence over organizational decision making.

11. _____ is the inherent propensity of decision makers to commit resources to a course of action that is certain to fail.

a. Escalation of commitment

b. Organizational determinants

c. Cognitive complexity

d. Group polarization

Activity: Rajneesh is doing a management course at a premier management institution and his annual exams are round the corner. Though he is preparing hard for the examinations, his friends influenced him to indulge in copying rather than working so hard. Discuss how the social model of decision making influenced Rajneesh in this situation.

Answer:

20.7. Behaviorally-Oriented Decision-making Techniques

Behaviorally-oriented decision-making techniques stress the importance of participation by all employees in the organization in the decision-making process. By encouraging employees to participate, organizations can get the advantage of having a broad range of alternatives to choose from while making decisions. Participation can be through physical, emotional, and intellectual involvement of employees in a formal or informal way. The level of participation depends on the nature of the problem and the experience of the participants. The participation of employees in the decision-making process has benefits like an improved sense of identity and belonging, better understanding of the problem, and an improved quality of decision making as various viewpoints will be considered. Major and obvious errors in decision making can be easily avoided. Participation also helps in improving productivity by increasing employee satisfaction and thereby reducing employee turnover. However, participative decision making may also delay the decision-making process and in some cases, lead to dysfunctional conflicts due to differences of opinion among individuals in the organization.

Some of the traditional and modern participative techniques are discussed here to clearly explain behaviorally-oriented decision making.

Traditional participative techniques

The most common traditional participative technique is the Scanlon Plan. Joseph Scanlon developed this technique more than 50 years ago, to encourage employee participation in managerial decision making. This technique suggests setting up formal committees for decision making involving all the employees of the organization. The managerial committees share the rewards of a successful suggestion given by a member of the committee. A survey revealed that implementation of the Scanlon Plan in organizations was successful when it had the support of the top management and the success rate of decision

making increased with each year of its implementation. Another traditional participative technique is the use of suggestion boxes. The top management encourages employees to drop their suggestions in these boxes and makes decisions after evaluating these suggestions. This technique proves beneficial for organizations when they handle the suggestions efficiently and the contributors are rewarded appropriately.

Modern participative techniques

Work groups or self-managed teams and quality circles are all examples of modern participative techniques. These techniques advocate the empowerment of employees at the lower levels in organizations by encouraging participation. Research has proved that organizations implementing modern participative techniques have benefited by the increased commitment of employees to the goals of the organization. Self-managed teams are groups of employees working for a common objective by participating in the decision-making process. Quality circles are the best known examples of modern participative decision making techniques. Quality circles comprise of a group of 10-12 volunteers who meet regularly to identify, analyze and come up with solutions to quality related and other problems in their area of responsibility. The participative techniques can be more beneficial to organizations when proper feedback is given to the employees and the emotional and intellectual involvement of the employees in the decision-making process is given due importance.

Check Your Progress-2

12. The most common traditional participative technique is the_____.
    a. Management science technique
    b. Computerized Decision Support Systems (DSS)
    c. Expert systems
    d. Scanlon Plan

13. Behaviorally-oriented decision-making techniques emphasize on the importance of employee participation in this process. What are the benefits of increased employee participation in the decision-making process?
    a. Creates a sense of identity and belongingness in the employees
    b. Leads to better understanding of the problem which in turn helps evolve better solutions
    c. Helps avoid major and obvious errors in decision making
    d. All of the above

14. What are the disadvantages of participative decision-making techniques?
    a. It develops a constrained set of adaptive strategies
    b. It delays the entire process of decision making
    c. It leads to dysfunctional conflicts due to inherent differences in opinions among individuals in a group
    d. Both (b) and (c)

15. _____ is a modern participative decision-making technique that comprises a group of 10-12 volunteers who meet regularly to identify, analyze, and come up with solutions to quality related and other problems in their area of responsibility.
    a. Quality circles
    b. Self-managed teams
    c. Scanlon plan
    d. None of the above

20.8. Creativity and Decision Making

Compared to the past, decision making in organizations has improved substantially by using quantitative techniques like the management science technique and the computerized Decision Support System (DSS). Advances in technology have enabled a large volume of data to be processed but innovations are also required for effective decision making. The need for non-quantitative, behaviorally-oriented
decision-making techniques has led to the concept of creativity. Creativity can be explained as a function of three elements – knowledge, imagination and evaluation. A creative individual or organization has the ability to generate new ideas, patterns, or a combination of alternatives to solve organizational problems while possessing the knowledge about the decision making situation. Divergent thinking and cognitive complexity are identified as the dimensions of creativity which help managers get an edge over competitors.

Divergent thinking

Divergent thinking refers to an individual's ability to develop innovative, but relevant responses to given questions or problems. Ideas generated by divergent thinking are generally novel and sometimes appear irrational. It is different from convergent thinking in which responses are influenced by the knowledge and rational logic of individual. In fact, divergent thinking enhances creativity.

Cognitive complexity

Fred Luthans described cognitive complexity as a person's use of and preference for elaborate, intricate, and complex stimuli and thinking patterns.

The greater the cognitive complexity displayed by an individual, the more creative he/she is.

Creativity does not refer to intelligence alone and different individuals have different levels of creativity. Techniques such as guided imagery, self-hypnosis, lateral styles of thinking, and journal keeping can be used to develop the creativity of decision makers in organizations.

Activity: Ancent Corporation is a manufacturing organization operating in around 15 countries across the world. When the workers at a plant in Africa agitated against the management with a demand to increase wages, the management took a decision for a lockout as it was not feasible to comply with the demand of workers. What can be an alternative creative decision which you will like to suggest to the management of Ancent Corporation?

Answer:

20.9. Group Decision Making

When participation is encouraged in an organization, employees collectively work in groups to make contribution to the decision-making process. Group polarization, groupthink, and group problem-solving are issues related to group decision making.

Group polarization

Group polarization refers to the shift in attitudes of members of a group toward a more extreme state after having a discussion among themselves than was the attitude before the discussion. When individuals think in a group, they take riskier decisions than when they make their own decisions. This is because of the influence of others who have a similar opinion about a particular situation. Individuals tend to alter their opinion if they are convinced by the viewpoint of others. This is referred to as group polarization.

Groupthink

When members of a group make decisions, they tend to opt for sub-optimal decisions without evaluating the alternatives so as to go with the decision of the

majority in the group. Decisions resulting from groupthink tend to be incorrect or suboptimal as the members try for unanimity in decisions.

Group problem solving

In order to overcome the problems of group polarization and groupthink, managers use problem solving techniques such as brainstorming, normal group technique, and the Delphi technique in the decision-making process.

Brainstorming: The brainstorming technique is used to generate all possible ideas for decision making. Members of a group offer suggestions randomly to solve a problem or make a decision. These ideas are not evaluated as soon as they are given by the members. This encourages generation of different kinds of ideas. Brainstorming aims to generate innovative and comprehensive ideas which help to bring up more alternatives in the decision making process.

The nominal group technique: This technique is used in the problem identification phase and other phases of the decision-making process, unlike the brainstorming technique, which is used only in the idea generation phase. In this technique, the participants do not have face-to-face interaction but their participation influences the decision.

The first step of the nominal group technique is the nominal phase where the problem is explained to the members of a group and they are asked to give ideas for problem solving independently.

In the second step, ideas are circulated among the group members and written on a chart paper or board but there is no discussion and the merits are not evaluated.

In the next step, a discussion is held to evaluate the alternatives.

Then a voting takes place to rank the ideas. The group members try to arrive at a consensus after knowing about the voted list. If a consensus cannot be arrived at, the procedure is repeated from step two onwards.

The nominal group technique minimizes the group influence and helps in making quick decisions. However, it fails to attain its objective in highly structured groups.

The Delphi technique: The Delphi technique of group decision making is similar to the nominal group technique but the decision makers need not meet at the same place when this technique is used. . The various stages in the Delphi technique are:

- A small group is formed comprising of individuals with reasonable expertise in the decision making situation. However, they do not have face-to-face interaction with one another.

- Each expert is sent a questionnaire consisting of questions relevant to the decision making situation. The expert advice of each individual decision maker is sought.

- The summarized results (feedback) of the survey are then sent back to the experts seeking their response to the results.

- The process is repeated several times until a consensus among the experts is obtained.

This technique avoids the personal bias of decision makers and generates innovative ideas without the group influence as direct interaction is not facilitated. However, the Delphi technique is time consuming and not suitable for short-term problems.

Activity: Assume that you are working as the Head of research wing at Flight International and have been given an assignment to design and develop an aircraft engine with exceptional efficiency. What would your style of group decision making be? What techniques would you use and why? Justify your answer.

Answer:

_____

_____

_____

_____

_____

Check Your Progress-3

16. Creativity can be explained as a function of three elements. What are these?

    i.   Knowledge
    ii. Imagination
    iii. Participation
    iv. Evaluation
    a.   Only i, ii, and iii
    b.   Only i, ii, and iv
    c.   Only i, iii, and iv
    d.   Only ii, iii, and iv

17. An individual's ability to develop innovative, but relevant responses to given questions or problems may be referred to as _____.

    a.   Convergent thinking
    b.   Divergent thinking

c. Cognitive complexity

d. Bounded rationality

18. The greater the cognitive complexity displayed by an individual, the more creative he is. What is cognitive complexity?

    a. It is defined as a person's use of and preference for elaborate, intricate, and complex stimuli and thinking patterns.

    b. It is a situation where responses are influenced by the knowledge and rational logic of the individual.

    c. It refers to an individual's ability to develop innovative, but relevant responses to given questions or problems.

    d. None of the above

19. What is Group Polarization?

    a. It refers to the shift in attitudes of members of a group toward a more extreme state after having a discussion among themselves when compared to pre-discussion attitudes.

    b. It is the phenomenon when decisions are made by a cohesive group of individuals and their motivation to appraise and appreciate alternative courses of action is overpowered by their desire for unanimity of decision.

    c. It is a technique that is widely used in the idea generation phase of a decision-making process and aims at generating all the possible alternative courses of action.

    d. None of the above

20. When members of a group make decisions, they tend to opt for sub-optimal decisions without evaluating the alternatives so as to go with the decision of the majority in the group. This phenomenon which is commonly observed in group decision making processes is referred to as _____.

    a. Cognitive complexity

    b. Groupthink

    c. Group polarization

    d. Group problem solving

21. The Delphi technique, named after the oracle at Delphi in ancient Greece, was introduced by the Rand Corporation. Arrange the various steps in the technique in their **correct** sequence.

    i. Each expert is sent a questionnaire consisting of questions relevant to the decision-making situation.

ii. A small group is formed comprising individuals with reasonable expertise in the decision-making situation.

iii. The summarized results (feedback) of the survey are sent back to the experts seeking their response to the results.

a. i-ii-iii

b. iii-i-ii

c. ii-i-iii

d. i-iii-ii

20.10. Summary

- Decision making is a vital task of the management and involves selecting the best action from among various alternatives for a given situation.

- Decisions should be rational so that the objectives are accomplished completely. Managers in organizations can take programmed or non-programmed decisions as per the situation.

- Human behavior is to be given importance while making decisions. The behavioral models of decision making such as the economic rationality model, Simon's bounded rationality model, the judgmental heuristics and biases model, and the social model emphasize the variations in human behavior which need to be considered for efficient decision making.

- Behaviorally-oriented decision-making techniques stress the significance of employee participation in making decisions for the mutual benefit of employees and the organization. The Scanlon Plan, which includes creating formal committees for decision making, and suggestion boxes are the traditional participative techniques. Modern participative techniques include quality circles and self-managed teams.

- Creativity in decision making is essential for improved organizational functioning. Divergent thinking and the concept of cognitive complexity help in getting innovative solutions to problematic situations.

- Group decision making is characterized by group polarization and groupthink. Common techniques for group problem solving are brainstorming, the nominal group technique, and the Delphi technique.

20.11. Glossary

Bounded rationality – Individuals make decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

Groupthink – Phenomenon in which the norm for consensus overrides the realistic appraisal of alternative courses of action.

Nominal Group Technique – A group decision making method in which individual members meet face to face to pool their judgements in a systematic but independent fashion.

20.12. Self-Assessment Test

1. What is decision making? Explain the types of decisions.

2. Describe the models of behavioral decision making.

3. Explain the issues related to group decision making.

20.13. Suggested Reading/ Reference Material

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20.14. Answers to Check Your Progress Questions

1. **(d) Decision making**

    Robert Kreitner defines decision making as a process of identifying and choosing alternative courses of action in a manner appropriate to the demand of the situation. The act of choosing implies that alternative courses of action must be weighed and weeded out. On the other hand, divergent thinking and cognitive complexities are the two major dimensions of creativity that help in understanding the creative process

in individuals. Again, brainstorming technique is a widely adopted technique in the idea generation phase of the decision-making process and it aims to generate all the possible alternative courses of action through encouraging members of the group to randomly offer alternative suggestions to solve a particular problem on hand.

2. **(a) i, iv, ii, iii, v**

   The rational decision-making process involves the stages of problem definition, identification of key criteria, awareness of alternatives, evaluation of the alternatives based on the key criteria, and finally, choosing the alternative with the highest value.

3. **(a) Only i, ii, and iii**

   Except iv, all other alternatives are characteristics of a programmed decision. Alternative 'iv' is the characteristic feature of a non-programmed decision. Conversely, programmed decisions involve the decisions that are generally taken by personnel at the lower levels of management.

4. **(c) Only i, iii, and iv**

   There are two types of decisions depending upon the frequency at which decisions have to be made. A decision is said to be programmed when adequate information about the decision situation is available with the decision maker. In certain situations, due to the frequent occurrence of the situation, it is easy to make a decision rule to guide the decision maker. This enables the decision maker to make programmed decisions. Pricing decisions for orders placed by customers, decisions regarding the salary to be paid to employees, decisions pertaining to reordering of office supplies, etc., are examples of programmed decisions. A new problem or decision-making situation which involves the development and evaluation of alternatives without the aid of a decision rule is generally called a non-programmed decision. Decisions such as how to market an entirely new product or service and, whether it is advisable to acquire or merge with a particular company, are examples of non-programmed decisions.

5. **(d) Non-programmed decision**

   A new problem or decision-making situation which involves the development and evaluation of alternatives without the aid of a decision rule is called a non-programmed decision. Whereas, choice activity is the final phase of the decision-making process, wherein managers actually pick and adopt a particular course of action from among the

alternatives that were examined in the previous phase. Rationality in decision making involves a process of making a decision that leads the organization toward the desired end objectives, and programmed decision is a decision that is made when adequate information about the decision situation is available with the decision maker.

6. **(b) Non-programmed decisions**

A new problem or decision-making situation which involves the development and evaluation of alternatives without the aid of a decision rule is generally called a non-programmed decision. Non-programmed decisions are characterized by a poorly defined structure and lack of goal clarity. Decisions such as how to market an entirely new product or service and whether it is advisable to acquire or merge with a particular company, are examples of non-programmed decisions.

7. **(b) iv, i, iii, ii**

The various behavioral models of decision making arranged in increasing 'degree of rationality' are social model, judgmental heuristics and biases model, Simon's bounded rationality model, and economic rationality model.

8. **(a) Only i and ii**

Option iv is not a characteristic as this model does **not** discuss the tendency of bias creeping into the decisions made, i.e., the model does not identify the influence of personal biases of the decision maker. The social model of behavioral decision making highlights the influence of emotions and feelings on the decisions made by the people in organizations. This model has its basis in psychology and suggests that unconscious desires influence human behavior to a large extent. So, option iii is also incorrect with regard to Simon's bounded rationality model.

9. **(b) Social**

The various behavioral models of decision making include the economic rationality model, Simon's bounded rationality model, the judgmental heuristics and biases model, and the social model. The social model of behavioral decision-making is drawn from psychology. In this model, human emotions and feelings are said to affect the decision making process of the decision makers. The theory proposes that human behavior is greatly influenced by unconscious desires. In addition, social influences also have an impact on the decision-making process which drives the decision makers to make irrational decisions.

10. **(c) It was found that only 37% of the individuals did not crumble to group pressure and insisted on a decision that they knew was correct.**

    Except 'c', all the other statements are true in case of conformity experiment. Option 'c' is false as in the experiment it was found that almost 37% of the individuals yielded to group pressure and conformed to a decision that they knew was explicitly wrong.

11. **(a) Escalation of commitment**

    Escalation of commitment is the inherent propensity of decision makers to commit resources to a course of action that is certain to fail. On the other hand, Fred Luthans describes cognitive complexity as a person's use of and preference for elaborate, intricate, and complex stimuli and thinking patterns. Further organizational determinants are certain organizational factors like unfavorable organizational structure, lack of communication among various groups in the organization, dysfunctional conflicts, and resistance to change that may escalate the decision makers' commitment towards wrong decisions whereas group polarization refers to the shift in attitudes of members of a group towards a more extreme state after having a discussion among themselves than was the attitude before the discussion.

12. **(d) Scanlon Plan**

    The most common traditional participative technique is the Scanlon plan. It was developed by Joseph Scanlon and involves the creation of formal committees to encourage and boost employee participation in managerial decision-making processes. Here the entire team shares the rewards of a successful suggestion made by a team member. On the other hand, management science technique, computerized Decision Support Systems (DSS), and expert systems are all quantitative techniques.

13. **(d) All of the above**

    The major advantages of enhanced employee participation in decision-making processes are: it helps create a sense of identity and belongingness in the employees, discover a variety of view points and approaches to the decision-making situation, enhance group participation leading to better understanding of the problem which in turn helps evolve better solutions, and helps avoid major and obvious errors in decision making. Further, as the final decision is arrived at after participation of a number of individuals, it is obviously of better quality when compared to that made by an individual in isolation. It also leads

to better productivity and increased employee satisfaction, thereby reducing employee turnover.

14. **(d) Both (b) and (c)**

    Participative decision-making techniques tend to delay the entire process of decision making and in some cases, also lead to dysfunctional conflicts due to inherent differences in opinions among individuals in a group. On the other hand, participation in decision making encourages communication within the organization which results in the development of a broader range of adaptive strategies rather than a constrained set of alternatives.

15. **(a) Quality circles**

    Quality circle is modern participative decision-making technique that comprises a group of 10-12 volunteers who meet regularly to identify, analyze, and come up with solutions to quality related and other problems in their area of responsibility. A self-managed team is a cohesive group of employees formed to accomplish a common objective. Scanlon plan involves the creation of formal committees to encourage and boost employee participation in managerial decision-making processes where the entire team shares the rewards of a successful suggestion made by an individual of the team.

16. **(b) Only i, ii, and iv**

    Creativity can be explained as a function of three elements – knowledge, imagination, and evaluation.

17. **(b) Divergent thinking**

    Feldman identified two major dimensions of creativity that help in understanding the creative process in individuals – divergent thinking and cognitive complexity. Divergent thinking refers to an individual's ability to develop innovative, but relevant responses to given questions or problems. Ideas generated by divergent thinking are generally novel and sometimes appear irrational. In convergent thinking, responses are influenced by the knowledge and rational logic of the individual. Cognitive complexity can be described as a person's use of and preference for elaborate, intricate, and complex stimuli and thinking patterns. (The bounded rationality model proposed by Herbert Simon is a relatively realistic approach toward decision-making when compared to the economic rationality model.)

18. **(a) It is defined as a person's use of and preference for elaborate, intricate, and complex stimuli and thinking patterns.**

    Cognitive Complexity is defined as a person's use of and preference for elaborate, intricate, and complex stimuli and thinking patterns. The other alternatives 'b' and 'c' are definitions of convergent thinking and divergent thinking, respectively.

19. **(a) It refers to the shift in attitudes of members of a group towards a more extreme state after having a discussion among themselves when compared to pre-discussion attitudes.**

    Option 'a' is the correct alternative that refers to the shift in attitudes of members of a group towards a more extreme state after having a discussion among themselves than was the attitude before the discussion. On the other hand, alternatives 'b' and 'c' are definitions of group think and brainstorming, respectively.

20. **(b) Groupthink**

    The various issues concerned with group decision making are group polarization, groupthink, and group problem solving. When decisions are made by a cohesive group of individuals, their motivation to appraise and appreciate alternative courses of action are overpowered by their desire for unanimity of decision. This phenomenon is referred to as groupthink. Groupthink causes the members of the group to make sub-optimal decisions, without actually evolving and analyzing the full range of available alternatives. Cognitive complexity is a dimension of creativity as identified by Feldman.

21. **(c) ii-i-iii**

    The Delphi technique is similar to the nominal group technique, but differs from it in that the decision makers do not actually meet at a common place. The Delphi technique comprises the following steps – 1) A small group is formed comprising individuals with reasonable expertise in the decision-making situation; 2) Each expert is sent a questionnaire consisting of questions relevant to the decision-making situation; The expert advice of each individual decision maker is sought; 3) The summarized results (feedback) of the survey are then sent back to the experts seeking their response to the results; 4) The process is repeated several times until a consensus among the experts is obtained.

Unit 21

Power and Politics

Structure

21.1. Introduction

The previous unit was on decision making wherein we discussed the nature of decision making, types of decisions, and creativity in decisions. This unit is about Power and Politics.

The existence of power and politics is inevitable in organizations. In fact, power is one of the most controversial topics in the study of organizational behavior. Quite often, people in organizations use their power to fulfill their individual goals. However, power is not always a negative concept. For example, it is essential for superiors to exercise their power to deal with some employees and get work done through them. Hence, understanding power and its role in the working of an organization is essential for a proper understanding of the dynamics of organizational behavior.

This unit will distinguish between power, authority and influence and will discuss the bases of power. The unit explains the contingency approach to power and organizational politics.

21.2. Objectives

By the end of this unit, students should be able to:

- Define Power and Politics
- Explain the bases of power
- Illustrate the contingency model of power
- Discuss the factors relating to political behavior

21.3. Definition and Meaning of Power

According to Stephen P. Robbins, an organizational behavior theorist, power is, "the ability to influence and control anything that is of value to others."

Max Weber, a pioneering sociologist, defined power as follows, "the probability that an actor within a social relationship will be in a position to carry out his own will despite resistance."

In the words of Jeffrey Pfeffer, an organizational behavior theorist, power is, "the potential ability to influence behavior, to change the course of events, to overcome resistance, and to get people to do things that they would not otherwise do."

The most important element in the study of power is dependency. The greater the level of A's dependence on B, the greater is B's power over A in that relationship. Further, dependence is the function of the alternatives perceived by A and the importance given by A to these alternatives that B controls. A person can have power over another only if he has control over something that the other person desires.

Activity: Carefully read through the definitions of power given above and try to define power in your own words.

Answer:

_____

_____

_____

_____

_____

21.4. Distinction between Power, Authority, and Influence

Power and authority are sometimes used interchangeably but there is a difference between the two terms. Power gives a person/group the ability to bring about a change in another person or group. It also empowers a person to

manipulate other people or a situation to bring about the required change. But power may or may not be legitimate. Authority on the other hand, is legitimate. It is conferred upon a person either by the virtue of his/her position in the organization or by the top management. Where authority is concerned, there is a willing acceptance by the person over whom it is exercised. This may or may not be the case where power is concerned. Influence is the ability of an individual to modify or change people in general ways, like changing their performance. Power has more 'force' than influence. According to Grimes A. J., "What legitimizes authority is the promotion or pursuit of collective goals, that are associated with group consensus. The polar opposite, power, is the pursuit of individual or particularistic goals associated with group compliance."

Activity: Middle-level managers give instructions to their subordinates for the accomplishment of organizational tasks. Mothers also give instructions to their children to get some work done. In each of these two cases, explain which of the following is being used – power, authority or influence. Justify your answer.

Answer:

_____

_____

_____

_____

_____

_____

Check Your Progress-1

1. The most important element in the study of power is dependency. In relation to this, in which of the following situations will more power be exerted on the dependent?

   a. More alternatives are perceived by the dependent

   b. More importance is attached to alternative sources of making money by the dependent

   c. The person depended upon is an expert in a certain area and those skills are desired by the dependent

   d. The dependent is as powerful as the boss

2. Some factors related to legitimacy of authority are given below. Choose the ones that legitimize authority.

    i. There is pursuit of collective goals

    ii. Group consensus is achieved

    iii. Group compliance is achieved

    iv. Individual goals are the priority

    a. Only i and ii

    b. Only i and iii

    c. Only ii

    d. Only iii and iv

21.5. Bases of Power

Social psychologists John French and Bertram Raven identified five sources of power. They are coercive power, reward power, legitimate power, expert power, and referent power.

Coercive power

When an individual has the ability to harm another person either physically or psychologically, he/she is said to have coercive power over the other individual. People tend to obey the orders of an individual/group fearing the consequences of their failure to carry out the tasks assigned to them. Coercive power compels individuals to strictly adhere to the rules and regulations of the organization. However, coercive power may have a negative impact on the employees. Subordinates might develop hostility and resentment toward their superiors. People pretend to work busily when the boss walks through that area, only due to fear of punishment, which the boss is in a position to mete out.

Reward power

Employees can be influenced by reward power when they believe that their superior has the authority to reward them if their performance is in compliance with the superior's orders. Reward power exerts a positive influence on individuals. Reward power

- Is dependent upon the perception of the recipient. If the individual believes that the reward is of no importance to him/her, then the reward power will have no influence on him/her.

- Gives managers the power to administer positive reinforcements to others, which encourage repetition of positive behavior.

Managers can offer pay increase, promotions, new equipment, praise, favorable work assignments, and recognition as rewards to their subordinates.

Legitimate power

People derive legitimate power from their position in the organizational hierarchy. Legitimate power enables individuals to punish or reward their subordinates. It has been observed that legitimate power forms the source for most of the bases of power. It is closely associated with authority. Legitimate power creates an obligation onn the subordinate to accept power and be influenced by it.

Expert power

Expert power is bestowed upon individuals who possess some specialized skill or knowledge. Their expertise in a certain skill or area gives them the confidence and self-esteem with which they can influence others. However, expert power can be enforced only when the specialized knowledge or skill is of relevance to the person on whom the power is being exerted. For a person to assume expert power, the people over whom power is to be wielded must perceive the expert to be credible, trustworthy and relevant. For example, an engineer has expert power in the field of production, but not in areas like finance, human resources, and so on.

Referent power

The base for referent power is identification with an individual who has desirable resources or personal traits. If individual X admires and identifies himself/herself with individual Y, then Y can exercise power over X. However, it is not always necessary for Y to know the power he/she has over X. Sometimes, Y can influence X without even being aware of it. A person's admiration for another can cause him/her to change his/her behavior and attitudes to resemble those of the person possessing the referent power. Generally, in organizations, people who are articulate, domineering, physically imposing, or charismatic have the ability to influence other people, and hence are said to have referent power.

Activity: Identify the nature of power prevailing in each of these situations given below and justify your answer:

- Shobha De, VS Naipaul, and Arundhati Roy are recognized as being some of the most powerful and influential writers in India. The power they possess can be termed as _____.

Contd. ....

- The nature of power you think the Principal of your college has over the staff and students of the college is

- Raj, manager in the production department, noticed that Shyam, his subordinate, had not been meeting his deadlines for the past three months. Raj sent a memo to Shyam, informing him that he would be transferred to a remote branch of the organization, if he failed to achieve the set objectives for the present month.

- Amitabh Bachchan is considered as an icon in the Indian film industry and is capable of exercising power over his admirers.

- A mother promises her child that she will buy him a chocolate if he completes his homework.

Answer:

_____

_____

_____

_____

_____

Check Your Progress-2

3. When there is excessive use of coercive power, certain general symptoms are observed in the organization. Choose one such characteristic from the options given below.

   a. People perform tasks without any fear from the boss

   b. People pretend to perform tasks due to fear of boss

   c. The results of coercion are higher rewards and promotions

   d. The use of coercive power makes employees more attracted to work and positively affects performance

4. Legitimate power emanates from the

   a. Performance in the organization

   b. Rewards showered

   c. Hierarchical position in the organization

   d. Belief of the subordinates

5. The following statements are in relation to legitimate power in organizations. Arrange the following instances in the pattern of (true statements)/(false statements) with regard to legitimate power.

   i. It is the power grabbed by the superiors by virtue of their performances

   ii. People with legitimate power can only grant rewards but cannot give punishments

   iii. It is a combination of coercive and reward power

   iv. The subordinates feel it obligatory to accept legitimate power

   a. (iv)/(i, ii, & iii)

   b. (i & ii)/(iii & iv)

   c. (i)/(ii, iii, & iv)

   d. (iii & iv)/(i & ii)

6. Following are some attributes related to power. Expert power is due to which of the following attributes.

   i. Specialized domain knowledge

   ii. Cultural values

   iii. Higher perception of credibility amongst the subordinates

   iv. Designation

   a. Only i and iii

   b. Only i, iii, and iv

   c. Only ii

   d. Only ii and iv

7. Referent power is dependent of which of the following attributes?

   a. Position in the organizational hierarchy

   b. Belief of the subordinate

   c. Charisma of the superior and admiration of the same by the subordinates

   d. Specialized domain knowledge

8. Given below are four instances of power related behavior in an organization. Match the instances appropriately with the kinds of power.

Instances

i. Ram is a financial analyst with a degree from a reputed business school and is known for his financial acumen.

ii. Raghu is a wonderful team leader and instills confidence in his team members to perform well. He has a cheerful attitude and the members of his team follow his instructions with least resistance.

iii. Ravi leads a team of marketing executives and has the power to decide his team members' increments and incentives.

iv. Raj is the head of the trade union and is feared in management circles as he has the power to voice the employee's demands in a strong manner.

Types of power

p. Referent power

q. Legitimate power

r. Expert power

s. Reward power

a. i/r, ii/q, iii/p, iv/s

b. i/r, ii/p, iii/s, iv/q

c. i/r, ii/p, iii/q, iv/s

d. i/r, ii/q, iii/s, iv/p

21.6. The Dependency Factor

The study of power is incomplete without understanding the role of 'dependency' in the process of application of power. When a person is dependent on another for a certain thing, then the other person is said to have power over him/her. The extent of 'dependency' is inversely proportionate to the availability of substitute sources. The level of dependency depends upon the importance, scarcity, and non-substitutability of the resource controlled by a person.

Importance

The importance of resources as perceived by an individual is a major element in deciding the level of dependency of a person. For example, the marketing department in a manufacturing company might have a greater influence if the company gives more importance to it. Similarly, the research and development department may influence an organization if the organization lays more emphasis on product innovation.

Scarcity

The dependency levels of individuals on people who control scarce resource/s is higher. For instance, when the demand for employees possessing certain

skills is more than their supply, then they are paid much higher salaries than other employees.

Non-substitutability

When a particular resource does not have any viable substitutes, then the person who controls that resource will have power over those who require that resource. When the resources possessed by a person cannot be substituted, then people who are in need of such resources have to be dependent on the person who possesses them.

21.7. Contingency Approaches to Power

The different contingency approaches to power are:

Interdependence and Influenceability

The extent to which the various departments in an organization are interdependent also influences the extent of power and also how important a certain department is.

Influenceability represents the extent to which an individual is influenced by a powerful person. It is dependent upon the following factors:

- Degree of dependence of the target person (person who is being influenced)
- Uncertainty of the target person regarding attainment of a certain outcome
- Personality traits of the target person
- Level of intelligence possessed by the target person
- Age of the target person
- Cultures which guide the personality of the target person.

Overall contingency model for power

According to Herbert Kelman, a social psychologist, there are three main processes of power. They are compliance, identification, and internalization.

Compliance: In this process, the subject conforms to the power of another person, as he/she expects to gain a favorable response or avoid a negative consequence. However, an agent (person who is exerting power over another) must possess the authority to reward or punish to enforce power over the target. The target complies with power because he/she wants to obtain a favorable response from the agent or because he/she wants to avoid a negative response.

Identification: In this process, the agent has a referent power due to which the target identifies with or tries to emulate him/her. In identification, the target neither anticipates the obtaining of positive gains nor fears negative consequences.

Internalization: When the target feels that the value system he/she holds is in accordance with that of the agents, he/she tends to internalize the control the agent has over his/her actions. According to Kelman, internalization is the most effective and long lasting process of power. For this condition to exist, an agent must possess expert or legitimate power. A major aspect in this process is that the power the agent possesses must be of relevance to the target.

Check Your Progress-2

9. Power exists when there is a dependency factor. Of the factors given below, identify the one related to the resources controlled that **does not** contribute to higher dependency.

   a. Scarcity

   b. Inability to substitute

   c. Easy availability

   d. Higher importance

10. According to the overall contingency model developed by Herbert Kelman, there are three processes of power. Which of the following is **not** one of these processes?

   a. Internalization

   b. Compliance

   c. Designation

   d. Identification

11. Which process indicates that the target complies with the agent so as to gain a favorable reaction from the agent?

   a. Internalization

   b. Identification

   c. Compliance

   d. Contingency

12. The internalization of the control of agent over target is possible under which of the circumstances?

   a. The value system of the agent and the target is on the same wavelength

   b. The agent has expert power

   c. The agent has legitimate power

   d. All of the above

13. Of the powers given below, which one is comparatively long lasting, according to Kelman?

    a. Compliance

    b. Identification

    c. Coercion

    d. Internalization

21.8. Power in Groups: Coalitions

It is not always easy to attain or regain power. Therefore, people tend to develop individual power while trying to regain their lost power or attempting to attain power. If they are unsuccessful in assimilating individual power, they try to form a 'coalition.' A coalition essentially consists of a group of people who come together with the aim of improving their bargaining power or their influence over other people. A coalition generally consists of individuals who share similar interests and strive to achieve common goals as for instance, the trade union of a certain company. Unions are primarily formed to represent the interests of the workers, who do not have any individual power. As a group, they are in a position to negotiate with the management (which holds legitimate power in organizations).

The opinions of various experts regarding the formation and working of 'coalitions' are summarized as follows:

*   In politics, the smaller the coalition, the greater the power. In organizations, coalitions not only take a decision they also implement it. Therefore, it is beneficial to have greater support in coalitions in organizations. Consequently, organizational coalitions aim to represent as many interests as possible.

*   Coalitions take place among people who are highly interdependent on each other.

*   The nature of work done by individuals also exerts a great deal of influence on the formation of coalitions. If tasks are more routine and predictable, people become substitutable for one another and, as a result, become replaceable. Therefore, to protect their interests and obtain more security, they are likely to form coalitions.

21.9. Organizational Politics

Organizational politics do exist in most organizations. According to many organizational behaviorists, to some extent politics does have a positive impact on organizations. It is also believed that organizational politics play a major role in the dynamics of OB.

Definition and nature of politics

According to Stephen Robbins, politics are, "those activities that are not required as part of one's formal role in the organization, but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization."

According to Bronston T. Mayes and Robert W. Allen, organizational politics can be defined as the deliberate, "management of influence to obtain ends not sanctioned by the organization or to obtain sanctioned ends through non sanctioned influence means."

The above definitions suggest that politics is –

- Outside the range of an individual's work environment

- Is concerned with obtaining and utilizing power for one's own needs.

The use of power to serve one's own ends is also called as *Politicking*.

According to Robbins, there are two types of political behavior – legitimate and illegitimate. Legitimate political behavior is that which forms a part of the day-to-day work in an organization. This includes forming organizational coalitions, networking and developing contacts within and outside the organization, complaining to superiors on routine matters, ignoring rules and procedures, adhering to rules strictly, etc.

Illegitimate political behavior, however, is extreme in nature and does not keep to the accepted level of politicking. Protesting violently against rules, deliberately breaking rules, not conforming to the accepted procedures, absconding from work, sabotaging organizational activities, and whistle blowing, are examples of illegitimate political behavior.

Factors relating to political behavior

Political behavior may be influenced by individual and organizational factors.

Individual factors: According to researchers, three aspects of individual personality influence political behavior: the level of self-monitoring, the individual's locus of control, and the strength of the individual's power motive. Individual factors such as the personality traits of people, their experiences, the environment in which they operate, etc. play a major role in influencing their political behavior. For instance, people who are high self-monitors have good social skills and behavior and are likely to be more skilled at politicking.

Organizational factors: Research has proved that organizational factors operating in organizations influence political behavior much more than the individual factors of employees. It is also strongly believed that organizations exhibiting certain characteristics are more inclined to give rise to political behavior than others. Some of these characteristics are:

- Scarcity of resources in the organization: If resources were ample, there is no need for the employees to manipulate their superiors to claim other's share. Politics surfaces when the top managers have to allocate scarce resources. Politically involved employees try to get limited resources by hook or crook in the organization.

- Ambiguity in organizational goals and objectives: When organizational goals and objectives are not clear, it gives a lot of scope for the employees to pursue their personal interest in the name of organizational goal. If the organizational goals are very clear, it provides no room for its employees to play politics. Strictly every employee will adhere to the organizational rules and regulations.

- Ambiguity in the roles and responsibilities of members of the organization: Just like employees tend to play more politics when organizational goals are not clear same will happen when individuals' roles and responsibilities of the employees are ambiguous. Employees' job descriptions should be very clear and appropriately communicated to the employees without any ambiguity.

- Culture of the organization: Few organizations are very clear right from their inception. For them, values and ethics matter more than anything else. Virtuousness is deeply rooted in their culture; they give no scope for corrupt practices in the organization. They encourage employees to grow collectively in the organization. On the other hand, we may find organizations compromising on ethics to reach greater heights. For them attaining goals of the organization is more important than how it is done. Such organizations give ample space for the employees to involve in politics.

- Lack of mutual trust among the members of the organization: Trust is one of the essential factors to establish good relationships in an organization. If the employees in an organization perceive that organizational members care for each other, they learn to trust others. Politics arise in an organization when there is no trust amongst the employees. Everyone tries to outplay others to climb the ladder of success.

- Pressuring employees concerning the performance of their tasks: In today's fierce competition, there is a lot of pressure on the employees to perform at their best. Regular performance evaluations and performance-based promotions build a lot of pressure on the employees. To survive in this competitive world, few employees may indulge in politics for their career advancement.

- Organizational Change: Organizational politics increases when the external environment is dynamic and complex. With technological changes, ambiguity also increases. Periods of organizational change such as restructuring, launching new product triggers employees to behave politically rather than rationally.

- Non-Programmed Decisions: Non-programmed decisions invite ambiguity as the conditions involved in the decision process are not clear. Non-programmed decisions leave space for political maneuvering. On the other hand, programmed decisions are clear, and there is no room for employees to play politics in an organization..

It has also been observed that politicking was likely to occur during performance appraisals or incidents when decisions regarding rewards and promotions are made.

The positive consequences of politicking by the top management might encourage low level employees to resort to such activities themselves.

Effects of politics on employees and organization

Decreased Productivity: Employees engaging in politics usually do not concentrate on their work. They try to influence and manipulate others for their own benefit. They are more interested in backbiting and leg-pulling. To earn brownie points from their superiors, they try to spoil the image of other employees and try to please their superiors. As a result, employees involving in politics fail to meet deadlines and not able to achieve their target, eventually lowering the productivity of the organization.

Effects the working environment: Employees involving in politics spoil the ambience of the organization by inflicting negativity in the organization. Politics often spoil the relationships amongst employees. To think creatively and work effectively in the organization, employees need a conducive environment. Negativity in the organizational environment decreases the creativity and productivity of the organization.

Demotivates employees: In politically driven organizations, hardworking employees go unnoticed, and politically involved employees get undue advantage from their superiors. Politically active employees try to tarnish the image of the fellow employees by manipulating the information. They never transfer the information in its desired form. When employees sense that wrong persons are getting away with all the credit they don't deserve, they lose interest in their work. Even sincere employees get highly demotivated in politics driven organizations.

Dealing with organizational politics: As people with different values join organizations, politics are almost inevitable in every organization. However,

corporate leaders can adopt a few of the following ideas to avoid organizational politics.

Be Data-Driven: Most of the crucial decisions in an organization should be based on facts and figures and not on subjective perceptions. Data helps the managers to make rational decisions and avoid ambiguities related to the decisions. Decisions based on perceptions can invite ambiguities which trigger organizational politics.

Work for the interest of the organization: Every employee in an organization has their own personal interest. One way to avoid organizational politics is to work for the interest of the organization and not for personal interest. Employees should understand that organizational goals are more important than personal goals. If an organization meets its goals, all the stakeholders and shareholders of the organization will flourish with the organization. When employees understand the strength of unity and help each other to achieve organizational goals, they can undoubtedly limit organizational politics.

Always change the approach: In this dynamic world, change is the only constant. Individuals should understand the situation, analyze it with all the information available, and make the best possible decision in that situation. The same approach may not be suitable for changing circumstances. So, based on the situation, individuals should act smartly to avoid organizational politics

Exhibit 21.1 illustrates the positive and negative influences of organizational politics.

Exhibit 21.1: Power and Politics – Make or Break Career Prospects

Pete Sosnowski, Co-founder and Head of HR of Zety, a resume developing site describes workplace politics as behind the scene operations that are aimed at accomplishing personal goals in the organization. He said that workplace politics can either make or break once career and explained that two types of political behaviour exist in the workplace, negative political behaviour and positive political behaviour. He described negative political behaviour as someone noticing a mistake in a project, taking it to the notice of the boss and then trying to solve the mistake. Positive political behaviour as approaching the key influencers in the workplace with an objective to get inspiration for career development, considering the values of the organization and not compromising on them.

It can be noted that if employees involve in positive political behavior, there is positive effect on the organization. Positive politics leads to collaboration among employees, improves their conduct and productivity and stimulates change. On the other hand, negative political behaviour poses challenges to the organization by creating differences between co-workers subordinates,

Contd. ....

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and supervisors. This behaviour leads to work disturbances creating an unfavourable work environment. This in turn leads to low productivity and affects employee and company morale.

As culture and politics starts from the top levels, supervisors can bring in change in the behaviour of employees and inculcate suitable political behaviors in the company. Supervisor should demonstrate several behaviors to moderate the negative politics like:

- Doing things that are right for not only the team but also for the organization.

- Collaborate and build relationships throughout the organization and avoid restrictions.

- Introduce firm policies and encourage transparent feedback.

- Do not entertain gossips in the office.

Do not isolate as it leads to developing negative power dynamics.

Source: https://www.businessnewsdaily.com/6374-fix-workplace-politics.html Skye Schooley, Business News Daily Staff, Updated Apr 07, 2021

21.10. The Ethics of Power and Politics

Organizations of today are laying great emphasis on ethics and social responsibility. So much so that multinational companies are including 'corporate governance' as part of their business strategies. A lot of importance is also being given to the ethical dimensions of power and politics. Misuse of power and illegitimate use of politics not only have adverse effects on organizations, they are also unethical. However, differentiating between ethical and unethical behavior is not an easy task. According to Fred Luthans, every person must consider the following guidelines before determining the ethics of a certain decision or action:

- An individual must give priority to organizational interest instead of placing his/her individual interest first.

- An individual's actions must not violate the basic rights of another person.

- An individual's behavior and action must be in accordance with the standards of equity and justice.

Exhibit 21.2 outlines ethical dilemma with respect to autonomous cars.

Exhibit 21.2: Ethical Dilemma

There is an ethical dilemma while driving an autonomous car run by computers. The ethical dilemma for the car is while diving who should be given preference for saving the life-if an accident is imminent to happen.

Contd. ....

> Should it be the car passengers or 100 pedestrians walking on the road or the lone pregnant woman on the road or an old man in preference to an young lady. Such situations do arise and the car owners have to program in such a way that there is no ethical deviation.

Source: https://hbr.org/2020/09/a-new-model-for-ethical-leadership

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Check Your Progress-3

14. Of the following, which are the situations that would promote formation of a coalition?
    i. Two departments of the organization are interdependent in the sharing of the resources
    ii. The departments are more confined to their respective tasks and seldom depend on each other
    iii. Some of the employees find their jobs routine and feel insecure
    iv. The people perform only specialized tasks and don't exhibit interdependency

    a. Only i and iii
    b. Only i and iv
    c. Only ii and iii
    d. Only ii and iv

15. Which of the following statements is **false** regarding coalitions?
    a. Organizational coalitions try to minimize the group size
    b. Formation of coalitions is dependent on the degree of interdependence among workers
    c. Formation of coalition is influenced by the nature of work done by the workers
    d. Coalitions aim to represent as many interests as possible

16. The use of power to serve one's own ends in an organization is called _____.
    a. Legitimate power
    b. Expert power
    c. Politicking
    d. Coercive power

17. Consider the following situations. Of the following, choose the organizational factors that cause political behavior.
    i. Ambiguity in organizational goals and objectives

ii. Culture of the organization

iii. Lack of mutual trust among the members of the organization

iv. Strength of an individual's power motive

a. Only i , ii, and iii

b. Only i and iv

c. Only ii

d. Only ii, iii, and iv

18. Following are some of the political behaviors in an organization. Choose the instances that show legitimate political behavior.

   i. A senior mechanic complains to the supervisor about frequent machine breakdowns in the factory.

   ii. Some employees were against the management on all issues and they displayed their vengeance in the form of damage to the organization property.

   iii. Ram was an employee for seven years in an organization and has served many a punishment for his unruly behavior

   iv. A group of employees, who had similar interests and who wished to be separate, built a network amongst themselves and were indifferent to the actions of other groups

   a. Only i and ii

   b. Only i and iv

   c. Only ii

   d. Only ii and iii

19. Which of the following acts can be termed ethical?

   a. An act which involves the attainment of the self-interest goals at the cost of the interest of other team members

   b. An act which benefits the individual more than the organization

   c. An act which is in the interest of the organization primarily and beneficial to the individual's interest as well

   d. None of the above

21.11. Summary

- Power and politics play a significant role in the dynamics of OB. An individual obtains power by gaining control over resources that are of value to another person. Dependency is a major element in power.

- According to John French and Bertram Raven, there are five sources to power. They are coercive, reward, legitimate, expert, and referent power.

- Dependency is the most important concept of power. The degree of dependence of the target determines the power exercised by the agent. Dependency is a function of importance, scarcity and non-substitutability of the resources controlled by a person.

- Contingency approach to power is explained with the help of interdependence and influencability, and the overall contingency model of power.

- Individuals form coalitions to attain or regain power in an organization.

- Politics is concerned with acquisition and use of power within the organization to fulfill one's own needs.

- Individual factors and organizational factors influence the political behavior of individuals in an organization.

- Unethical use of power and politics has a negative impact on organizations.

21.12. Glossary

Coercive power – Power that is based on fear.

Dependency – B's relationship to A when A possesses something that is required by B.

Political behavior – Those activities that are not required as part of one's formal role in the organization, but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization.

Referent power – Comes from being respected, likable and worthy of emulating.

Reward power – Compliance achieved based on the ability to distribute rewards that others view as valuable.

Whistle blowers – Individuals who report unethical practices by their employer to outsiders.

21.13. Self-Assessment Test

1. Define power. What are the various sources of power?

2. What is politicking? Briefly explain the factors that influence political behavior of individuals.

3. How do the following factors influence power: a) interdependence, b) influencability and c) the dependency factor?

4. Why do people form 'coalitions'? Substantiate your answer with an example.

21.14. Suggested Reading/Reference Material

1. Aswathappa K. International Business, 7th Edition, 9390113288 · 9789390113286, Tata McGraw Hill, 2020

2. Dwivedi, R.S. Management – An Integrated Approach, National Publishing House. 2016

3. Fred Luthans International Management: Culture, Strategy, and Behavior, TMG 2017

4. Harold Koontz and Heinz Weihrichand Mark V. Cannice,, Essentials of Management, 11th edition, TMH 2020

5. Stephen. P., Robbins, Judge, Timothy. A. & Vohra, N. Organizational Behavior (18th ed.). Pearson Education Inc.2019

6. Stephen P. Robbins, Mary Coulter, Management / 15 th Edition. | Hoboken, NJ : Pearson, 2020

7. Udai Pareek & Sushama Khanna,,Understanding Organizational Behaviour ISBN:9780199454716, Paperback, Oxford University Press, 2016

21.15. Answers to Check Your Progress Questions

1. **(c) The person depended upon is an expert in a certain area and those skills are desired by the dependent**

   More number of alternatives would decrease the dependency of an individual on another person in his/her organization. Also, if the dependent does not find anything special or desirable in the other, his/her dependency on the other is low and as would be the power exerted by the other.

2. **(a) Only i and ii**

   A.J. Grimes has aptly said, "What legitimizes authority is the promotion or pursuit of collective goals that are associated with group consensus. The polar opposite, power, is the pursuit of individual or particularistic goals associated with group compliance."

3. **(b) People pretend to perform tasks due to fear of boss**

   The effect of coercive power is that the employees feel uninterested in their tasks. There is the fear of the presence of the boss, demotions, resentments, etc.

4. **(c) Hierarchical position in the organization**

   The position in an organization gives the individual certain power which is called legitimate power. Reward power is dependent on the beliefs of the subordinate. Performance may lead to rewards but it may or may not make the individual powerful.

5. **(d) (iii & iv)/(i & ii)**

   Legitimate power comes with position in the organization. Such power can grant rewards and award punishments as well. Employees are obliged to accept this power.

6. **(a) Only i and iii**

   The power sourced from cultural values and designation is legitimate. Expert power origins due to the high level of expertise that the employees have and their track record of delivering well in the concerned domain areas.

7. **(c) Charisma of the superior and admiration of the same by the subordinates**

   Power which is not offered by the organization but which the individual unknowingly exerts due to his personal charisma is called referent power. It is dependent on the admiration or the identification of the peer group, subordinates, etc., with a charismatic personality.

8. **(b) i/r, ii/p, iii/s, iv/q**

   Coercive power is based on fear. Reward power has its source in a person's ability to control the resources used to reward others. Legitimate power refers to the power a person receives because of his or her position in the formal organizational hierarchy. Expert power refers to the influence a person wields as a result of some special skill or knowledge that he possesses. Referent power refers to the identification with an individual who has desirable resources or personal traits.

9. **(c) Easy availability**

    Based on the access to resources, power either increases or decreases. When resources are scarce, important, and non-substitutable, the power exerted by the person controlling these resources is more.

10. **(c) Designation**

    The three processes of power are compliance, identification, and internalization. Designation is a part of legitimate power.

11. **(c) Compliance**

    Compliance is a process of power for the superior as he can either reward or punish for the compliance or non-compliance by the subordinate.

12. **(d) All the above**

    When the agent has a similar value system to the target and has expert and legitimate power, he achieves power out of internalization by the target.

13. **(d) Internalization**

    This is because internalization makes the target at ease in the acceptance of the control of the agent.

14. **(a) Only i and iii**

    The formation of the coalition group is dependent on factors like dependency on resources, nature of tasks, and the need to protect their interests and obtain more security.

15. **(a) Organizational coalitions try to minimize the group size**

    Political coalitions are different from organizational coalitions. In organizations, coalitions not only take a decision they also implement it. Therefore, it is beneficial to have greater support in coalitions in organizations. Consequently, organizational coalitions aim to represent as many interests as possible.

16. **(c) Politicking**

    Politicking is the behavior exhibited by employees to serve one's own needs. The rest are all different forms of power and involve the exertion of power in different manners to achieve organization goals.

17. **(a) Only i , ii, and iii**

    The last instance is more an individual factor and the rest are organizational factors that can induce political behavior.

18. **(b) Only i and iv**

    Legitimate political behavior is that which forms a part of the day-to-day work in an organization. This includes forming organizational coalitions, networking, and developing contacts within and outside the organization, complaining to superiors on routine matters, ignoring rules and procedures, adhering to rules strictly, etc. Illegitimate political behavior refers to extreme levels of politicking that may even involve causing damage. In such instances, the persons involve in it are punished.

19. **(c) An act which is in the interest of the organization primarily and beneficial to the individual's interests as well**

    In general, an act which is primarily in the interest of the organization and beneficial to the individual as well can be considered ethical.

Unit 22

Organizational Culture

Structure

22.1.   Introduction

The previous unit was about power and politics in which we discussed the bases of power, contingency approaches to power and organizational politics. This unit is about organizational culture.

Culture is learned behavior. Organizations develop a culture of their own over a period of time. The culture of an organization makes it distinct from other organizations. The organizational culture influences the behavior of employees working for the organization and, to an extent, has an influence on people in society at large. Hence, understanding organizational culture gives an insight into the behavior of people in general. This unit will explain the characteristics of organizational culture, describe types of culture, and will discuss changing organizational culture.

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22.2. Objectives

By the end of this unit, students should be able to:

- Define Organizational Culture

- Describe characteristics of organizational culture

- Classify Culture

- Discuss changing organizational culture

22.3. Definition of Organizational Culture

Organizational culture refers to a pattern of learned behaviors that is shared and passed on among the members of an organization. It comprises of the various assumptions, values, beliefs, norms, rituals, language, etc. that people in an organization share. It can be thought of as an evolutionary process that has been established, accepted and internalized over a period of time, by a majority of members of the organization.

Edgar Schein defined organizational culture as "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems." Different organizations have different cultures and influence the behavior of individuals differently. In fact, organizational culture creates a distinct identity for individuals working for an organization.

22.4. Characteristics of Organizational Culture

Organizational culture guides the behavior of employees and has a list of characteristics as discussed below.

Norms

Norms relate to the standards of behavior and guidelines on the quantum and quality of work that every employee in an organization has to deliver. These standards of behavior have to be adhered to in order to preserve the organizational culture. Several norms are set depending on the nature of work in organizations. For instance, some sales agencies may have a norm that their telemarketers should make at least 100 calls per day.

Innovation and risk taking

Some organizations develop a culture to generate innovative ideas by encouraging employees to take more risks at work. They invest a lot of money in R&D (Research and Development). Examples of organizations which have

this characteristic of organizational culture are Nokia Corporation, Satyam Computer Services and Dr. Reddy's Laboratories.

Attention to detail

The organizational cultures of some organizations emphasize precision and attention to detail as per the requirements of the job.

Outcome orientation

An outcome of the process is stressed in some organizations without importance being given to the ways and means of getting them. This characteristic may sometimes encourage unethical behavior in employees.

People orientation

People orientation refers to the degree to which the management takes into consideration, the effect of decisions made and the outcomes of these decisions on the people in the organization. Organizations with a people-oriented culture encourage employee participation in the decision-making process. In fact, employee welfare is given due importance and provision of facilities such as houses, schools, medical, and recreational facilities are arranged by the organization.

Team orientation

This characteristic of organizational culture emphasizes the efforts of teams at work over and above individual contributions. Organizations such as Colgate encourage global teams to work together to find a solution to problems which have an impact on organizational functioning.

Observed behavioral regularities

The interactions between employees of an organization are guided and controlled by behavioral regularities. The commonly observed behavioral regularities are language, terminology, symbols, rituals, etc.

Dominant values

The values on which organizations are built and are expected to be adopted by all employees of the organization are termed as dominant values. For example, one organization may give importance to professionalism while another may insist on globalization.

Rules

Organizations lay down strict guidelines for new employees to make them aware of how to get along in the organization and how to become accepted as members of the organization. All newcomers are expected to quickly learn the 'ropes' in order to perform their assigned activities efficiently.

Philosophy

Philosophy is the policy the organization adopts in treating its employees and customers. It also refers to the values adopted by organizations and differs from one organization to another.

Organizational climate

Organizational climate refers to the overall impression an employee in an organization experiences because of the physical layout of the office or plant, the way people interact and the way employees behave with customers. Some organizations want to encourage a stress-free working environment and provide recreational and relaxation facilities at the workplace so as to provide an enjoyable organizational climate to employees. For example, organizations such as Microsoft Corporation, Cadbury Schweppes, Satyam Computer Services, etc., have a cafeteria, gym, swimming pool, table tennis tables, billiards, and other recreational facilities at the workplace that allow employees to relax and play during office hours.

Check Your Progress-1

1. Which of the following **does not** relate to organization culture?
    a. Ad hoc occurrences and actions with minimum acceptance
    b. Pattern of learned behavior that is shared and passed on
    c. Sharing values, beliefs, languages, etc.
    d. Processes considered valid that have been internalized across the organization

2. Of the following instances, which can be classified under behavioral regularities under organizational culture?
    i. Employees do not rush in to cubicles of colleagues but gently knock and then enter
    ii. Employees make it a point to display their ID cards whenever they are in the company premises
    iii. Birthdays of employees are celebrated by arranging for bouquets and a gift packet with some informal celebrations
    iv. The correspondence between a company and its client varies from one instance to another

    a. Only i, ii, and iii
    b. Only ii and iii
    c. Only ii and iv
    d. Only iv

3. The strict guidelines for new employees to make them aware of how to get along in the organization and how to become accepted as members of the organization are referred to as _____.

    a. Rules
    b. Norms
    c. Dominant values
    d. Team orientation

4. In an organization, which of the following refers to the standard of behavior every employee has to follow on the quantum and quality of work to be delivered?

    a. Organizational culture
    b. Norms
    c. Values
    d. Assumptions

5. The degree to which the management takes into consideration, the effect of decisions made and the outcomes of these decisions on the people in the organization is termed _____.

    a. Outcome orientation
    b. People orientation
    c. Team orientation
    d. Production orientation

6. Which of the following statements is **true** with regard to organizational climate?

    i. The elements of organizational culture are the same across all organizations.
    ii. The approach to creating a suitable organizational climate is different across different organizations.
    iii. It is an impression created about the organization in the minds of the employees.

    a. Only i and ii
    b. Only i and iii
    c. Only ii and iii
    d. i, ii, and iii

22.5. Uniformity of Culture

A composite collection of people belonging to different social and regional cultures in an organization results in a variation to the extent to which the values and culture hold a shared meaning and a common perception for all members.

It is quite natural that there will be variation in the attitude of an organization's members. This variation results in a dominant culture and a subculture within the organization.

Dominant culture

This is the culture that a large number of employees in an organization adopt. The dominant culture guides the interpretation of organizational policies and procedures and has an impact on the consensus of opinions. The general behavior at the workplace is guided by the dominant culture.

Subculture

Subculture is a culture adopted by a minority group or small groups within the organization. Large organizations usually have subcultures. Subcultures are formed when people meet others with whom they can identify and form various social categories or groups on the basis of age, occupational or professional skills, union membership, etc. Sometimes, people who oppose the dominant culture of the organization may adopt cultures which are modifications of the dominant culture or even cultures that contradict the dominant culture.

22.6. Strong Vs Weak Cultures

The organizational culture can be termed as strong or weak depending upon the degree of sharedness and intensity of adaptation of a common culture by the employees of the organization.

Sharedness

The acceptance level of the organizational culture and the degree of sharedness make the culture of an organization strong or weak. The greater the sharedness of the culture, the stronger will be the organizational culture. The degree of sharedness is affected to a great extent by the orientation the employees receive when they join the organization, and also by the organizational reward system. The new employees of the organizations can be helped through induction programs. This facilitates the adoption of shared values and helps in increasing the sharedness of culture among employees.

Intensity

Intensity of culture refers to the degree of commitment from the employees to the core values of the organization. When the intensity of culture is high, employees adhere strictly to the organizational culture. The reward system in the organization also has an impact on the intensity of culture.

Activity: Explain the type of culture which you feel is dominantly prevalent in your business school. Support your view with the help of some examples.

Answer:

_____

_____

_____

_____

_____

Check Your Progress-2

7. Variations in the extent of sharing of organization culture and its values among employees result in _____ and _____.
   a. Dominant culture, subculture
   b. Dominant culture, simple culture
   c. Simple culture, dormant culture
   d. Dormant culture, dominant culture

8. The extent of shared values limited to a small portion of an organization is called _____ and is characteristic of _____ organizations.
   a. Subculture, large
   b. Subculture, small
   c. Dominant culture, large
   d. Organization culture, small

9. The formation of subcultures can be attributed to
   i. The existence of smaller groups with similar occupations, situations, experiences and problems
   ii. The culture prevailing in the lower hierarchical levels of the organization
   iii. Elements like age, occupation, and skill sets among groups
   iv. The team-orientation element of organization culture that stresses on employees working in teams

   a. Only i and iii
   b. Only ii and iii
   c. Only ii and iv
   d. Only iv

10. The factor that affects both sharedness and intensity factor is
_____.

    a. Induction program
    b. Commitment
    c. Strict rules
    d. Organization reward system

11. Which of the following relationships most **correctly** represents the strength of organization culture?

    a. Sharedness is inversely proportional to the strength of organizational culture while intensity is directly proportional to the strength of organizational culture
    b. Sharedness and intensity are inversely proportional to the strength of organizational culture
    c. Sharedness and intensity are directly proportional to the strength of organizational culture
    d. Sharedness is directly proportional to the strength of organizational culture while intensity is inversely proportional to the strength of organizational culture

12. Different members of an organization have varying degrees of commitment to the organization's core values. What is this degree of commitment known as?

    a. Sharedness of organizational culture
    b. Assumptions of culture
    c. Intensity of organizational culture
    d. Outcome orientation

22.7. Types of Culture

The classification of culture into four basic types is done by Quinn and McGrath on the basis of interactions between individuals and groups in an organization. These types of culture are market culture, adhocracy, clan culture, and hierarchical culture.

Market culture

Market culture is an achievement-oriented culture and stability in the organization is given importance. In this type of culture, the output generated by employees acts as the base to assess the performance of employees.

Adhocracy

This type of culture is growth oriented. Here, organizations try to create an informal work atmosphere allowing for more flexibility and adaptability at the work place. In this type of culture, employees are evaluated by their commitment to the organization. Usually, these types of organizations are led by managers who are charismatic and creative and are risk-takers.

Clan culture

In this type of culture, employees are encouraged by the top management to participate in decision making. Here, the performance of the employees is assessed by the quality of relationships they maintain with other members of the organization.

Hierarchical culture

A hierarchical culture prevails in organizations where the traditional leadership style is followed. Hierarchical cultures are characterized by formal organizational processes and obedience to the norms of the organizational culture. Leaders have strict control over employees' behavior at work and judge the performance of the employees based on their adherence to the set norms and formal procedures of the organization.

22.8. Culture and Formalization

The extent to which jobs in an organization are standardized can be termed as formalization. A highly formalized job is one that has to be done in a predetermined manner, leaving little discretion to the employees involved, over even small elements of the job. Formalized jobs are therefore characterized by explicit job descriptions, clearly defined work processes and work flows, and a number of rules. On the contrary, less formalized jobs provide autonomy to employees and lead to diversity in job performance. Formalization in an organization should be done carefully by clearly documenting the rules and procedures to be followed by the employees. If a strong organizational culture exists, it could replace the process of formalization in the organization as both organizational culture and formalization aim to bring consistency in the behavior of employees in the organization. Formalization includes documentation of rules and procedures whereas organizational culture brings about consistency in the behavior of employees.

22.9. Functions of Culture

The important functions of culture in an organization can be listed as follows:

- To create a boundary defining role for employees
- To develop a sense of identity

- To encourage collective commitment
- To bring about stability of the social system
- To have a shared meaning of values, assumptions, norms and control mechanism across an organization.

Check Your Progress-3

13. In which of the following types of culture is the degree of formal organizational process and adherence to norms, the highest?
    a. Market culture
    b. Adhocracy
    c. Hierarchical
    d. Both (a) and (b)

14. Which of the following statements is **true** about formalization?
    a. It does not involve documentation of expected employee behavior in performing tasks
    b. It involves documentation of expected employee behavior in performing tasks
    c. It is a procedure by which newcomers to the organization are introduced to organizational culture
    d. It refers to the orientation received by employees during induction programs

15. Achieving a strong organizational culture would
    a. Require formal processes in place
    b. Not depend on the extent of formalization
    c. Serve as a replacement for formalization
    d. None of the above

16. The functions that organization culture perform are:
    i. Developing a sense of identity among the employees
    ii. Encouraging collective commitment toward goals
    iii. Bringing about a stable social system
    iv. Having a shared meaning of values, assumptions, norms and control mechanism across an organization
    a. Only i, ii, and iii
    b. Only i, ii, and iv
    c. Only ii, iii, and iv
    d. i, ii, iii, and iv

17. Which of the following is **not** a function of organizational culture?

    a. It plays a boundary-defining role

    b. It acts as a control mechanism

    c. It builds a sense of identity for its people

    d. It represents a divergence in values, assumptions, and ideologies of members of the organization

22.10. Beginning of Culture in an Organization

The founders of an organization influence the culture in the organization with their personal traits and values. Simply put, the founders of the organization lay the foundation for a particular culture in an organization. But once a culture has been adopted by the employees of the organization, it is difficult to bring in changes or modify it. Some of the factors which have an influence on maintaining the organizational culture are:

Selection

If the selection procedure of employees includes an evaluation of the adaptability of the candidate to the culture of the organization along with technical and professional evaluation, it would help the organization to select appropriate candidates who can more easily adopt the organizational culture. A strong organizational culture can be maintained when the new employees believe the values of the founders of the organization and adopt the culture existing in the organization.

Top management

The top management of an organization influences the culture in the organization to a great extent. Usually, the ideas and behavior of the top level management seep down throughout the organization. Thus, the top management influences the employees with regard to adapting to the values of the organization.

Socialization

The selection procedure in an organization cannot ensure getting an employee who perfectly fits the organization. However, the new employees can be guided to adopt the culture of the organization through the socialization process. Socialization is the formal procedure through which new employees to the organization are educated about the organizational culture, and encouraged to internalize the values and ideologies of the organization. Socialization is a three-stage process. The three stages are:

Pre-arrival stage: In this stage, employees are introduced to the norms, values, and procedures accepted in the organization. Each employee is treated as an individual who is distinct and with individually different principles and values.

Encounter stage: This is a critical stage of socialization. In this stage, employees get to know about the reality of the workplace. If it coincides with the expectations of the employee, socialization can be effective. On the contrary, if the employees' expectations do not match those of the organization, it will have an adverse impact on the productivity of both the employee and the organization.

Metamorphosis stage: This is the stage of socialization when employees mold their behavior according to the organizational expectations. A feeling of belonging develops and the employee is less likely to leave the organization.

22.11. Learning Culture

The culture of an organization can be learned in different ways. Some ways of imbibing a culture is through stories, rituals, and ceremonies, material symbols, and language.

Stories

Stories relating to the behavior of employees in an organization help the new employees to easily analyze the expectations of the organization and its culture. Stories convey the ideologies of the organization's founders, the past experiences of employees in the organization, and what kind of behavior is considered acceptable in the organization.

Rituals and ceremonies

Rituals are activities that are repeated on particular occasions to help reinforce the core values and key objectives of the organization. The ceremonies in organizations mainly concentrate on appreciating exceptional performance. Understanding the rituals and ceremonies in the organization and their analysis helps in learning the culture of the organization.

Material symbols

Material symbols or rewards in an organization help in understanding the culture of the organization in recognizing employees at various levels of the organization. The culture of some organizations encourages equality among employees while others give importance to the status of employees in different positions in the organization.

Language

Employees in an organization may use particular technical terminology or acronyms or jargon, which are accepted by a majority while communicating with each other. Learning the common language of the organization helps a new employee to adapt to the organizational culture.

Activity: Zenith International has recruited a fresh batch of sales officers as part of its business expansion. The management of the organization wants the newly recruited employees to learn the existing culture of the organization so that they can perform according to the set pattern of work. What are the different ways in which the new employees can learn the existing organizational culture? Discuss them in brief.

Answer:

22.12. Changing Organizational Culture

Usually change in an organizational culture may be initiated by a change in the external environment or a change at the top management level. In order to have a competitive edge, changes in the external environment should be anticipated in advance by organizations. The process of change in organizational culture is complex as the habits and set attitudes of employees cannot be changed so easily.

The change process

While changing organizational culture, the change process should be quick enough not to allow the employees to go back to their old patterns. A well planned change process helps in avoiding uncertainty among employees.

Exhibit 22.1 describes cultural transformation at Microsoft.

Exhibit 22.1: Cultural transformation at Microsoft

In 2020, the second quarter's report of Microsoft showed rise of shares by 4%. Both earnings and revenues hiked. Performance exceeded the expectations of analysts. Microsoft's EPS (Earnings-per-Share) exceeded 19 cents above expectations, revenues soared by 14%, and operating margin also raised by 2%. Though improvement in many factors like marketing and sales skills attributed for this success, cultural transformation was said to lay the basis for improvement, by raising the energies of talented people involved in those jobs.

While on the way to success, issues like new markets, business models, new products/services and anticipation to grow while continuing to perform well were some of the challenges Microsoft faced. To overcome these challenges, Nadella found a unique way, i.e. to instil new culture associated with growth mindset. To do so, Nadella felt that employees need to interact with the decision makers and also technical people to understand and lead the advanced products. He arranged for the necessary training.

The new culture, emphasized on learning and failing. It created excitement in employees as it allowed them to move out of their comfort zone to seize new opportunities. The new mindset lead to sales enhancement and provided opportunities to interact with new groups of customers.

Source: https://www.forbes.com/sites/petercohan/2020/01/30/culture-is-the-most-surprising-reason-microsoft-stock-will-keep-rising/?sh=1d317e401b23 Peter Cohan Jan 2020

Some of the important things to be considered while implementing the change process are:

Assess existing culture: The existing culture in an organization should be assessed accurately and an analysis of the need for change should be done before bringing in change.

Change agent: It is always advisable to take the expert advice of an experienced external change agent, who guides the organization along the path of change. An external change agent can help in framing right change strategies by interacting with employees of the organization.

Introduce alternatives: If the change agent explains clearly to the employees about different alternatives for the existing practices in the organization and takes them into confidence, then the change process can be implemented effectively.

Define a new paradigm: The change agent could define a new paradigm or model for organizational change and make employees aware about the need for change. This will help in reducing the anxiety of employees about the change in organizational culture.

Change must be top-down: The change in organizational culture will be more effective if it is initiated by the top level management of the organization.

Employee participation: Encouraging employee participation in the change process will ensure that the decisions taken as part of the change process are accepted by the employees of the organization.

Shed old paradigm: The change agent should encourage the employees to adapt new procedures by leaving behind the old paradigm.

Quick transition: The transition in organizational culture should be accompanied by a quick decision-making process to bring about appropriate change.

> **Activity:** Assume you are working as an HR manager for Atlas Technologies. Considering the changing external environment, the top management of the company has decided to bring in certain changes in the existing culture of the organization. Being the HR manager of the company, the task of bringing the required change in the organizational culture has been assigned to you. How would you guide the change process and ensure a smooth change with the cooperation of employees?
>
> **Answer:**
> _____
> _____
> _____
> _____
> _____

Check Your Progress-4

18. The foundation for organization culture is laid by

   a. Organizational members
   b. Industry standards
   c. Competitors
   d. Founders

19. The formal procedure through which new employees to the organization are educated about the organizational culture and encouraged to internalize the values and ideologies of the organization is termed _____.

   a. Induction
   b. Training
   c. Socialization
   d. On the job training

20. The stages of 'socialization' for a new employee are **correctly** depicted by

    a. Metamorphosis stage -- Pre-arrival stage -- Encounter stage

    b. Pre-arrival stage -- Metamorphosis stage -- Encounter stage

    c. Encounter stage -- Metamorphosis stage -- Pre-arrival stage

    d. Pre-arrival stage -- Encounter stage -- Metamorphosis stage

21. What are the repetitive sequences of activities that describe and reinforce key values of an organization known as?

    a. Rituals

    b. Stories

    c. Culture

    d. Symbols

22. Generally organizations depend on people with considerable experience in making change processes happen. The external person hired to make the change process effective is referred to as

    a. Culture agent

    b. Organization agent

    c. Change agent

    d. Agent

22.13. Summary

- Organizational culture is the general behavior of employees in a particular pattern guided by the accepted norms and procedures of the organization.

- The differences in backgrounds of the employees result in the existence of subcultures in the organization.

- Organizational culture can be strong or weak depending on the degree of sharedness and intensity of cultural aspects.

- Organizational culture is formalized to bring about uniformity in practices related to work.

- The top management of the organization influences the organizational culture to a large extent. The founder members' ideologies act as guidelines for the organizational culture.

- The culture of an organization is learned by its employees through stories, rituals and ceremonies, material symbols, and the language used by the majority of employees in the organization.

- To bring about a change in the organizational culture, the top management should initiate the change supported by a dynamic decision making process after thorough analysis of the existing culture and the need for change.

22.14. Glossary

Adhocracy – This structure is typically found in young organizations in highly technical fields. Within it, decision making is spread throughout the organization, power resides within the experts, horizontal and vertical specialization exist, and there is little formalization.

Change agent – People who act as catalysts and assume the responsibility for managing change activities.

Core values – The primary or dominant values that are accepted throughout the organization.

Rituals – Repetitive sequences of activities that express and reinforce the key values of the organization.

Socialization – The process that adapts employees to the organization's culture.

22.15. Self-Assessment Test

1. What is organizational culture? How does it influence the employees of an organization?

2. How can a culture be learned? Also, discuss the different types of culture.

22.16. Suggested Reading / Reference Material

1. Aswathappa K. International Business, 7th Edition, 9390113288 · 9789390113286, Tata McGraw Hill, 2020

2. Dwivedi, R.S. Management – An Integrated Approach, National Publishing House. 2016

3. Fred Luthans International Management: Culture, Strategy, and Behavior, TMG 2017

4. Harold Koontz and Heinz Weihrichand Mark V. Cannice,, Essentials of Management, 11th edition, TMH 2020

5. Stephen. P., Robbins, Judge, Timothy. A. & Vohra, N. Organizational Behavior (18th ed.). Pearson Education Inc.2019

6. Stephen P. Robbins, Mary Coulter, Management / 15 th Edition. | Hoboken, NJ : Pearson, 2020

7. Udai Pareek & Sushama Khanna,Understanding Organizational Behaviour ISBN:9780199454716**,** Paperback, Oxford University Press, 2016

22.17. Answers to Check Your Progress Questions

1. **(a) Ad hoc occurrences and actions with minimum acceptance**

   Organization culture is an evolutionary process where the processes shared across members of the organization get translated into a common practice and become a part of its culture.

2. **(a) Only i, ii, and iii**

   Behavioral regularities indicate commonly used forms of interaction among employees in the organization.

3. **(a) Rules**

   Organizations lay down strict guidelines for new employees to make them aware of how to get along in the organization and how to become accepted as members of the organization. These strict guidelines are called as rules. All newcomers are expected to quickly learn the "ropes" in order to perform their assigned activities efficiently.

4. **(b) Norms**

   Norms relate to the standards of behavior and guidelines on the quantum and quality of work that every employee in an organization has to deliver. These standards of behavior have to be adhered to in order to preserve the organizational culture.

5. **(b) People orientation**

   People orientation refers to the degree to which the management takes into consideration, the effect of decisions made and the outcomes of these decisions on the people in the organization. Team orientation highlights the importance of employees working in teams and assessment of teams. Outcome orientation is concerned with end results as delivered by individuals.

6. **(c) Only ii and iii**

   Organizational climate cannot be standardized and there is no way in which it can be deemed the best amongst all. It varies across organizations.

7. **(a) Dominant culture, subculture**

   The dominant culture represents the core values shared by a majority of members in the organization. Organizational culture generally refers to its dominant culture. Subcultures, on the other hand, are values and norms which are held by a small minority of members in the

organization. Subcultures are formed when people meet others with whom they can identify with and form various social categories or groups on the basis of age, occupational or professional skills, union membership, etc.

8. **(a) Subculture, large**

   Organization culture and dominant culture are generally the same. The extent to which values are shared varies and when limited to a small portion of an organization, it is called subculture. Subcultures are values and norms which are held by a small minority of members in the organization. Subcultures generally tend to develop in large organizations, where people belonging to similar occupational groups share common problems, situations, or experiences.

9. **(a) Only i and iii**

   Subcultures are values and norms which are held by a small minority of members in the organization. Subcultures are formed when people meet others with whom they can identify with and form various social categories or groups on the basis of age, occupational or professional skills, union membership, etc. Subcultures generally tend to develop in large organizations, where people belonging to similar occupational groups share common problems, situations or experiences.

10. **(d) Organization reward system**

    Sharedness and intensity are both influenced by the organizational reward system. Recognition and rewards motivate the employees and enhance their commitment towards the core values.

11. **(c) Sharedness and intensity are directly proportional to the strength of organizational culture**

    Sharedness refers to the degree to which the core organizational values are accepted and shared by its members. The greater the degree of sharedness of the core values of the organization, the stronger will be the organizational culture. Intensity describes the degree to which the members of an organization are committed towards its core values. When employees are committed to the core values and ideologies of the organization, they adhere to them strictly. This intensity with which the employees uphold the organizational values helps strengthen the organizational culture.

12. **(c) Intensity of organizational culture**

    Different members of an organization have varying degrees of commitment to the organization's core values. This is called intensity of organizational culture.

13. **(c) Hierarchical**

    Organizations with a hierarchical culture generally have a conservative style of leadership and are characterized by formal organizational processes and obedience to the norms of the organizational culture. In this type of organizational culture, leaders, who are generally technical experts, closely monitor the performance of the subordinates. Employee behavior is judged based on formally established performance criteria.

14. **(b) It involves documentation of expected employee behavior**

    Formalization refers to the degree of standardization of jobs in an organization. The process of formalization requires a proper and careful documentation of the rules and procedures that are to be followed in the performance of a task. Formalized jobs are characterized by explicit job descriptions, clearly defined work processes and work flows, and a number of rules.

15. **(c) Serve as a replacement for formalization**

    A strong organizational culture results in greater consistency of employee behavior. It also replaces the process of formalization, as both organizational culture and formalization are aimed at greater consistency in employee behavior in an organization.

16. **(d) i, ii, iii, and iv**

    Organization culture, in addition to providing control over employees and reducing employee turnover, delivers implicit benefits like providing a shared meaning and a common perception.

17. **(d) It represents a divergence in values, assumptions, and ideologies of members of the organization**

    One of the important functions of culture in an organization is to have a shared meaning of values, assumptions, norms and control mechanism across the organization.

18. **(d) Founders**

     When an organization is established, the founders formulate its culture. They spread their vision and values across the organization and with time these are recognized as core values.

19. **(c) Socialization**

     Socialization is the formal procedure through which new employees to the organization are educated about the organizational culture, and encouraged to internalize the values and ideologies of the organization.

20. **(d) Pre-arrival stage -- Encounter stage -- Metamorphosis stage**

     Socialization is the formal procedure through which new employees to the organization are educated about the organizational culture, and encouraged to internalize the values and ideologies of the organization. The process of socialization is divided into 3 stages: pre-arrival stage, encounter stage, and metamorphosis stage.

21. **(a) Rituals**

     Rituals are in the form of ceremonies or gatherings. These are repetitive instances as reward and recognition have to be continuous. Rituals serve to communicate changes in objectives and key people.

22. **(c) Change agent**

     Change agents are backed by experience and their services become inevitable for an organization embarking on change in culture.

Unit 23

Organizational Change and Development

Structure

23.1.   Introduction

The previous unit was about organizational culture and discussed the characteristics of organizational culture, described the types of culture, and discussed changing organizational culture. This unit is about organizational change and development. Technological innovations, lifting of trade barriers and increased competition have made it necessary for companies to be highly flexible and adaptable to changing conditions. Organizational change is a discipline that helps organizations in coping with the changes in the global business environment and acting in accordance with the changes. OD is an important process that can have a significant impact on the future of the organization.

An inefficient OD program can have a negative impact on the performance of the organization. Therefore, managers must be careful while implementing OD. OD interventions are tools that facilitate the smooth functioning of the OD programs. Organizational change, development and organizational interventions are discussed in this unit.

23.2. Objectives

By the end of this unit, students should be able to:

- Explain and assess the forces of change
- Discuss resistance to change
- Explain and Illustrate Lewin's three step model of change
- Discuss Innovation
- Discuss Work Stress and Stress Management
- The historical growth of OD
- The foundations of OD and its components
- The nature of client-consultant relationship
- Explain the meaning, nature and types of OD interventions

23.3. Forces of Change

Change as defined by Curtis W. Cook, Philip L. Hunsaker, and Robert E. Coffey, in the context of business is, "The coping process of moving from the present state to the desired state that individuals, groups, and organizations undertake in response to dynamic internal and external factors."

Some of the factors that might cause organizational change are people, technology, information processing and communication and competition.

People

One of the major driving forces initiating change in organizations is diversity in human resources. Therefore, the management of an organization is required to modify its HR policies to accommodate the differences in attitudes, expectations, personalities, perceptions, etc. of the people working together in an organization. Further, the expectations of customers from organizations are also a major driving -force in bringing about organizational change. They want high quality products at reasonable prices and prompt delivery of customized products at their doorsteps. They expect a high level of customer service and support and want organizations to be ethical, and socially responsible. The organizational structure, work relationships, customer relationships and job

definitions are undergoing drastic changes to keep pace with increasing and changing demands of the customers.

Technology

Technological advancements are changing the way industries are functioning. Ignorance of a new technology or failure to adapt to technological advancements can have serious repercussions on the health of an organization. Since technological changes take place rapidly, the pace at which organizations adapt and incorporate these changes also plays a vital role in determining their success. Therefore, technology plays a crucial role in initiating changes in organizations.

Information processing and communication

The field of information processing and communication too is experiencing rapid changes along with the continuous improvements and innovations in technology. Technological innovations such as improved versions of computers, the Internet, and other data transmission devices are not only helping employees to work from any corner of the world, they are also assisting them in transmitting the data to the desired destinations. As a result, employees can work at any place and yet make the data available to the organization on time. Thus, the improvement in information processing and communication has introduced the concept of virtual organizations. However, these organizations may find it difficult to foster organizational commitment, loyalty and team spirit among employees working from remote places without any direct interaction with each other.

Competition

Globalization is changing the ways companies are functioning in today's business environment. Competition among the companies has intensified, as companies operate in a global marketing environment. For instance, Indian companies are facing stiff competition from MNCs. Similarly, MNCs also are facing stiff competition from emerging global companies of developing countries. Since organizations are no longer restricted by boundaries they are required to change themselves according to the environment in which they are operating.

Exhibit 23.1 discusses organizational change at Netflix.

Exhibit 23.1: Organizational Change and Development – Netflix way

Netflix, one of the world's leading online entertainment services, exemplifies the necessity to change so as to meet the changing needs of customers and thereby achieve a competitive advantage. Organizational change refers to business modifications that a company does in its operations, policies, structures or strategies. However, the predominant changes are in the form of technology, customer demands, globalization and changing market conditions. Netflix continuously replaced its procedures by adopting new strategies to meet the changing requirements of customers. In 2011, Netflix launched mobile apps to cater to the needs of smartphone users. Later on it changed its application protocols from HTTP to HTTPS to safeguard the privacy of its viewers. In 2016, to avoid the disturbances created by promotional videos, it introduced "the Skip Intro" choice for its customers. Netflix also started prompting its viewers for not to share their account IDs and passwords with others. Thus, implementing change timely helped Netflix to gain popularity and increased its customer base. These sophisticate features helped Netflix outperform in 2020, with an operating income of $1.2 billion.

Source: https://newsmoor.com/netflix-organizational-change-organizational-management-change-examples/ Feb 9, 2021

Activity: IOB, a shoe manufacturing company, is forced to implement certain changes in the organization due to the changes in the internal and external business environment. Describe the possible forces that might have caused IOB to undergo organizational change.

Answer:

_____

_____

_____

_____

_____

_____

23.4.   Managing Planned Change

Organizational change may be unplanned or deliberate. When change in the present state of affairs occurs without the involvement or deliberate efforts of the management, then it is known as unplanned change. Planned change may take place in organizations to enhance the ability of organizations to adapt themselves to the change in the external environment, or to change the behavior of the employees with a view to improving organizational performance. Based on magnitude, planned change can be divided into two types. They are first-order change and second-order change.

First-order change

First-order change is also known as incremental change. In this type of change, organizations only make some minor modifications to the already existing structure.

Second-order change

Second-order change is also known as fundamental or quantum change. In this type of change, organizations transform themselves radically and the new structure bears no resemblance to the old one. In other words, fundamental changes are revolutionary in nature wherein the present state of affairs is completely restructured. Individuals who facilitate organizational change are known as change agents. Change agents are responsible for managing change in organizations. They can be managers, non-managers, or outside consultants.

23.5. Resistance to Change

Resistance to change goes hand-in-hand with change activities. Often resistance to change is viewed as dysfunctional and it has a negative influence on the change process. However, recent studies have shown that resistance to change can also have a positive influence on the change process. Open discussions between employees and management regarding the change process might be helpful in sorting out their individual differences. In addition, these discussions might also bring to notice some interesting points that could contribute constructively to the process of change.

However, the fact that resistance to change can also prove harmful to the progress of the organization must not be ignored. Resistance to change may be explicit (overt) or implicit (covert), immediate or deferred. Explicit and immediate resistance that occurs after the implementation of a certain change initiative is rather easier to manage than implicit or deferred resistance. The management may then adopt a conciliatory approach and resolve the conflict. Dealing with *implicit* or *deferred* resistance is much more complicated. When resistance is not open, the management does not even have an inkling of the resistance of its actions by employees. Deferred resistance is a situation where employees do not react immediately to a change initiative. As the management makes further changes in   the organization, the resistance keeps accumulating and finally reaches the saturation point. Eventually, employees may react violently to a minor change. Organizations can face resistance from various sources. The sources of resistance can be classified into individual and organizational sources (Refer Figure 23.1):

Figure 23.1: Sources of Resistance to Change

Individual Resistance	**Organizational Resistance**
1. Habit	• Structural inertia
2. Security	• Limited focus of change
3. Economic factors	• Group inertia
4. Fear of the unknown	• Threat to expertise
5. Selective information Processing	• Threat to established power relationships
6. Social Factors	• Threat to established resource allocations

Resistance to Change
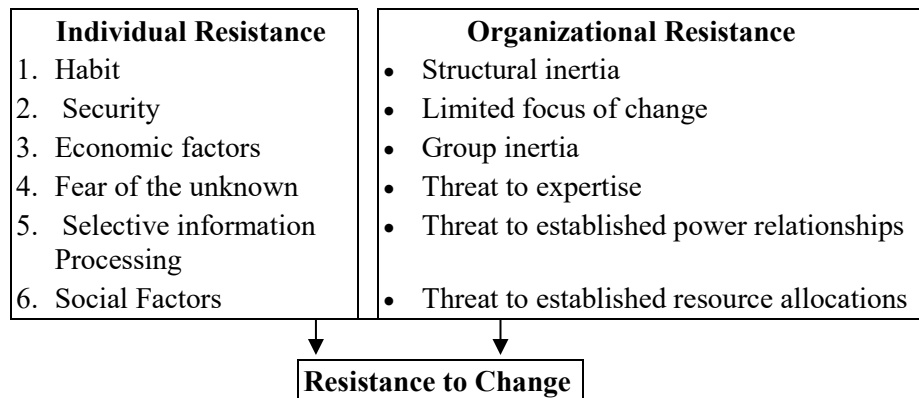
Individual source of resistance

Individual sources of resistance to change can be classified as follows:

Habit: When change is implemented, it may require the employees to forego some of their habits in order to adapt themselves to the change. This, in turn, might cause resistance to change in the employee.

Security: People are generally concerned about their security and resist any change that threatens their safety and security.

Economic Factors: Employees are likely to resist change if it is likely to decrease their income or source of earnings.

Fear of the Unknown: People associate change with uncertainty. They fear the unknown and the insecurity resulting from it

Selective Information Processing: Individuals process information selectively to make it compatible with their perceptions. They also like to hear and assimilate only information which they think is favorable to their existence. This might also cause resistance from employees as they might refuse to understand the positive consequences of the change process.

Social Factors: When employees foresee a threat to their present or future organizational position consequent to the changes in the hierarchy, then they might resist the change process.

Organizational resistance

Organizations too might resist the change process. Organizational resistance can be in the form of structural inertia, limited focus of change, group inertia, threat to expertise, threat to established power relationships, and threat to established resource allocations.

Structural inertia: Organizations always attempt to maintain a steady and balanced state that is conducive to employees. They have inbuilt mechanisms

to achieve that state of equilibrium. When a change program is initiated in the organization the structural inertia created by the inbuilt mechanisms offers strong resistance.

Limited focus of change: Since the organization consists of various interrelated and interdependent sub systems, a change in one sub system affects the other sub systems as well. Therefore, a change program must take into consideration all the aspects that might affect the organization as a whole.

Group inertia: Sometimes, group norms also prevent an individual from adopting change.

Threat to expertise: Specialized groups might feel a threat to their expertise by changes in the organization.

Threat to established power relationships: Managers and supervisors might anticipate a threat to their established power and authority, consequent to the changes in the organizational structure.

Threat to established resource allocations: Individuals who control a significant-amount of resources in the organization would generally consider any change as a *threat* to their control over such resources.

Activity: Sita Kapoor, CEO of Mango Limited, an apparel company, hired the services of Tarun Khanna. (Khanna) of Wise Technologies to implement SAP technology in her organization. However, Khanna warned her that bringing change in the organization will not be an easy task. He also explained to her about the possibilities of resistance to change in the organization. What is resistance to change? What could be the different sources of resistance to change in the organization?

Answer:

_____

_____

_____

_____

_____

23.6. Overcoming Resistance to Change

Organizations can adopt several measures to overcome employees' resistance to change.

- The management should educate the employees regarding the necessity and also the benefits of implementing an organizational change.

- The management must foster an environment that encourages employee

participation in the change process.

- The management must provide support to the employees in getting over their fears and anxieties about the change process. Change agents may allay fears and anxieties among employees by counseling them and offering them training in new skills that the change program might entail.

- When the management foresees a threat to the implementation of the change process because of resistance from powerful individuals or groups, they must negotiate with such parties to bring about a favorable outcome.

- Change agents may also resort to manipulation to avoid or subdue resistance to change by the employees.

- Organizations might also resort to coercive measures and employ threat or force to overcome the resistance to change. This technique should be avoided as far as possible because it worsens relations between the management and employees.

23.7. Lewin's Three-Step Model

According to Kurt Lewin, organizations should follow the following three steps to introduce permanent change:

Unfreeze: In this step, the management of an organization educates the employees about the factors that necessitate change and also about the benefits they would reap once the change process is completed.

Movement to Change: Once the organization gains the confidence of the employees regarding the imminent change, the actual process of change can be initiated. This stage involves implementing the change.

Refreeze: The third step involves reinforcing change so that the organization does not revert to the old state of things.

23.8. Innovation

Innovation involves introduction and application of new ideas and practices that give useful results. According to Moorhead and Griffin, "Innovation is the process of creating and doing new things that are introduced into the market as products, processes, or services." Innovation in organizations can take place in aspects such as research and development, marketing, and other business strategies, HR policies, the manufacturing process, the recruitment process, and other processes.

Sources of innovation

Structural Variables: Organizational structure has a major impact on the innovation process. For instance, bureaucratic organizations have rigid

compartmentalized structures and there is also minimal interaction between the members of the organization. Therefore, it is difficult to implement innovation in such organizations. Apart from the organizational hierarchy, features such as tenure of personnel, scarcity of resources in the organization, and communication channels also influence innovation.

Organizational Culture: In innovative organizations, the vision, mission, and strategies of the organization are clearly communicated to the employees. The organizational culture fosters an environment that inspires and encourages people to be innovative and experiment with new ideas. The management does not compel the employees to follow traditional methods to accomplish the targets.

Management Support: The management in innovative organizations trains and develops its employees in such a way that they turn into idea champions. Idea champions are those people who enthusiastically promote the ideas they have newly developed, organize support for their ideas within the organization, overcome resistance if any and make sure that the organization implements their ideas or innovations. Idea champions are self-confident, persistent, energetic and enthusiastic individuals who are not afraid of taking risks.

According to Peter F. Drucker, the following situations can be considered as sources of opportunity for innovative organizations:

- Change in awareness due to acquisition of new knowledge

- Change in the perception of people

- Demographic changes

- Rapid changes in industry and market structure

- Imperfect processes

- Incongruity between reality and perception

- Unexpected happenings.

23.9. Work Stress and Stress Management

According to TA Beehr and JE Newman, job stress is "a condition arising from the interaction of people and their jobs and characterized by changes within people that force them to deviate from their normal functioning."

The causes of stress

The following are the various causes of work stress found in individuals:

Extra organizational stressors: Employees of organizations are affected by extra organizational stressors like social and technological changes, family problems, relocation to new place, economic and financial conditions, race,

class, residential and community conditions, etc. For instance, employees might find it difficult to concentrate on their work and meet the deadline, if they are facing family problems or crises.

Organizational stressors: According to Fred Luthans, administrative policies and strategies, organizational structure and design, organizational processes and working conditions act as macro-level organizational stressors. Other organizational behaviorists like Curtis W. Cook, Philip L. Hunsaker, and Robert E. Coffey suggest the following organizational stressors:

- High-stress jobs

- Dissatisfaction regarding job role

- Poor working conditions

- Organizational politics

- Poor work relationships

Individual stressors: The influence of individual stressors differs from person to person, since no two individuals undergo the same perceptual process. A person may be affected by the following individual stressors:

Role conflict and ambiguity: Role conflicts and ambiguity occur when employees do not have the required information and knowledge regarding their job. This in turn affects their performance and causes work stress.

Type A characteristics: Meyer Friedman and Ray Rosenman first categorized individuals into two profiles based on their personality characteristics. These are known as Type A and Type B personalities. The Type A individual is very competitive, highly involved in his work, aggressive, motivated, ambitious and very conscious of time. Type B personalities have a relaxed and balanced approach to work and life. They are not very competitive and show lesser dedication towards their work as compared to Type A individuals. It has been observed that those with Type A characteristics are more prone to high levels of stress because they tend to have heavy workloads, put in long hours of work, and are under constant pressures to meet the deadlines.

Locus of control: It is believed that individuals who believe that they do not have control over their job and work environment are prone to higher stress levels than those who believe that they have a control over their work and work environment.

Learned helplessness: Sometimes individuals learn to accept certain stressors as a part of their work life, and believe that nothing they do can alter these stressors.

Self-efficacy: People with high self-efficacy believe that they are capable of coping with any situation. Such individuals are less prone to work stress than people with low self-efficacy.

Psychological hardiness refers to a person's ability to cope with stress. Therefore, people with high levels of psychological hardiness are capable of withstanding tremendous amounts of stress.

23.10. Strategies to Cope with Stress

Although it is not possible to eliminate stress completely from everyday life, it is possible to manage it in a productive and satisfactory manner. Strategies to cope with stress can be of two types. They are problem-focused or emotion-focused. In problem-focused strategy, an individual identifies the source of the stress and makes attempts to reduce the stress. In an emotion-focused strategy, an individual attempts to control his/her emotions so that emotions are not negatively affected by the stress.

The following are the individual and organizational strategies to cope with stress:

Individual strategies to cope with stress

Problem-focused strategies: The most commonly used problem-focused strategies are:

- Managing time properly. This helps individuals to complete their tasks and meet deadlines.
- Requesting others to help with work-related problems.
- Shifting to another job if he/she is unable to cope with the work stress in the present job.

Emotion-focused strategies: Some of the emotion-focused strategies to reduce stress could be

- Relaxation: Individuals can reduce their tensions by means of certain relaxation techniques like meditation, hypnosis, biofeedback, etc.
- Exercise: It has been medically proven that physical exercise such as walking, aerobics, jogging, swimming, cycling, tennis, etc., are very effective in bringing down stress levels.
- Psychological strategies: Certain psychological strategies like increased self-awareness and perceptual adaptation are used to control the effect stress has on an individual.
- Recreation also helps people reduce their stress levels.
- Companionship: Confiding their anxieties, fears, problems, etc. to a

companion helps individuals reduce their stress levels.

Organizational strategies to cope with stress

Problem-focused strategies: Organizations may adopt the following problem-focused strategies to reduce the stress levels in employees:

- Redesigning the job
- Proper selection and placement of employees
- Providing proper training to employees
- Enhancing team building among the employees of the organization
- Providing various day care facilities.

Emotion-focused strategies: Some of the emotion-focused organizational strategies are:

- Promoting open communication within the organization
- Offering employee assistance programs
- Mentoring and assisting employees with regard to performance of their work.
- Offering a wellness program and personal time off.

Check Your Progress-1

1. Change may be defined as the coping process of moving from the present state to the desired state that individuals, groups, and organizations undertake to in response to dynamic internal and external factors like .

    i. People
    ii. Technology
    iii. Information processing and communication
    iv. Competition
    a. Only i and ii
    b. Only ii and iv
    c. Only I, iii, and iv
    d. i, ii, iii, and iv

2. A pharmaceutical organization underwent a massive restructuring exercise. The kind of change involved here is

    a. First order change
    b. Fundamental change
    c. Incremental change
    d. Unidimensional change

3. The management may adopt a/an _____ approach to resolve explicit resistance that occurs after the implementation of a certain change initiative.

   a. Overt

   b. Covert

   c. Conciliatory

   d. Deferred

4. Which of the following can be categorized as an organizational resistance factor?

   a. Habit

   b. Job security

   c. Group inertia

   d. Fear of the unknown

5. Which of the following situations would lead to organizational resistance?

   i. High interdependency between subsystems

   ii. Non-approval of the change initiative by the belonging group

   iii. Fear of losing power

   iv. Fear of losing out on resources

   a. Only i and iii

   b. Only ii and iv

   c. Only iii and iv

   d. i, ii, iii, and iv

6. Which of the following factors can help the organization more in vercoming
   resistance to change?

   i. Clear communication processes

   ii. More power to certain hierarchical levels

   iii. Higher level of employee participation

   iv. Increasing pay packages

   a. Only i and iii

   b. Only ii and iv

   c. Only iii and iv

   d. Only iv

7. Which of the following is an extra-organizational stressor for an employee?

   a. Project deadlines

   b. Sick parents

   c. Interactions with peers

   d. Performance appraisals

8. Of the following, choose the characteristic **not** typical to a Type A personality as proposed by Meyer Friedman and Ray Rosenman.

   a. Works on weekends

   b. Always complete tasks prior to the deadline

   c. Good work life balance

   d. Highly competitive

9. Which of the following statements is true?

   a. Type A personality do not experience stress as they are perfectionists

   b. Type B personality is a victim of higher stress

   c. Type A and B personality face the same amount of stress

   d. Type A personalities are victims of higher stress

23.11. Meaning and History of Organizational Development

OD has been defined in different ways by different behavioral science experts. The concepts of OD explain organization development from various perspectives. Some of the definitions given by researchers and analysts in the field of organizational behavior are given here.

Thomas G. Cummings and Christepher G. Worley in their book 'Development and Change' defined OD as "a system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness."

In a book titled *Organization Development,* Wendell French and Cecil Bell gave the definition of OD as "a long-term effort, led and supported by top management, to improve an organization's visioning, empowerment, learning and problem-solving processes, through an ongoing collaborative management of organization culture -with special emphasis on the culture of intact work teams and other team configurations - utilizing the consultant-facilitator role and the theory and technology of applied behavioral science, including action research."

Example: OD in Enchor Inc.

(Enchor) is a leading firm in the steel processing industry. When the organization wanted to implement Total Quality Management (TQM) as a developmental measure, the management faced resistance from the

Contd. ......

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employees. To tackle the situation efficiently and carry out the process of OD, the operations head of Enchor approached an OD consultant. The consultant discussed the existing organizational system in detail with the official and got his views about the desired changes. The consultant then tried to solve the problem by interviewing employees and tracing out their fears about the new system. He suggested that the management conduct meetings and explain to the employees in detail about the objectives in implementing the new system and its benefits. The officials were also instructed to respond appropriately to the queries of employees about TQM and to clarify their doubts. It was found that the training sessions held in the organization helped the employees to equip themselves with the skills and knowledge necessary for the new system and the organization could make the desired progress.

Activity: After understanding the various definitions of Organizational Development (OD), define OD in your own words and justify the reason for usage of various keywords.

Answer:

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_____

History of Organizational Development

Many behavioral scientists contributed to the development and implementation of the OD concepts. The first among them was Douglas McGregor. Other significant contributors were Herbert Shepard, Robert Blake, and Jane Mouton. Four different approaches to OD were developed over the years:

- Laboratory Training

- Survey Research and Feedback

- Action Research

- Tavistock Socio-technical and Socio-clinical Approach

Laboratory training

Laboratory Training is also called sensitivity training. This approach to OD was developed in 1946. In laboratory training, the participants are grouped and allowed to interact in an unstructured manner so that they get to understand

each other. The inter-group relations workshop organized at the State Teachers College, New Britain, Connecticut, contributed to the emergence of the laboratory training approach in OD. Participants of the workshop, who were divided into learning groups, were led by staff members of the college like Kurt Lewin, Kenneth Benne (Benne), Leland Bradford (Bradford) and Ronald LippiT (Lippit). This experience prompted Benne, Bradford and Lippit to organize the National Training Laboratory in Group Development in 1947. They conducted a three-week session at the Gould Academy in Maine, in which the participants were grouped into Basic Skill Training Groups. The groups later became popular as T-groups.

The training process: In the training process, T-groups are formed consisting of 10 to 16 members. The groups have one or two trainers who act as facilitators. Individual members of the group interact with each other and analyze the behavior of others. The trainers, who act as change agents, observe the interactions and guide the members without becoming too critical, directive or personally involved. The sensitivity training program often brings together strangers and after the program, the participant perception about others changes. The objectives of the training process as stated by S. Strauss and L.R. Sayles are:

- To make individuals aware of their feelings and reactions and how they affect others.

- To make people sensitive to the feelings and reactions of others and the influence these have on themselves.

- To analyze group dynamics.

- To bring about a change in the attitude of participants toward themselves, others, and the organization for which they work.

- To improve organizational functioning by training people in groups rather than at the individual level.

Survey feedback

The studies taken up by the members of the Survey Research Center (SRC) of the University of Michigan resulted in the survey feedback and research approach to OD. In 1946, SRC was established and in 1948, it became part of the Institute for Social Research (ISR) along with the Research Center for Group Dynamics. The first director of ISR, Rensis Likert, along with other behavioral scientists like Floyd Mann conducted the Detroit Edison study. This company-wide study was carried out to understand the perceptions of employees, their behavior, and attitudes. In the survey feedback approach, a survey is conducted among people belonging to work groups, a department, or

an organization. The data is collected through a standardized questionnaire developed by ISR, which is sometimes modified according to organizational requirements. Survey feedback has proved to be very effective in bringing about organizational change. It has been used as an instrument to understand the perceptions of employees about changes in the organization and to help in the development of a motivational climate in the organization.

Action research

The main contributors to the action research approach of OD were John Collier, the commissioner of Indian affairs from 1933 to 1945, and Kurt Lewin, a social psychologist. As a part of his job, Collier had to analyze the reasons for racial problems and find solutions to them so as to maintain harmony between different ethnic groups. Collier found that the combined efforts of the researcher, the OD practitioner, and the client were necessary to bring about changes in the behavior of groups. He termed research aimed at finding relevant and feasible solutions to important problems as action research.

There are four versions of action research in the field of OD. They are diagnostic, participant, empirical, and experimental. The most frequently used version is the participant version. In this version, people who are required to take action are involved in the process of research and implementation right from the beginning. According to French and Bell, the action research model consists of the following steps:

- making a preliminary diagnosis
- collection of data from the client
- providing feedback about the data to the client
- exploration of data by the client
- development of an action plan by the client
- implementation of the action plan or taking action

Tavistock Socio-technical and Socio-clinical approach

This approach aims to help groups as well as organizations. Dr. Crichton Miller established the Tavistock Clinic in London in the year 1920 to treat soldiers who were suffering from battle neurosis after having served in World War I. At a time when soldiers who showed signs of emotional disturbance were considered cowards and punished, the Tavistock Clinic used psychological approaches to treat them. A systematic family therapy, in which parents and children were treated simultaneously, was also developed at Tavistock Clinic. Work done by social psychologists like Kurt Lewin, John Rickman, and WR

Bion influenced the staff of Tavistock Clinic to conduct experiments which gave insights into human behavior and group behavior in organizations.

Activity: Assume that you have been hired as an OD consultant to enhance team cohesiveness among employees of Detroit Ltd. Which OD approach would you use in the case of Detroit Ltd? Justify your choice.

Answer:

_____

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_____

_____

Nature of Organizational Development

The nature of OD is based on the foundations of OD and can be understood by analyzing its components.

Foundations of OD

OD is an ongoing and interactive process. It is a form of applied behavioral science, and a normative re-educative strategy of change. OD views organizations from a systems perspective. It is experience-based, emphasizes goal-setting and planning, and its activities focus on intact work teams to bring about organizational development. The OD process can be explained under the following heads:

OD is an ongoing, interactive process: The OD interventions in an organization are sequenced according to the strategy of the organization. OD is a continuous process and is dynamic in nature. It is not a one-time process and continues to take place in the organization. The OD process concentrates not only on what is done in an organization but also on how it is done. An OD program tries to improve the effectiveness of organizational processes by achieving two objectives. The first objective is to rectify problems through designing appropriate solutions. The second objective is for the organization to develop internal capabilities to handle any problems that may arise in the future rather than rely on a consultant.

OD is a form of applied behavioral science: An OD program applies various principles of behavioral science such as sociology, social psychology, social anthropology, psychiatry, and other disciplines such as economics and political science in organizations. An OD practitioner generally uses known theories and principles of human behavior to diagnose problems and find solutions. He/she makes use of knowledge from the fields of group dynamics, personality theory, social psychology, and organization theory. In addition to these fields of

knowledge, the theory and practice of adult education, planned change, systems theory and operations research also contribute to the development of OD programs.

OD as a normative — re-educative strategy of change: Three strategies for organizational change given by R. Chin and K. Benne are the empirical-rational strategy (assumes that people are rational in their behavior and will be interested in adopting changes that promote their self-interest), normative-re-educative strategy (assumes that the norms of the organization form the basis for behavior of individuals), and the power-coercive strategy (assumes that change can be brought about by making people who have less power comply with the instructions given by people who have more power).

The implications of the OD process based on the normative-re-educative strategy are:

- The client suggests the improvements and changes desired in the organization.

- Designing of interventions required for the client's organization is done by the combined efforts of the OD practitioner and the client.

- Solutions for problems are usually found by the change agent through the application of the principles and practices of behavioral science after understanding the attitudes, values, relationships, and general practices in the organization.

- *OD views organization from a systems perspective:* According to the interpretation of French and Bell, the systems approach concentrates on the dynamics of phenomena and views which are interrelated and interdependent. When organizations are viewed from a systems perspective, there can be several consequences of applying the knowledge from behavioral science to OD. These are:

  i) To understand OD from a systems perspective, the issues, events, and phenomena in organizations are to be understood in relation to other phenomena as they do not occur in isolation.

  ii) The systems approach to OD tries to project a realistic view by analyzing the possible causes for the event rather than by trying to find only a single cause.

  iii) To clearly understand the events in the organization, Kurt Lewin suggested the field theory. According to it, the field of forces existing at the time of an event was relevant for the analysis of die happening.

  iv) A part of the system cannot be changed in isolation as the components of organization are interrelated.

  v) OD aims to bring about a change in the organization as a whole and not

parts of it. An improvement in the functioning of an organization is facilitated only by a change in the entire system.

OD is a data-based approach to planned change: The OD process is different from other data-based change activities in the organization. OD gives importance to the value of data more than other activities. Some kinds of data like data related to human and social processes in the organization are more useful for OD programs. The management develops action plans based on the data collected from various sources. Sometimes, contradictory data is obtained about an issue in the organization and this helps to improve action plans as different viewpoints can be considered. OD programs consider data on a functional and dysfunctional basis rather than by classifying data as good or bad. Data obtained in OD programs is used as an aid to solving the problems instead of enforcing certain desirable behaviors in an organization. The decisions made in OD programs are based on empirical facts similar to the scientific methods.

OD is experience-based: OD practitioners gain an understanding of the dynamics of the organization better through experience. They question employees about their experience in a particular situation so as to enhance their learning skills.

OD emphasizes goal setting and planning: OD interventions in the form of "life- and career-planning exercises" help individuals determine their life and career goals and the means of accomplishing them. Management by objectives (MBO) is yet another technique that helps improve the goal setting abilities of individuals, whereby both employees and their supervisors learn to set realistic objectives for themselves.

OD focuses on intact work teams: OD programs are developed based on the belief that organizational goals are achieved by the work teams in the organization. It is also believed that to improve organizational functioning, there is a need to change the culture, relationships, and processes of groups.

Intact work teams have a specific task to perform and they have superiors and subordinates as members. These teams can accomplish more work than individuals working in groups who are not formally related to each other. The norms and values of work teams guide the behavior of the members of the team. Individuals in work teams can improve their performance by comparing themselves with and utilizing others. Information about the goals and decisions of an organization are communicated to all individuals in the team. The needs of individuals for recognition, status, and self-respect are fulfilled by work teams. However, when there is no proper execution of OD activities in the organization, work teams can hamper the performance of individuals in a team

as people tend to equate themselves with the performance of their work team. This can be avoided by taking the help of OD practitioners for team building in organizations.

The OD process

The OD process is carried out in steps. The organizational system is first analyzed and the problem areas identified. A solution is then found to the problem. Later, action plans are developed to correct the problems and the process is repeated by developing alternative action plans if they fail. The OD process can be successful when there is support from both the management and the employees of the organization.

Components of the OD process: The basic components of OD process are the diagnostic, action, and process-maintenance components.

The diagnostic component: Diagnostic activities help in clearly understanding the state of things in an organization. The OD process begins with the diagnosis, and uses various methods of data collection and analysis. The OD consultant collects the data related to the organization (client system) by involving the client's organization. According to Chris Argyris, an important condition in the development of a good OD program is the constant generation of data that will yield valid information. Such information describes the various factors, and the interrelationship among them, due to which problems arose in the client organization.

The diagnostic component of the OD process concentrates on the total system, subsystem, and processes in the client organization.

The action or intervention component: This component aims at correcting the defective processes identified during diagnosis. Generally, any OD intervention tends to have the dual features of learning and action. In some OD interventions, the "learning aspect" predominates and in some others, there may be a predominance of the "action aspect". The traditional model and the deficiency model are two commonly used learning models in organizational development. The traditional approach to learning prescribes learning followed by action, and the deficiency model of learning prescribes action followed by learning. According to the traditional model of learning, an individual learns how to do something before actually doing it, whereas in the deficiency model, the individual learns how to do the task after the task has been performed. Thus, learning in the deficiency model is based on identifying the flaws in the way the task has been performed and learning how it can be done better. In the deficiency model, learning takes place by a critical analysis of the action taken. However, in formal work teams, the processes of learning and action take place simultaneously with the help of a change agent. The action component directs

the actions in an organization toward the achievement of the goals and objectives of the organization.

The process-maintenance component: This component of the OD process manages the conflicts which arise in the process. It also focuses on improving the processes in the organization, guiding employees to achieve goals by encouraging their participation, identifying the abilities of employees, getting feedback about the OD process, testing the relevance of the OD interventions, and ensuring that they do not deviate from the set goals.

Check Your Progress-2

10. Which of the following are **not** characteristics of Organization Development
    (OD) programs?

    a. Planned effort and interventions

    b. Use of an external consultant for facilitation of OD process

    c. Help in increasing organization effectiveness

    d. Non-application of knowledge of behavioral science

11. The laboratory training approach to organizational development involved small,
    unstructured groups wherein the participants learnt from the interactions they had with other members of the group. This approach is also known as _____ approach.

    a. Socio-clinical

    b. Sensitivity training

    c. Survey research and feedback

    d. Socio-technical

12. Which of the following is not an objective of sensitivity training?

    a. To make individuals aware of their feelings and reactions and how they affect others

    b. To analyze group dynamics

    c. To bring about a change in the attitude of participants toward themselves, others, and the organization for which they work

    d. To make individuals adapt to the risk-culture of the organization

13. Which of the following is an OD model having four versions: diagnostic, participant, empirical, and experimental?

    a. Organizational survey

    b.   Action research

    c.   Market research

    d.   Process consultation

23.12. Organizational Development Interventions

Meaning of OD Interventions

According to French and Bell, OD interventions are, "The planned activities clients and consultants participate during the course of an organization development program."

OD interventions are implemented in organizations to obtain the desired results from the OD process. OD interventions, also known as OD techniques are said to be the action component of organizational development. They consist of a set of planned activities, the purpose of which is to bring about a preferred change in the organization.

The success of an OD intervention depends on various factors. The type of intervention chosen should be appropriate to the problem and the practitioner should possess the skill and experience to determine whether the intervention would yield the desired outcome. He should also be able to transfer his expertise to the members of the organization so that they can resolve the problem themselves if it occurs again in future.

OD practitioners do not believe in power, control, conflict, and coercion. They attach importance to the values of collaboration, confrontation, and participation.

Types of OD Interventions

Following are the various types of OD interventions:

Sensitivity Training

Sensitivity training is also known as laboratory training, encounter groups, and T-groups. Sensitivity training aims to change the behavior of employees in such a way that the employees become more sensitive to the perceptions and behavioral aspects of themselves and others. A T-group is headed by a facilitator.

Survey Feedback

In the survey feedback method, the management provides a questionnaire to the members of the entire organization or of a particular organizational unit. Collection of data is usually in the form of attitude or (organizational) climate surveys, which reveal critical information about the organization and the problems faced by it. After collecting the data, the management together with the participants discusses the changes that have to be made in the organization. What is important in survey feedback is that it transfers the ownership of the data from the change agent to the participants: The participants also play a key role in developing solutions to the problems.

Exhibit 23.2 presents a sample survey feedback conducted by 3 M.

Exhibit 23.2: State of Science Index Survey

A sample of feedback survey conducted by 3 M on 'Signs of hope spring from science' in the context of COVID 19

It is said, in 2021, we are counting on science to restore and rejuvenate our lives as we embark on the road to recovery. The survey aims to know the contribution of science in raising our hope of rejuvenation.

Few findings of the survey

- 89% - Agree that science brings hope for the future
- 87% - Agree science will make 2021 a better year than 2020
- 79% - Agree science will make life better in the next five years

The correlation between hope and science isn't limited to our desire to reinstate the close human connection, such as travelling and spending time with friends and family. Hopefulness at this moment includes priorities that science can solve for beyond our health.

- 77% - We are more environmentally conscious
- 91% - Scientists are critical to our future well-being

Source: https://www.3m.com/3M/en_US/state-of-science-index-survey/insights/ 2021

Process consultation intervention

Process consultation, like sensitivity training, assumes that the major reason for the ineffectiveness of the organization is interpersonal conflict. But what makes process consultation different from sensitivity training is that, it has a /very specific goal of improving a particular process of the organization whereas sensitivity training has broader scope but no specific goals. Process consultation concentrates on a process in the organization like flow of work, flow of communication, roles and responsibilities of employees, group problem solving and decision making, co-operation and competition among groups, etc.

In this technique, an external consultant helps individual employees or work groups to understand process events, human and social processes, and the consequences of these processes.

> **Activity:** The management of Orbit Pharmacy Limited (Orbit) noticed that the sales department had not been able to reach its targets for the previous two quarters as it was beset with interpersonal conflicts. Suggest a specific type of OD intervention to the management that would help it reduce the interpersonal conflicts among the personnel of the sales department and thus improve the profitability of that department. Justify your answer.
>
> **Answer:**
> _____
>
> _____
>
> _____
>
> _____
>
> _____

Team interventions

Work teams are different from work groups. Work teams are a form of groups that have greater cohesiveness, interdependency, and interaction between the members when compared to work groups. Organizations implement team interventions to improve the performance of work teams. The following are some of the team interventions.

The formal group diagnostic methods: The members of the team meet to scrutinize the team's existence, its goals, and objectives. Initially, the team leader along with a consultant analyzes the situation to see if there is a necessity for a meeting. If they find that there is, then the team meets and discusses ways to improve their performance. The formal group diagnostic method is a general critique of the team. Formal diagnostic meetings offer greater efficacy when teams are newly constituted as a result of mergers and acquisitions. They offer great potential for streamlining the activities of teams and guiding them toward the achievement of goals.

The formal group team-building meeting: This technique is used to enhance co-operation and improve interpersonal relations among team members. The team building meeting is usually conducted by an external consultant and the data is collected from the members through personal interviews. This data is categorized based on different themes. The external consultant then presents

this data to the team members for discussion. The team members discuss the actions to be taken to resolve the problems.

Gestalt approach to team building: This approach focuses more on the individual than the group. It is based on a form of psychotherapy called Gestalt therapy, developed by Frederick S. Perls. Gestalt therapy is based on the belief that persons function as whole, total organisms and not as fragmented beings. The Gestalt approach emphasizes that people should get to know about themselves (awareness), accept responsibility for their actions (authenticity), and regulate any dysfunctional behavior that minimizes their awareness, authenticity, and such other desirable characteristics. According to this approach, individuals must be aware of both positive and negative elements and must also learn to accept them. It also states that negative feelings can be resolved through confrontation.

Role analysis technique: This technique is used to define the roles of members of a new team or clarify the ambiguity in the multiple roles of the members of a team. Ishwar Dayal and John Thomas designed a "Role Analysis Technique" (RAT). According to them, the role which is being defined in the technique is known as " focal role." They also suggested three steps for implementing RAT. They are:

- *Step One:* In this step, the incumbent of the focal role analyzes his/her role. He/she defines the formal duties and responsibilities of his/her role in the organization and also attempts to understand the significance of the role to the organization.

- *Step Two:* The incumbent of the focal role describes the behavior that he/she expects from others members of the team so that he/she performs the role well.

- *Step Three:* All the team members describe the behavior they expect from the incumbent of the focal role.

The incumbent of the focal role then prepares a "role profile" after discussions with team members. The role profile consists of the discretionary duties and obligatory duties of the incumbent toward the performance of his/her group's goals.

Role negotiation technique:

The role negotiation technique (RNT) was designed by Roger Harrison. This technique is based on the principle that an individual is ready to make some compromises in order to resolve a conflict. The consultant with the help of this technique negotiates between the conflicting parties and reaches an agreement.

Each party agrees to make specific modifications in its behavior so as to reach an agreement. RNT is highly effective in situations where power and influence related issues jeopardize interpersonal relationships and behavior of employees in the organization.

RNT consists of the following steps:

• *Contract setting:* This is the first step of RNT, wherein the consultant lay down the ground rules that form the basis of negotiation between the conflicting parties.

• *Issue diagnosis:* The consultant in this step distributes 'issue diagnosis forms' to the conflicting parties. The conflicting parties are required to write down the changes that they expect from other parties.

• *Influence trade or negotiation period:* In the final step, the parties discuss the changes required from each other. They highlight the changes they are willing to bring in their behavior and the changes they expect from the other person in return. The outcome of this step is that both the parties agree to bring about certain changes in their behaviors. The agreement is then written down and distributed among the members.

Inter group team-building interventions

Inter group team building interventions are used to improve relationships and promote co-operation between work teams. These techniques reduce friction between groups, help them resolve conflicts amicably and enhance mutual co-operation and coordination. Blake, Shepard, and Mouton formulated a technique that tried to achieve proper communication and interaction between work groups, foster co-operation between them and minimize dysfunctional competition between them. They also suggested seven steps which would help in achieving these objectives. OD practitioners or consultants make use of these steps to bring about the desired changes in the relationships existing between the groups.

The technique involves the following steps:

I.   In the first step, the consultant or OD practitioner meets the leaders of the two groups to find out whether they are genuinely interested in improving mutual relations. The consultant goes ahead with the process if the parties concerned respond positively.

II. In this step, the consultant directs the parties to prepare a first list (list 1) that consists of details of the behavior of the other group that hinders their work.

III. In the third step, the parties are only allowed to exchange information (list 1) and clarify certain unclear items.

IV. The groups concerned are assigned two tasks - *Task I* (Discuss the information contained in list 1 and realize the cause of differences existing between the groups) and *Task II* (Set aside the problems resolved in Task I and prepare another list containing important unresolved issues).

V. In this step, both the groups prepare a single list of unresolved issues and chalk out an action plan to resolve these issues. The groups also decide upon the order of priority of listed items.

VI. Members or leaders of the respective groups organize follow-up meetings to discuss the progress of implementation of the program.

J.K. Fordyce and R. Weil formulated a modified version of this intervention, which consisted of three lists instead of two. While the first list consists of what one party likes about the other, the second list contains dislikes about the other party. The third list contains predictions about what the other group will write down in its list.

Activity: The sales department and the marketing department of XYZ Company are constantly having conflicts. There are differences regarding allocation of resources, ego clashes between the personnel, etc. The management has decided to improve the inter group relations between the two departments. Suggest a suitable type of OD intervention that it can use.

Answer:

_____

_____

_____

_____

_____

Third-party peacemaking interventions

The third-party peacemaking intervention is a method to resolve interpersonal conflicts. This method was developed by R.E. Walton. He proposed that for conflicts to be resolved, confrontation should take place between the conflicting parties.

Walton proposed a diagnostic model of interpersonal conflict consisting of four elements: the issues that give rise to a conflict, the circumstances that aggravate the conflict, the actions of the individual that lead to the conflict, and the consequences of the conflict. Further, Walton also laid down the factors that

ensure the success of confrontation between the conflicting parties. Confrontation involves two phases -differentiation and integration. In differentiation, individuals understand the differences existing among them, whereas in integration, the individuals explore the commonalities existing between them.

Structural interventions

Structural interventions are implemented with a view to bringing about changes in the task, structure, technological, and other processes of an organization. The following are the various structural interventions widely used in organizations:

Parallel learning structures: The concept of parallel learning structures or collateral organization was introduced by Dale Zand in 1974. He defined it as "a supplemental organization coexisting with the usual, formal organization. These structures are farmed to solve the problems that remain unresolved by the formal structures. The collateral organization consists of a steering committee and several working groups who study the organization and identify the changes to be implemented.

Self-managed teams: The members of self-managed teams are not monitored by supervisors. The team members carry out their activities, evaluate their performance, and implement control measures on their own.

Management by objective (MBO): MBO is a technique where both superior and subordinate together set goals. The subordinate is also given an opportunity to discuss his/her abilities and problems with the superior so that achievable goals can be set for him/her. The superior also tries to assist the subordinate by having frequent discussions regarding his/her performance.

Quality circles: Quality circles are formed when employees belonging to a particular unit or several units voluntarily form a group to discuss problems related to quality and to suggest measures to improve quality. Organizations can have several quality circles. The members of the quality circle regularly meet and discuss quality related problems. The reviews or suggestions arising out of these meetings are then submitted to the management by a supervisor (who is the leader of the quality circle). After reviewing the suggestion, the management may authorize the group to implement the suggestions.

Quality of work life (QWL) projects: The employees of an organization voluntarily form groups called QWL projects to discuss ways to improve the work environment in the organization. The management also offers complete support to these groups and provides training in problem solving methods.

Total quality management (TQM): TQM involves implementation of continuous quality improvement in all the activities of an organization. TQM

focuses on the needs of customers. It requires that the employees of all units co-ordinate with each other in order to fulfill the task of meeting customer needs. Further, TQM employs various techniques such as self-managed teams, task forces, quality circles, and other statistical techniques to improve quality at all levels in the organization.

Six Sigma: Six Sigma was pioneered by Bill Smith[1], an engineer at Motorola, in the 1980s. It is a process improvement methodology according to which a process should not produce more than 3.4 defects per million opportunities. To implement this strategy, employees are trained as Champions, Master Black Belts, Black Belts, and Green Belts.

Champions: Organizations appoint different Champions in different business units to lead Six Sigma initiatives in their respective business units. Further, Champions can be Deployment Champions or Project Champions. Deployment Champions are entrusted wife the responsibility of developing plans for the successful implementation of Six Sigma. Project Champions work at the business unit level and oversee the Black Belts.

- *Master Black Belts:* They are selected by the Champions for the purpose of disseminating information about Six Sigma throughout the organization.

- *Black Belts:* They work under the supervision of the Master Black Belts and are responsible for the application of the Six Sigma tools to specific business units.

- *Green Belts:* They work under the Black Belts and lead small-scale Six Sigma projects.

Exhibit 23.3 illustrates how Jack Welch of GE led to the growth of GE by implementing six sigma in GE.

Exhibit 23.3: Remembering Jack Welch and His Relation to Six Sigma

Jack Welch, the former chief executive officer of General Electric, was the champion of Six Sigma while he was heading GE. His dedication to GE and implementation of six sigma, led to improvements at the company during 1990s.

At the age of 84, Welch died on March 1, 2020. He ran General Electric from. During his time at GE from 1981 until 2000, the company's revenue

Contd. .....

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1. http://www.motorola.com/content/0,,1715-4163.00.html;
   http://www.isixsigma.com/library/content/c02081 Sa.asp

eached to $130 billion. Welch reigned as a as successful CEO and Six Sigma played a vital role in his strategy, including training to employees reach the Black Belt level in Six Sigma

Welch once said, 'I understand a Six Sigma company as a company whose management understands that variation is evil, that serving customers with what they want, when they want it, is, in fact, the winning game'. According to him companies that use Six Sigma always place customer needs as first priority, then work for efficiently. Welch also said the understanding of Six Sigma needed to be"deep in an organization and broad in an organization."

Source: https://www.sixsigmadaily.com/remembering-jack-welch-and-his-relation-to-six-sigma/ May 26, 2020

Check Your Progress-2

14. _____ as an OD technique aims to change the behavior of employees in such a way that the employees become more sensitive to the perceptions and behavioral aspects of themselves and others.

    a. T-group

    b. Process review

    c. Data feedback

    d. Role-linkage

15. Key feature(s) of the Survey Feedback OD intervention is/are:

    i. Data analysts and interpretation by change agent

    ii. Transfer of data ownership from change agent to participants

    iii. Restriction of data to top management

    iv. All the participants contribute in developing solutions to the problems

    a. Only i, ii, and iii

    b. Only i and iii

    c. Only ii and iv

    d. Only iii and iv

16. Features that distinguish process consultation from sensitivity training are:

    i. Broadness of scope

    ii. Reddressal of specific problems

    iii. Understanding of organizational processes

    iv. Understanding the perceptions and the behavior of the groups

    a. Only i, ii, and iv

b. Only i and iii

c. Only i, ii, and iii

d. i, ii, iii, and iv

17. What is the technique in which the consultant negotiates between conflicting
parties and reaches a settlement where each party agrees to make specific changes in behavior in return for changes in the behavior of the other party?

a. Role analysis technique

b. Force field analysis

c. Delphi technique

d. Role negotiation technique

18. Walton laid down the factors that ensure the success of confrontation between the conflicting parties. The phase in confrontation that explores commonalities existing between them is called

a. Differentiation

b. Segmentation

c. Integration

d. None of the above

19. As per Dale Zand, _____ may be defined as supplemental organizations coexisting with the usual, formal organization.

a. Parallel learning structures

b. Collateral organizations

c. Tiny organizations

d. Both (a) and (b)

20. Quality circles are characterized by

i. Voluntary participation of all the employees

ii. Discussions generally related to quality

iii. Formal procedures

iv. Participation of only the top management

a. Only i and ii

b. Only i and iii

c. Only iii and iv

d. Only iv

23.13. Summary

- The forces that influence organizational change are people, technology, information processing and communication, and competition.

- Organizational change can be unplanned or deliberate. Planned change can be of two types ~ first-order change and second-order change.

- The organizational change process goes through various stages. They are problem recognition, identifying the causes, implementing the change, generating motivation for change, managing the transition state, supporting the change, valuating the change.

- Organizational change is often resisted by the employees. The sources of resistance can be classified into individual sources of resistance and organizational resistance. Organizations must follow suitable techniques and measures to overcome employees' resistance to change.

- According to Kurt Lewins (Lewins) organizations must adopt a three-step model to implement the change process. The three steps are unfreeze, movement to change, and refreeze.

- Innovation helps organizations to adopt new ideas and practices that give useful results. Organizations can foster innovation by modifying the structural variables, enhancing the organizational culture, offering support to the employees, etc.

- Organizations aim to constantly upgrade their business practices through learning. Learning can be in the form of adopting strategies and initiatives that improve organizational effectiveness.

- Employees experience work stress while performing their duties and jobs. Stress management is important both for the health of the employee as well as the health of the organization.

- Work stress may be caused by extra organizational stressors, organizational stressors, and individual stressors.

- Although stress cannot be completely eliminated, employees can adopt certain strategies to reduce their stress levels.

- OD came into existence in the 1940s and developed as a separate field of organizational behavior. It aims to improve organizational functioning on the whole, concentrating on finding solutions for specific problematic issues in the organization.

- There are four different approaches to OD namely, laboratory training, survey research and feedback, action research, and the Tavistock socio-technical and socio-clinical approaches.

- According to French and Bell, the nature of OD can be explained based upon the foundations of OD and by understanding the OD process.

- The characteristics which form the foundations of OD are that OD is an ongoing, interactive process, a form of applied behavioral science, a normative re-educative strategy, a data-based approach for planned change, that it is experience-based, and focuses on intact work teams.

- The OD process is carried out in steps by identifying the problem, analyzing the cause for it, choosing the best intervention to bring about a change so as to solve the problem, evaluating the results through feedback, and repeating the process till the desired result is obtained.

- To ensure the success of OD programs, the client-consultant relationship should be maintained. Resolving the issues that would arise in entry and contracting, defining the client system, mutual trust, dependency, and termination of contract, ethical dilemmas in OD consulting and other disturbing issues will help in attaining the objectives of the OD process of the organization.

- OD interventions or techniques are a set of planned activities that are used by consultants to facilitate the organizational development program.

- There are various types of OD interventions. They are sensitivity training, survey feedback method, process consultation interventions, team interventions, inter-group team-building interventions, third-party peacemaking interventions, and structural interventions

23.14. Glossary

Team building - High interaction among group members to increase trust and openness.

Wellness Program - Organizationally supported program that focuses on the employees' total physical and mental condition.

Action Research - Data collection, analysis, and problem diagnosis, the results of which are provided to the client system to help decide on plans for improvement.

Organizational development - A collection of planned change interventions, built on humanistic democratic values that seek to improve organizational effectiveness and employee wellbeing.

Sensitivity training - Training groups that seek to change behavior through unstructured group interaction.

Survey feedback -Uses questionnaires to collect data which are used in Action Research processes for diagnosing problems and for developing specific action plans to solve them.

Collaboration - Social behavior in which two or more individuals or groups come together for the achievement of common goals.

Process consultation - Consultant gives a client, insights into what is going on around the client, within the client, and between the client and other people; identifies the processes that need improvement.

Quality of work life (QWL) - Favorableness or unfavorableness of a job environment for people.

23.15. Self-Assessment Test

1. Why do employees resist organizational change? How can companies overcome employees' resistance to change?

2. What is work stress? What are the various factors that cause stress in employees?

3. Briefly describe the strategies which help employees to cope with work stress.

4. What are the factors that facilitate innovation in organizations?

5. Explain the concept of OD and how it came into existence and developed as a separate field of organizational behavior.

6. Discuss the nature of OD and the significance of the client-consultant relationship.

7. What are OD interventions? Explain the importance of the following OD interventions: a) process consultation interventions, b) survey feedback, and c) sensitivity training.

8. Explain the various techniques used by OD practitioners to enhance intra and inter-group relations in an organization.

9. Briefly describe the various structural interventions that facilitate the OD program.

23.16. Suggested Reading / Reference Material

1. Aswathappa K. International Business, 7th Edition, 9390113288 · 9789390113286, Tata McGraw Hill, 2020

2. Dwivedi, R.S. Management – An Integrated Approach, National Publishing House. 2016

3. Fred Luthans International Management: Culture, Strategy, and Behavior, TMG 2017

4. Harold Koontz and Heinz Weihrichand Mark V. Cannice,, Essentials of Management, 11th edition, TMH 2020

5. Stephen. P., Robbins, Judge, Timothy. A. & Vohra, N. Organizational Behavior (18th ed.). Pearson Education Inc.2019

6. Stephen P. Robbins, Mary Coulter, Management / 15 th Edition. | Hoboken, NJ : Pearson, 2020

7. Udai Pareek & Sushama Khanna, Understanding Organizational Behaviour ISBN:9780199454716, Paperback, Oxford University Press, 2016

23.17. Answers to Check Your Progress Questions

1. **(d) i, ii, iii, and iv**

    Given the rate at which competition is increasing in business, organizations have learnt that change is necessary not only to compete, but to survive in the business. There are many factors that propel change in organizations, which may be broadly categorized under people, technology, information processing and communication, and competition.

2. **(b) Fundamental change**

    When the new state of things have a completely different nature from the old state of things, it is known as *fundamental, quantum or second-order* change. This change is initiated when the organization needs to be restructured and the fundamental nature of the organization is being changed. While *first-order* change (also known as *incremental* change) is linear, unidimensional and continuous, second-order change is a multilevel, multidimensional, discontinuous and radical change process that involves the reframing of assumptions about the environment in which the organization operates.

3. **(c) Conciliatory**

    Resistance may be explicit (overt), implicit (covert), immediate or deferred- A conciliatory approach is used to resolve conflicts associated

with explicit resistance. This is done best by organizing a discussion between the management and groups having problems with change initiatives.

4. (c) Group inertia

In group inertia, adaptation to change is not made by the individual but is a decision of the group that the person belongs to. The individual may resist change if the group the person belongs to does not approve of the initiative. Habit, need for job security, and fear of the unknown are all individual factors.

5. (d) i , ii, iii, and iv

Organizational resistance can take place due to structural inertia, limited focus of change (i.e., higher interdependency between subsystems), group inertia (i.e., non-approval of the change initiative by the belonging group), threat to expertise, threat to established power relationships (i.e., fear of losing power), and threat to established resource allocations (i.e., fear of losing out on resources).

6. (a) Only i and iii

Resistance is primarily due to lack of proper communication. Clear communication makes employees get a clear picture of change objectives. Higher level of employee participation would make employees contribute to decision making and would make the change process easier to implement. Power imbalance and monetary benefits play little role in curbing overall resistance.

7. (b) Sick parents

Parents form a part of an individual's family and are external to the organization. Project deadlines, peer group interaction, and appraisal system are all part of the job and are internal to the organization.

8. (c) Good work life balance

Type A personalities have such high commitment levels that they pay little or no attention to activities other than work. At the other extreme, Type B personalities have a relaxed and balanced approach to work and life.

9. (d) Type A personalities are victims of higher stress

Type A personality types are more prone to stress as they take the workload to the extreme and completion of tasks is their prime obsession.

10. **(d) Non-application of knowledge of behavioral science**

Behavioral science forms the basis of Organization development. It is applied to gain further understanding of human behavior in groups and organizations.

11. (b) Sensitivity training

The laboratory training approach, which is also called the sensitivity training approach, involved small, unstructured groups wherein the participants learnt from the interactions they had with other members of the group. This led to changes in their behavior.

12. (d) To make individuals adapt to the risk-culture of the organization

Sensitivity training is intended to sensitize people about their own behavior and the action of others. After such training, participants normally have a changed perception about people and the way they function in organizations.

13. (b) Action research

There are four versions of action research in the field of OD. They are diagnostic, participant, empirical, and experimental. The most frequently used version is the participant version

14. (a) T-group

T-group training, also called sensitivity training helps members improve their listening skills, learn to talk openly, and accept individual differences. It also assists employees to improve their understanding of the behavior of others and empathize with them.

15. (c) Only ii and iv

What is important in survey feedback is that it transfers the ownership of the data from the change agent to the participants. The participants also play a key role in developing solutions to the problems.

16. (c) Only i, ii and iii

Process consultation is different from sensitivity training in that it has a very specific goal of improving a particular process whereas sensitivity training has broad scope but no specific goals. In process consultation, greater emphasis is laid on understanding organizational processes. The processes include flow of work, flow of communication, roles and responsibilities of employees, group problem solving and decision making, co-operation and competition among groups, etc. The purpose of sensitivity training is to sensitize people to perception and behavior related aspects of themselves and others.

17. (d) Role negotiation technique

This technique developed by Roger Harrison, works on the assumption that people do not like to leave conflicts unresolved and are willing to make some compromises in order to resolve them. The consultant using the role negotiation technique negotiates between conflicting parties and strives for a settlement.

18. (c) Integration

Confrontation comprises two phases, viz., differentiation and integration. In the differentiation phase, individuals focus on the differences in opinions and overcome their negative feelings. In the integration phase, the commonalities of the conflicting individuals are explored.

19. (d) Both (a) and (b)

The concept of parallel learning structures or collateral organization was introduced by Dale Zand in 1974. He defined it as a supplemental organization coexisting with the usual, formal organization.

20. (a) Only i and ii

Quality circles are formed when employees belonging to a particular unit or several units voluntarily form a group to discuss problems related to quality and to suggest measures to improve quality. Organizations can have several quality circles. The members of the quality circle regularly meet and discuss quality related problems. The reviews or suggestions arising out of these meetings are then submitted to the management by a supervisor (who is the leader of the quality circle). After reviewing the suggestion, the management may authorize the group to implement the suggestions.

Unit 24

Future of Organizational Development

Structure

24.1. Introduction

The previous unit was on organizational change and development and discussed various types of organizational development initiatives. This unit is on the future of organizational development.

Organizational development (OD) is a dynamic process which addresses the problems that arise in an organization. Over time, many changes are made to the OD process. While it is not easy to predict the future of OD accurately, it can be done with the help of past and current trends. The possible changes in the OD processes and practices are discussed in this unit.

This unit will discuss the strengths of OD, the future of OD and possible changes in OD practices and processes.

24.2. Objectives

By the end of this unit, students should be able to:

- Explain the strengths of OD

- Discuss the future of OD

- Describe the possible changes in OD practices and processes

24.3. Strengths of OD

The strengths of OD can be listed as follows:

- The OD process is carried out based on some proved fundamental processes. The processes which influence the perceptions and feelings of

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the employees to work for the goals of the organization, encouraging employee participation and teamwork, preparing action plans to solve the problems, etc. help to add strength to the OD process.

- The approach of OD in encouraging democratic processes is similar to the structure of democratic governments all over the world.

- OD programs encourage individual development along with advances in technology. This adds to the strength of the OD process.

- Organizational problems are solved by OD techniques involving people across the organization.

The emerging theories and techniques of OD are increasing the effectiveness of OD programs.

Activity: List the strengths of OD in the priority which you think is more useful in the implementation of OD interventions. Justify your way of prioritizing the strengths.

Answer:

_____

_____

_____

_____

24.4. The Future of OD

The factors that lead to uncertainty about the future of OD are discussed here:

Leadership and values

There are two approaches to OD. One is people-oriented and the other is profitability-concerned and technology-oriented. It has been found that the success of OD is fully realizable with the help and support of the top level management of the organization. In fact, the leadership style of the management influences the OD process of an organization. The managers need to give importance to the roles and responsibilities of the employees apart from the performance related with profitability of the organization for the success of OD.

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Exhibit 24.1 discusses the future of OD in post pandemic era.

Exhibit 24.1: Future of OD in Post Pandemic era

To succeed in the post pandemic era, new management system should be developed. Old rules that focus on consistency, standardization, and control would not work for the future and organizations need to be more agile, flexible and receptive. Four trends that impact the management model are demographic changes, reduced transaction costs, automation and more connection.

The evolving management models that match with the changing future requirements are creativity, resiliency and antifragility. Organizational purpose requires relooking its business perspectives i.e. labor as talent, competitors as collaborators of ecosystem, chain of command as networks of team. This business shift makes organizations more human in nature. Organizations should create a cordial workplace environment that motivates people and encourages creativity. Culture forms the basis to bring these changes. McKinsey's Organizational Health Index also approves that culture lays the foundation for generating outstanding financial performance and companies with good culture proved to pay shareholders returns 60 per cent higher than the medium companies.

Leaders are the one who should initiate such culture change in the organization by being a role model. These changes should always to business oriented, rigorous and ongoing. Companies with leaders acting as role models are found to be five times more successful in the culture transformation, which is important for organizations to sustain and grow in the future.

Source: https://www.mckinsey.com/business-functions/organization/our-insights/the-new-possible-how-hr-can-help-build-the-organization-of-the-future March 12, 2021

Knowledge about OD

The knowledge of the top level management about the OD processes has an impact on the successful implementation of OD techniques. The top managers usually gain knowledge about OD through books, journals, training programs, university courses, and newspapers. If these sources provide the managers with significant knowledge about the role they need to play in the OD process, the OD interventions can be implemented more successfully in organizations.

OD Training

Laboratory Training or the T-group training approach to OD led to the development of training techniques which set objectives for personnel and provided the required training to achieve these objectives. These training techniques should be used in a mutually beneficial manner for both individuals and the organization.

Interdisciplinary nature of OD

Various disciplines such as social psychology, philosophy, anthropology, human resource management, counseling, etc. have contributed to the theories and techniques of OD. OD has, in turn, influenced these disciplines while those such as international diplomacy, dispute mediation and arbitration have influenced the study of OD. Understanding related fields helps in understanding OD better.

Diffusion of OD techniques

Organizations throughout the world are using various OD techniques. The concern of OD consultants is that some organizations are using OD techniques without proper knowledge. The failure of inaccurately assessed OD interventions may act adversely on the beliefs of clients about OD practices. Moreover, the focus of OD techniques is not maintained due to the usage of OD processes for training people in various occupations which are different in nature. For instance, OD techniques are being used to train people in occupations like accountancy, teaching, nursing, law, engineering, medicine, etc. When the details of OD techniques are not communicated properly to the clients, it leads to confusion. By educating the clients about the fundamentals of the OD process, the misuse of OD techniques can be avoided.

Integrative practice

Many researchers and OD experts like Kenneth Kiser, Edward Lawler, Dan Ciampa, Marshall Sashkin, Gerald Ledford, and others developed techniques by integrating the practices of Total Quality Management (TQM) with OD. OD practitioners should therefore improve their knowledge related to various specialties, integrative processes, and interventions. At the same time, there is a need for technical experts in other fields to improve their knowledge about OD. This would help them to work in a mutually beneficial way. The effectiveness of the team of technical experts and OD practitioners can be increased by using interventions like team building, etc.

Rediscovering and recording history

Maintaining a history of OD interventions will help to improve the interventions as and when there is a need for them. The history of OD would also reveal whether the founders of OD laid emphasis on participation, action research-based decision making, or on a long term approach to management and any other process. This could guide the future of the organization. Maintaining records of OD interventions would provide OD practitioners with a quick reference for finding solutions to organizational problems and prevent loss of valuable time of OD practitioners in reinventing and rediscovering solutions. Repeated reinvention and rediscovery would slow down the progress of OD.

Journals with detailed descriptions about the latest developments in the field of OD, new techniques developed by OD consultants, appropriate interventions for specific problems and situations, and other OD related information would also be helpful to OD practitioners.

These are some of the factors which have an impact on the future of OD practices.

Competencies Required by OD Practitioners in Future

The competencies that OD practitioners would need in future to implement the interventions being developed are as follows:

- An understanding of the culture at work.
- Knowledge about the dynamics of the social system and skills to design new interventions.
- The ability to work in a larger system and think with a global perspective to solve inter-organization issues.
- The ability to quickly analyze a situation and a commitment for continuous innovation.
- The ability to use technology and virtual interventions.
- Coaching skills to develop transformational leaders.
- The ability to promote dialogue and conversation to take action in problem situations.
- The knowledge and skill to design and facilitate large group interventions.
- The ability to identify and measure whether objectives are met.
- Multidisciplinary skills in addition to process skills.
- An awareness about knowledge management techniques.

OD practitioners with these competencies can efficiently face the challenges of change in the global business environment.

Activity: Assume that you are an OD consultant helping organizations to equip themselves according to the requirements of dynamic business environment. Explain the competencies you would require to develop yourself as a successful OD practitioner.
Answer:

Check Your Progress-1

1. OD approaches have been successful because of which of the following strong points?
   i. It encourages and supports democratic processes
   ii. It emphasizes on the development of individuals
   iii. It emphasizes on advances in technology
   iv. It encourages employee participation and teamwork.

   a. Only i, ii, and iii
   b. Only i, iii, and iv
   c. Only ii, iii, and iv
   d. i, ii, iii, and iv

2. Maintaining records of the OD interventions helps in _____.
   i. Saving the time spent by the OD practitioners in reinventing OD interventions
   ii. The progress of the field of Organization Development
   iii. Serves as an easy reference for the organizations to face situations
   a. Only i and ii
   b. Only i and iii
   c. Only ii and iii
   d. i, ii, and iii

3. The need for integrative practices in OD implies _____.
   i. OD practitioners should develop knowledge of other specialties
   ii. Technical experts in other fields should improve their knowledge of OD
   iii. Upgradation of the OD skills has to necessarily be restricted to the OD practitioners only

   a. Only iii
   b. Only i and ii
   c. Only i and iii
   d. i, ii, and iii

24.5. Possible Changes in OD Processes and Practices

The possible changes in OD processes and practices under the impact of the global economy, workforce, and technology can be described as follows:

OD will become a part of organization's operations

In future, only organizations which adapt quickly to the fast paced changes in the economy and technology will have a competitive advantage over other organizations. Being alert to the developments in OD principles and interventions to change work life will help organizations to stay ahead of the competition. OD interventions could be integrated into business processes such as strategic planning, product development, and order fulfillment and thus facilitate quick changes in the business environment. In future, organizations would take the guidance of OD consultants in designing and implementing appropriate interventions to bring about effective change.

OD processes will use IT

In future, the developments in the field of information technology would be utilized in the OD processes. The future OD interventions might be carried out through the Internet without the need for the practitioner to be physically present That is, individuals can participate in these interventions virtually. The ideas of the participants could be communicated through e-mails and online bulletin boards whenever it is convenient for them. The participation of employees located in different countries of the world with different cultures, backgrounds, and ideologies in the decision-making process of the organization could be facilitated. Organization intranets will help to continuously update employees with the latest information related to various organizational issues. Hence, the participants are well informed of the OD activities. OD practitioners should develop their online skills so as to be competent in future.

Duration of OD process will be shortened

With the lifecycles of products, organizations, and industries reducing, OD practitioners may need to bring down the cycle time for OD interventions in future. The OD practitioners should carefully decide about the areas of OD process where time can be reduced. The use of the latest information technology will help OD practitioners to complete data collection required in OD interventions in lesser time than was required when data had to be collected manually. The analysis of a problem can be done in much less time than through manual processes. However, the process of change in culture or bringing about a change in the behavior of individuals cannot be completed instantly and will take time.

OD will increase the scope for learning and innovation

Christos Cotsakos, CEO of E-trade.com, opined that organizations could move ahead by creating change instead of managing change. OD interventions should facilitate the participation of stakeholders representing various streams of knowledge. They should be designed for the mutual benefit of the organization and the individuals. This would be a joint learning process for organizational

members and OD practitioners. Different interventions could be developed through innovations till the result was satisfactory. Employees across the organization would be encouraged to share ideas to improve the processes, thereby ensuring the progress of the organization.

The interdisciplinary nature of OD will increase

The advancements in the field of technology and increasing globalization would make OD even more important in the future. The influence of different disciplines such as industrial relations, industrial engineering, corporate strategy, organization theory, etc. on OD will also increase. Organizations will solve problems related to work force diversity, e-business, networks, entrepreneur development, etc. using OD techniques. The interdisciplinary approach of OD will increase the need for an integrated approach to planned change so as to bring about large-scale changes in the organizations.

The diversity of organizations implementing OD will increase

Over the years, OD programs have been conducted by only large scale organizations. But in future, OD will reach even small start-up companies. In fact, non-governmental and non-profit organizations are already increasingly using OD techniques. Human resource recruitment, training, induction, and other such processes will be carried out utilizing OD techniques. Government organizations which are bureaucratic in nature have also begun to realize the need to reform their structure, work processes, and organizational culture. These organizations require OD interventions to manage large-scale change. Further, the interactions between public and private organizations will require the guidance of OD practitioners in future.

OD Practitioners need to work in increasingly cross-cultural work environment

In the global business environment, organizations will need to design OD interventions which are applicable across cultures. Mergers and acquisitions of international firms are resulting in a growing demand for OD practitioners to deal with diverse cultures. Unlike in the past, OD consultants do not work only for the clients of their own country but also for those belonging to different nations. OD practitioners have ample scope to play an important and enviable role in helping organizations design new structures and processes that accommodate diverse cultures. They have to develop interventions that will help global organizations to improve relations with their subsidiaries, build cross-cultural teams and design global logistic and supply chain processes. They also need to develop interventions that are applicable across diverse cultures and facilitate network structure designing and transorganization development.

The need for clarity regarding OD values will increase

Traditionally, OD placed emphasis on humanistic values, democracy, equality and egalitarianism while organizations gave importance to power, authority, economic viability and profitability. OD practitioners are often caught in a dilemma while implementing OD interventions in organizations. OD practitioners should have a clear idea about the kind of interventions required for OD. OD practitioners should carefully avoid methods like coercion and manipulation while implementing the interventions. In future, organizations may approach OD practitioners to seek their help in maintaining a balance between work pressure on employees and personal development efforts; maximizing organization's profitability and minimizing pollution resulting from its operations and taking steps to safeguard the environment. This will help reduce any dilemmas in implementing OD interventions.

Activity: As a student, how do you visualize the future of your educational institution? Suggest OD interventions that you think are most essential for developing your institution and putting it ahead of competition in future.

Answer:

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_____

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_____

Check Your Progress-2

4. The use of information technology with regard to OD processes is **correctly** represented by which of the following statements?
   i. Virtual participation of the employees in the OD processes
   ii. Organization intranets serve to update the employees
   iii. Increase in the time required for OD implementation
   iv. The participants are well informed of the OD activities

   a. Only i, ii, and iv
   b. Only i and iii
   c. Only ii and iii
   d. Only ii and iv

5. The use of IT would reduce the OD life cycle due to which of the following factors?
   i. Quick diagnosis of problems
   ii. Rapid change in the culture
   iii. Drastic improvement in the behavior of the employees
   iv. Reduction in time spent on data collection

   a. Only i
   b. Only i and iv
   c. Only ii and iii
   d. i, ii, iii, and iv

6. To manage people from diverse backgrounds, the OD practitioners should design new organization structures and processes that
   i. Improve relations with the subsidiaries
   ii. Facilitate network structure design
   iii. Help in transorganization development
   iv. Help in designing global logistic and supply chain processes

   a. Only i, ii, and iv
   b. Only i and iii
   c. Only ii and iii
   d. i, ii, iii, and iv

7. Dilemmas, while implementing OD interventions, will **not** arise when there is
   a. Use of coercion and manipulation
   b. Emphasis on humanistic values, democracy, equality and egalitarianism
   c. Less focus on employee welfare and the society
   d. Balance maintained between work pressure on employees and personal development efforts

24.6. Summary

- OD is a continuously growing field. New concepts and interventions are being developed to implement OD effectively.

- Factors such as soundness of processes, emphasis of OD interventions on involving people to bring about changes in the organization along with technological advancements are contributing to the strength of OD.

- The future of OD is affected by the changing trends in leadership and values, knowledge about OD, training of OD, its interdisciplinary nature, diffusion of OD techniques and other factors.

- The possible changes in the processes and practices of OD are that OD will become part of an organization's operations, it will use Information Technology (IT), the duration of OD will be shortened, the scope for learning and innovation will be increased by it, the interdisciplinary nature of OD will increase, diverse organizations will implement OD in future, increasing the need to work in a cross-cultural work environment, and the need for OD practitioners to have clarity regarding OD values will increase.

24.7. Self-Assessment Test

1. What are the strengths of OD? What are the factors that will influence the future of OD to a large extent? Describe them in detail.

2. Discuss the possible changes in the OD processes and practices due to the impact of global economy, workforce, and technology.

24.8. Suggested Readings / Reference Material

1. Aswathappa K. International Business, 7th Edition, 9390113288 · 9789390113286, Tata McGraw Hill, 2020

2. Dwivedi, R.S. Management – An Integrated Approach, National Publishing House. 2016

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7. Udai Pareek & Sushama Khanna, Understanding Organizational Behaviour ISBN:9780199454716, Paperback, Oxford University Press, 2016

24.9. Answers to Check Your Progress Questions

1. **(d) i, ii, iii, and iv**

   OD processes influence the perceptions and feelings of the employees to work for the goals of the organization, encouraging employee participation and teamwork, preparing action plans to solve the problems, etc. help to add strength to the OD process. OD approaches

encourage and support democratic processes. They emphasize on the development of both individuals and technology.

2. **(d) i, ii, and iii**

    The history of OD must be preserved, for it is essential to improve OD interventions. The history of OD also reveals that the founders of OD laid major emphasis on participation, action research-based decision making, long term approaches to management, and processes for organizational renewal and change. If such facts are not recorded and maintained for future reference, valuable time of OD practitioners is lost in reinventing and rediscovering them, and the progress of OD will slow down.

3. **(b) Only i and ii**

    OD practitioners should therefore improve their knowledge related to various specialties, integrative processes, and interventions. At the same time, there is a need for technical experts in other fields to improve their knowledge about OD. This would help them to work in a mutually beneficial way.

4. **(a) Only i, ii, and iv**

    In future, individuals will not be required to be physically present at one place to participate in OD interventions. They can participate virtually using the Internet. Organization intranets will help continuously update employees with the latest information related to various organizational issues. Hence, the participants are well informed of the OD activities. The use of the latest information technology will help OD practitioners to complete the process of OD interventions in lesser time than was required when data had to be collected manually.

5. **(b) Only i and iv**

    As the life cycles of products, organizations, and industries are reducing, OD practitioners may also be under pressure to reduce the cycle time of OD interventions. The use of the latest information technology will help OD practitioners to complete data collection required in OD interventions in lesser time than was required when data had to be collected manually. The analysis of a problem can be done in much less time than through manual processes. However, the process of change in culture or bringing about a change in the behavior of individuals cannot be completed instantly and will take time.

6. **(d) i, ii, iii, and iv**

    OD practitioners have ample potential to play an important and enviable role in helping organizations design new structures and

processes that accommodate diverse cultures. They have to develop interventions that will help global organizations improve relations with their subsidiaries, build cross-cultural teams, and design global logistic and supply chain processes. They also need to develop interventions that are applicable across diverse cultures and facilitate network structure designing and transorganization development.

7. **(d) Balance maintained between work pressure on employees and personal development efforts**

OD practitioners are often caught in a dilemma while implementing OD interventions in organizations. OD practitioners should have a clear idea about the kind of interventions required for OD. OD practitioners should carefully avoid methods like coercion and manipulation while implementing the interventions. In future, organizations may approach OD practitioners to seek their help in maintaining a balance between work pressure on employees and personal development efforts; maximizing organization's profitability and minimizing pollution resulting from its operations and taking steps to safeguard the environment. This will help reduce any dilemmas in implementing OD interventions.

Management and Organizational Behavior

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