SYLLABI-BOOK MAPPING TABLE

Organizational Behaviour and Management of Change

Syllabi	Mapping in Book
Unit 1: **Introduction:** Historical Context of organizational behaviour, Contributions of Taylor, Weber, Fayoll, Definitions of OB: Challenges, Scopes and opportunities for OB, Perspectives for understanding OB, Open system approach, Human Relations perspectives, Socio-technical approach; Developing an OB model responsive to Indian realities.	**Unit 1:** Introduction to Organizational Behaviour **(Pages: 3-30)**
Unit 2 **The Individual** **Person in the Organization:** Biographical characteristics, Personality: Definitions and measurement, Concept of skill, Self-Awareness: Major personality attributes affecting organizational behaviour, Six approaches to personality and individual differences at work, Personality testing at work, Trait theories of organizational behaviour, Matching personality and job, Personality and culture, Self esteem at work, Reasons why personality tests may not predict work behaviour. **The Individual and Organization:** Values, Attitudes and job satisfaction, Importance of values, Sources of values and its indoctrination. Attitudes: Sources, Types and measurement of attitudes; Skills involved in changing attitudes. **The Individual in the Organization:** Motivation, Concept and early theories of motivation: Need hierarchy theory, Theory x and y, Two factor theory, Equity theories, Value theories, Reinforcement theories, Expectancy theories, Attributional style, Comparison and integration of the different theories, Skills involved in motivating workers; MBO, Behaviour modification, Employee involvement programs.	**Unit 2:** The Individual **(Pages: 31-82)**
Unit 3 **Group Dynamics** Meaning of group, Group development, Formal and informal groups, Group characteristics, The characteristics of an effective workgroup, Teamwork, Group diversity, Individuals, Teams and occupational success, Benefits and drawbacks of working in groups, Intergroup behaviour, Women at work, Diversity and discrimination at work.	**Unit 3:** Group Dynamics **(Pages: 83-123)**

Communication in Organizations: Communication model, Barriers and sources of distortion; Direction and network of communication and decision-making, Cross-cultural communication skills involved in communicating and listening.

Decision-Making: Personal decision style, Rationality, Behavioural economics and money decisions, Individual versus group decision making, Brainstorming, Techniques to improve decision making, Group think, Group polarization when taking risky decisions.

Leadership: Introduction, Nature and types, A historical review of approaches to leadership, Behavioural theories: Contingency theories and contemporary issues in leadership. Leadership and power: Bases of power and power in action, Skills involved in managing politicking. Followership and mutual influence, Networking, Negotiating and enabling.

Unit 4

Management of Organizational Design and Change

Meaning of Organizational Change: Cultural, Process and Structural changes, Models of change, Organizational design for change, Systematic Organizational change, Socio-technical system; approach, Experiments with Organizational change and Intervention, Successful change Attempts: Searching for excellence.

Organizational Development: Survey Feedback, Process Consultation, Concept, Meaning and Action Research Model, Person, Focused change, Value audit and effectiveness, Creativity: Innovation and Lateral thinking.

Unit 5

Conflict Negotiation and Stress in Organizations: Nature, Sources and techniques of conflict, Meaning of conflict in organizations, Negotiation strategies, Work-stress: Sources and techniques in managing stress, Skills involved in managing stress, Conflict and negotiation.

Strategic Management: Environmental Uncertainty, Strategic Analysis, Strategic formulation and Implementation.

Organizational Change Strategies and Issues: Building learning Organizations, Enterprise resource planning, Downsizing, Mergers and Acquisitions, Effectiveness in Public and Private organizations, Behavioural: Aspects of managing across culture.

CONTENTS

INTRODUCTION

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Organizational behaviour is the study of individual and group behaviour in work settings. This study has acquired new dimensions with the dynamic social and technological changes of the recent times. Changing demographics, cultural diversity, more educated workforce and awareness of rights and privileges has prompted a new outlook of the entire organizational structures and systems.

This book, *Organizational Behaviour and Management of Change* traces the various aspects of organizational behaviour and behavioural sciences. Unit 1 outlines of the historical context of organizational behaviour focussing on the contributions management theorists like Taylor, Weber and Fayol. The various challenges, scope and opportunities concerning Organizational Behaviour have also been explained in detail. Unit 2 emphasizes on the relationship between the individual and the organization. Personality, values, attitudes and motivation are significant factors that influence organizational behaviour. Thus, different theories and approaches to personality and motivation have been covered to aid students in understanding the factors that influence behaviour. Unit 3 stresses on group dynamics, explaining the features of an effective workgroup. It further highlights the importance of communication in organizations and the techniques of decision-making and leadership. Unit 4 explores the concept of organizational change and development. Finally, Unit 5 discusses different strategies of conflict management, strategic management and enterprise resource planning. It also explains the different aspects of downsizing, mergers and acquisitions.

The book has been written in a simple and self-learning style. We have tried to present even the most difficult topics and concepts in an easy-to-understand manner. After going through this book, you will be able to adopt and implement the various concepts related to organizational behaviour. Therefore, the book will be useful to students as well as practitioners, who want to gain in-depth knowledge about the different types of concepts related to organizational behaviour and management of change.

UNIT 1 INTRODUCTION TO ORGANIZATIONAL BEHAVIOUR

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Structure

1.0 INTRODUCTION

In this unit you will be introduced to the history of organizational behaviour, which will provide you with a fundamental idea about its conception and development. Further, you will learn about the various contributions made by eminent personalities like F.W. Taylor and Henri Fayol. The unit equips you with a detailed analysis of organizational behaviour emphasizing on the various opportunities and challenges related to it. Also, you will learn about the various perspectives and approaches concerning organizational behaviour. You will study the OB model relevant to the Indian organizational systems.

1.1 UNIT OBJECTIVES

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After going through this unit, you will be able to:

- Understand the historical context of organizational behaviour
- Analyse the various challenges, scope and opportunities related to organizational behaviour
- Discuss the various approaches concerning organizational behaviour
- Understand the type of model suitable for organizations in India

1.2 HISTORICAL CONTEXT OF ORGANIZATIONAL BEHAVIOUR

Let us begin by asking a question: Why is the historical context or the history of any subject important? The organizational structure has not developed all of a sudden and has evolved slowly over a period of time. One form of organization leads to the other form of organization and one form of society/social structure led to another form of society/social structure. This does not necessarily imply that the old has been completely removed to make way for a new form, though in some cases this has happened. In most cases, however, the old and new have merged and are coexisting. Old bureaucratic forms of organizations (Railways, Postal department, Army, Indian Bureaucracy, etc.) coexist with modern matrix organizations (IBM, Maruti Udyog etc) and these too coexist with ultra-modern organizational forms (business process outsourcing, etc.). Traditional work profiles in one organization were suitable for persons who wanted a stable job with vertical growth. This is coexisting with modern work profiles, where vertical growth in one organization is not as important and employees look for psychological satisfaction where they can be in total control of their career. Essentially, it is evident that old and new forms of organizations coexist and both are doing well. All this marks the significance of history in organizational development. Questions like, what mistakes have been committed in the past, how they were corrected, how these mistakes/correction led to the establishment of new forms of organizations, are they the final forms or whether there is some chance of improvement, can only be examined by studying the history of the subject. Therefore, a historical analysis of the subject holds immense importance in order to understand the past, so that the present form of organization and people who work here can be understood well and the future shall be predicted in a more scientific manner.

1.3 CONTRIBUTIONS OF TAYLOR, WEBER AND FAYOL

The classical management era lasted from 1880–1930. During this time, the first general theories of management began to evolve. Known as the classical approach to management, these theories formulated principles for setting up and managing organizations. There are three major contributors in the classical approach: F.W. Taylor, Max Weber and Henri Fayol. Although, they established separate models they all conceived organizations as a 'machine'. They emphasized on organizational structure to attain efficiency. However, they do differ in terms of their focus. Taylor was more concerned with the micro approach, how to attain efficiency by focussing and carefully analyzing work methods and to determine the best method to carry out work. Weber and Fayol on the other hand presented a macro approach, focussing on the whole organization and designing ideal organizations as well as developing administrative principles for managing organizations. A detailed analysis of these three is explained in the following paragraphs.

1.3.1 F.W. Taylor's Scientific Management

In the early 1900s, scientific management was the most influential of the theories/ approach. According to George D. Babcock, it is defined as the kind of management which conducts a business or affairs by standards established for based on facts gained through systematic observation, experiment, or reasoning. In other words, it is a management approach that emphasizes the scientific study of work methods to improve the efficiency of the workers.

American management theorist F.W. Taylor published his famous book, *The Principles of Scientific Management* in 1911. He is aptly called the father of scientific management. He began experimenting with his ideas at Midvale Steel and rose from a labourer to chief engineer within six years. He then took his ideas to Bethlehem Steel. Based on his time and motion studies introduced the standardizations of tools and procedures, development of piece rate incentive schemes and more innovative ideas and was able to dramatically improve the results. Some of the important contributions of Taylor are as follows:

1.3.1.1 Time and motion studies

According to Taylor, even the most basic tasks can be planned in a manner that would result in great efficiency. His idea was to study the 'time' and 'motion' involved in carrying out tasks in the most scientific manner. It may lead to removal of unnecessary activities/motion and in some cases combining some of them. The end result would be a work method which is most efficient and uses Taylor terminology, 'the best way of doing a task'. These studies are therefore called 'Time and Motion' studies which aim at determining 'one best way' to perform a task.

Following are the steps that could be undertaken to determine 'one best way' of doing a task:

1. Selecting a sample of skilled workers and analysing the work being performed.
2. Listing every action involved in getting thorough details on every action that is being performed.

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3. Timing each task with a stopwatch is regularly repeated over a period of time to derive the average required to perform each task.
4. Identifying and eliminating any tasks that are not necessary for achieving the final result.
5. Identifying any improvements and adopting new tools or techniques in order to curtail the time required to complete a task.
6. Establishing new and informed time and pay rates for the job
7. Finally, training the employees to perform the job in the 'one best way' identified. By using time and motion experiments, Taylor was able to achieve remarkable results. Two of the most widely reported experiments, which were conducted by him, were related to 'pig iron' and 'shovelling'. In pig iron experiments, Taylor was able to enhance efficiency from 12 1/2 tons to 47 1/2 tons per person per day, a remarkable increase of almost 400 per cent. In shovelling experiments, the right kind and right size of the shovel was provided by the firm so that workers were able to lift 21 pounds. In both the experiments, the principles of scientific management were used. The next section deals with these principles.

1.3.1.2 Taylor's principles of scientific management

These principles are explained as follows:

- **Development of a true science of work instead of a rule of thumb:** According to Taylor, a rule of thumb should be replaced with to scientific methods so that work and task can be best studied eventually result in efficiency. Taylor was of the view that the workers did not really know the amount of work expected of them. Moreover, during that time there was no scientific measure to assess a fair day's work. Taylor used a scientific method to devise the most efficient way of carrying out a task/work and assessing what is a fair day work for a worker.
- **Scientific selection:** There is always a best man to do a particular job. This principle reflects what is being called in modern management parlance, 'right man for the right job'. Therefore, he advocated scientific selection of employees based on their abilities instead of anything else. He further said that if a person is not fit for a particular job, its better that he should find job elsewhere otherwise he would not be able to do justice on the present job.
- **Training of workers**: Once selected, workers should be trained in the best way of doing a job that has been identified earlier.
- **Proper supervision**: This principle reflects the issue of leadership. This involves close supervision of workers so that they follow the standardized procedures as delineated in the first stage. The idea behind this concept is that the workers do not want to work unless and until they are closely supervised.

- **Division of work between workers and management**: Divide the work equally between the management and workers in such a way that the management can apply scientific management methods for work planning. This is done so that the workers can be given a standard measure of performance such that they can perform the task in a prescribed manner.
- **No need of trade unions:** Taylor was of the opinion that the owner/manager knows what is best for their employees. Thus, there is no need of trade unions which unnecessarily creates tension between the two parties.
- **Money is the only motivator for which people work:** Taylor believed that people work only for money. Money is the motivator behind every job. Workers want money and are ready to work for it.

1.3.1.3 Drawbacks of Taylor's theory

Although Taylor introduced many new concepts, his theory also suffered from many limitations. Some of them are as follows:

1. *Human factors were totally ignored.* Taylor wanted to achieve efficiency, for this he was ready to forego human factors. Many believed that Taylor considered people as 'cogs in the wheels'.
2. *There is no 'best way'.* We all have different predispositions and abilities, so it is not possible to devise the best way. Everybody has a different technique of performing tasks. There is no standard technique that can be termed as the 'best way'. Thus, it is not possible to devise work in this manner.
3. *Money is not the only motivator for which people work.* Money is important but it cannot be assumed that it is the only thing for which people work.
4. *Elimination of trade unions in organizations.* It is surprising that Taylor advocated for trade union free organizations. The management cannot know everything about the problems faced by workers and it is unreasonable to assume that the management knows what is better for the workers.

1.3.2 Max Weber's Concept of Bureaucracy

This is the second pillar of the classical approach to management. Weber propagated the idea that rationality and impersonality must be the hallmark of organizations. He observed that during his time nepotism was prevalent in most of the organizations, which was not only unjust but also had a negative impact on the organizations. He advocated the concept of an ideal organization, i.e., how organizations should actually function in reality and termed these kind of organizations as 'bureaucracy'. The term 'bureaucracy' is derived from the German word '*buro*' which means 'office', referred to organization that operates on a rational and impersonal basis.

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1.3.2.1 Features of bureaucracy

According to Weber, a bureaucracy is a highly structured, formalized and impersonal organization. The unique features of a bureaucracy are as follows:

- **Hierarchy of authority**: The activities of employees at each level are monitored by his/her superior. Employees were expected not to take any decision alone and always seek the help of their superiors.
- **Impersonality**: The decisions must be made only on facts, keeping emotions and feelings out of the decision process. This will result in an organization where all employees are treated equally.
- **Written rules of conduct**: The rules and regulations which govern employees must be clearly written and easily understood. This will ensure discipline and coordinated efforts from the employees.
- **Promotion based on achievement**: All promotions must be based on individual performance on the basis of the job alone. No other consideration should be used to promote employees.
- **Work specialization and division of labour**: The work must be clearly broken down into its smaller components/sub tasks. Each employee is responsible for a specific sub task, such that every employee achieves expertise in specific fields, which would result in efficiency.

1.3.2.2 Drawbacks of bureaucracy

All the principles of bureaucracy if not implemented with good intentions might result in a very rigid and mechanical organizational structure. The reasons for this can be summed up as follows:

- Close monitoring by a supervisor in the present day context where employees are educated and skilled sounds quite archaic. Today, employees know what is expected of them and are capable of doing so. Some modern organizational forms such as matrix and networked are based on this concept.
- At times impersonal application of rules and regulation which is presented as the hallmark of bureaucracy may become one of its major drawbacks. Rules become an end in themselves resulting in red-tapism and a very rigid organization where it is almost impossible for employees to explore their innovation and creativity.
- Work specialization and division of labour may result in bored and frustrated employees. As most of us want to grow in our roles and develop as human beings, this is not possible in this form of organization.

1.3.3 Henri Fayol's Administrative Theory of Management

The third pillar of the classical approach is Henri Fayol. Fayol defined the nature and working patterns of the 20th century organization in his seminal book, *General* *and Industrial Management*, which was published in 1916. This book redefined the structures of many of the organization of that era. His theory was popularized as 'Fayolism' and became the mantra of the period.

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1.3.3.1 Henri Fayol's five functions of management

Fayol is known as the father of modern administrative principles. Most of the books on management even today begin by defining the five functions of management, which were first stated by Fayol as follows:

1. **Planning:** This involves examining and establishing plans for the future
2. **Organizing:** This constitutes developing the structure, capital, personnel and raw materials for the organization.
3. **Commanding:** This involves maintaining order among the personnel
4. **Coordinating:** This constitutes combining and integrating activities and efforts to achieve a balance between the various departments of the organization.
5. **Controlling:** This involves ensuring that all activities occur in conformity with organizational policy and practice.

1.3.3.2 Henri Fayol's fourteen principles of management

Fayol elaborated on the five principles and finally gave fourteen principles of management to ensure effective governance of the organization which would ultimately result in efficiency. These are as follows:

- *The division of labour*: Dividing tasks into smaller sub tasks so that each of the employee is doing a sub task instead of the whole task to ensure efficiency.
- *Authority*: Fayol advocated authority in an organization and the right to give orders to subordinates.
- *Discipline:* Employees are supposed to follow the rules and regulation of the organization to ensure there is order and discipline in the organization.
- *Unity of command*: There needs to be a well-defined hierarchy in the organization with just a single boss to whom all employees must report.
- *Unity of direction*: Organizational goals should be well-defined and every employee must adhere to a single plan in order to achieve the shared objectives.
- *The subordination of individual interest to company interest:* This implies that in office all individual efforts should be directed towards the achievement of organizational goals and not personal interests.
- *Proper remuneration:* The salaries provided to the employees for their services should be fair to both the individual and the organization.

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- *Centralization:* Organizations must function from the top. Powers must be in the hands of the top personnel of the organization.
- *The scalar chain*: This indicates how many subordinates should be placed under a manger to ensure effective performance. Fayol was in favour of less number of people under each level of supervision, so that workers can be closely monitored and therefore easy to extract compliance.
- *Order*: There has to be defined place for everything and everyone in the organization to avoid chaos and ensure effective management.
- *Equity*: Fair treatment to the employees so that justice prevails in the organization.
- *Stability of tenure*: To avoid favour and mismanagement there should be fixed tenure for each of the employees.
- *Initiative*: Employees should be encouraged to take initiative, however, within the limits of order and organizational command.
- *Esprit de corps*: This implies promoting employee morale and imbibing team spirit amongst employees for improving performance.

The fourteen managerial principles by Henri Fayol were highly influential in the classical school of management theory. However, like the two of the earlier approaches under classical approach, this too is also not free from weaknesses.

1.3.3.3 Drawbacks of Fayol's approach

Following are the disadvantages of Fayol's approach:

- Division of labour/specialization may result in efficiency as the employees may only be doing a sub tasks. However, it may also make the job boring and repetitive which ultimately result in a frustrated and dissatisfied work force.
- Unity of command means that one employee must have just one supervisor/boss. This form of organization may not be suitable in the present context. Modern forms of organizations, such as matrix (two bosses for the same employee) or networked organization (different boss in different parts of the worlds for the same employee) is quite opposite to unity of command principle.
- Fayol advocated for a short scalar chain, which means small number of employees under a single supervisor. However, with new kinds of employees who are educated and skilled, this form of arrangement may be unfeasible.
- Division of labour/specialization and initiative may not go together. If there is too much specialization then there is no scope of taking initiative.

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CHECK YOUR PROGRESS

1. Name the main contributors of the classical approach to management.
2. Who is the father of scientific management?
3. Define the term 'bureaucracy'.
4. What were the five functions of management according to Henri Fayol?

1.4 DEFINITIONS OF ORGANIZATIONAL BEHAVIOUR

Before defining what organizational behaviour is, it would be more prudent to first define what we mean by an organization. As the name suggests, organizational behaviour involves the analysis of behaviour in organization, therefore we begin by first explaining and defining what is an organization.

An organization is a consciously coordinated social unit which is composed of two or more people that functions on a relatively continuous basis to achieve a common goal or set of goals. It means that there are many goals which cannot be attained individually because of limited abilities and resources each, for example, there are hospitals to get treatment, schools/colleges to get education, industries to manufacture products and all these institutions are termed as organizations. They are social creations created by our forefathers to meet needs. How does an organization achieve these objectives? Organizations create tasks, positions, responsibilities, departments and then co-ordinate and command all these activities to ensure that the organizational objectives are met. No organization is complete without people. Organizational behaviour is the study of all these facets of an organization.

1.4.1 Meaning of Organizational Behaviour

Organizational behaviour is the study of human behaviour, attitudes and performance in organization. It is the study of human issues or the 'soft' end of the business. It is the study of what people think, feel, and do in and around organizations. Organizational behaviour is a systematic study of human behaviour in an organization. The aim of the study of organizational behaviour is to understand why people work in certain ways and then using this knowledge to improve the use of resources for the benefit of both the organization and people who work there.

Like any other science, there are three major objectives of organizational behaviour:

- *Understand behaviour in organization:* Why do people behave the way they actually behave in an organization? What motivates them, is it money or recognition? Why does a particular person always late for

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office while there are others who report to work on time? Organizational behaviour uses scientific knowledge from many interdisciplinary fields such as psychology, sociology, political science and management in order to analyse human behaviour at work.

- *Controlling behaviour:* This involves using knowledge of behavioural science to ensure that people perform well. There are well defined do's and don'ts of behaviour in organizations. Organizations or managers have many mechanisms such as rewards, recognition or punishment to control behaviour. Go to any fast food chain, what you will notice that all the employees speak in the same way, wear the same kind of clothes, even they smile in the same manner. This is an example of organizational control over behaviour.
- *Predicting behaviour:* This is the third main objectives of organizational behaviour. This involves making the organization a place where behaviour can be predicted, as organizations exist to achieve organizational objectives. The organizational structure, organizational climate and culture, leadership forms, etc., ensure that people behave in a predictable manner.

Although these three are the major objectives of any science, the last two, i.e., controlling and predicting are a bit more mechanistic and inconsistent with the contemporary realities of modern organizations. As new forms of organizations are replacing old forms, new paradigms or frameworks are coming up to analyse the existing realities. For example, J.B. Quinn stated the concept of 'intelligent enterprises' which is based on the assumption that 'effective strategies will depend more on development and deployment of intellectual resources than on the management of physical assets.' According to an article in *The Economist* dated January 19 2006, in reference to Mc Gregory's theories X and Y 'companies are coming to realize that the knowledge workers who have been identified as the creators of future wealth, thrive only under Theory Y. Theory X is becoming distinct.' There is a strong movement to incorporate positive strengths and capabilities of human beings instead of just focussing on illness and infirmity in the strategic conceptualization of organizations. Therefore, organizational behaviour seeks to help today's and tomorrow's managers make the transition smoothly and to embrace the new paradigm in which employees are not forced to work but performing or working becomes a joy and not a burden to sustain oneself.

According to Stephen Robbins 'Organizational behaviour is a field of study that investigates the impact that individuals, groups and organizational structure have on behaviour within the
organization, for the purpose of applying such knowledge towards improving organizational effectiveness.'

This definition has the following three elements:

1. Organizational behaviour is an analytical study of people.
2. The organizational structure influences how people behave.

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3. Knowledge of human behaviour can be used to achieve organizational effectiveness.

These factors are interactive in nature and the impact of such behaviour is applied to various systems so that the organizational goals are achieved. The nature of study of organizational behaviour is investigative so that a causeeffect relationship is established.

1.4.2 Importance of Studying Organizational Behaviour

A study of organizational behaviour has various advantages. The advantages of studying organizational behaviour are as follows:

- It aids people in understanding themselves. Organizational behaviour is a systematic study of the activities and behaviour that people display in the organization.
- It aids the management in achieving their tasks with effective techniques.
- It stresses on the relationship between the organization and individual behaviour.
- It aids in the development of work-related behaviour and job satisfaction.
- It aids in creating a motivational environment.
- It aids in studying market trends by understanding consumer behaviour, and managing and motivating field employees.
- It aids in predicting and applying behaviour in a significant manner to improve organizational efficiency.
- It automatically leads to effective management of human resources.
- It stimulates functional behaviour resulting in productivity, effectiveness, efficiency, organizational loyalty, and also helps to reduce dysfunctional behaviour at work place like absenteeism, dissatisfaction, etc.

CHECK YOUR PROGRESS

5. What is organizational behaviour?
6. Give three advantages of studying organizational behaviour.

1.5 ORGANIZATIONAL BEHAVIOUR: SCOPE, CHALLENGES AND OPPORTUNITIES

New organizations, such as multinational corporations, big retail houses, fast food chains, the IT industry, etc., have developed substantially since the 1990s. The profile of employees is also changing. A young workforce and representation of women in formal organizational set up has tremendously increased.

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1.5.1 Challenges Faced by Organizations

Forms of organizations, such as matrix, networked and protean are very common. All these provide lots of challenges for managers but also give them the opportunity to experiment with new ideas and new forms of organization and use these for a competitive edge over others. Some of these challenges are as follows:

- **Responding to globalization**: Globalization is the reality of modern life. Never before in the history of mankind were the geographical boundaries between nations so porous. This influences a manager's role as well. A manager may be transferred to the employer's operating division or subsidiary in another country or in the headquarter itself. The workforce may be different in their frameworks about work-related and non work-related issues. These issues may include questions like how to greet the boss or how to give incentives, whether males and females should be paid equal pay for the similar kind of jobs or differently, etc., and these may vary across different cultures. Even in his/her own country a manager may find that the team/organization in which he/she is working is greatly diverse in terms of race, ethnicity, gender, age, relationship orientations, etc. It is essential for the manager to understand the background and culture of employees in order to adapt their management style and increase performances at work.
- **Embracing diversity**: Today organizations are becoming increasingly heterogeneous in nature. People from different backgrounds are working together. Organizations should be flexible enough to use this diversity to harness growth and accommodate diverse groups of people by addressing their different lifestyles, work styles and needs according to their values as well as differences. Positive management of diversity increases creativity, innovation and effective decision-making by providing varied viewpoints on similar problems.
- **Improving quality and productivity**: Today, most industries face the problem of excessive supply. This in turn results in increased competition leading to reduction of costs.

  In order to improve quality and productivity of their products and services, organizations are implementing quality management and process reengineering which need major employee involvement. These employees will not only be a major force in carrying out changes but will actively participate in planning those changes.
- **Responding to outsourcing:** Outsourcing is one of the recent developments with which organizations have to cope with. Outsourcing refers to initiatives by the organization to focus only on the core business while the tertiary business is given to some third party or some vendors for whom this is the core business. India has emerged as the one of the sought after destinations of outsourcing for companies based in the US and UK. The biggest challenge facing this sector is the training and retaining of its work force which is

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marked by moderate to high turnover. In the Indian context, the safety of women working in this segment, is also becoming a real challenge as many cases of rape and murder have been reported in the recent past.

- **Improving customer service**: Never before has the customer been the focus of so much attention. Organizations have started realizing the importance of customers and are making serious efforts to ensure that customer satisfaction is actually achieved. If the customers are happy there will be an increase in sales and which thereby lead to increase in the productivity and satisfaction among the employees as well.
- **Improving people skills**: Organizations have been engaging themselves in identifying the strengths and weaknesses of their employees. So that with the use of training and development activities, organizations can help employees upgrade their skills including their technical and various soft skills like team building skills, interpersonal skills, listening skills, managing workplace conflicts, etc.
- **Stimulating innovation and change**: Only those organizations shall survive and prosper which maintain flexibility, continually improve their quality, and beat their competition with a constant stream of innovative products and services. The challenge for organizations is to stimulate their employee's creativity and tolerance for change. Employees should always be encouraged and feel supported for their innovative ideas. For this a good relationship among team members should be established so that employees can motivate each other rather than de-motivating and discouraging their talent.
- **Empowering people**: As more and more educated and skilled employees are entering the workforce, organizations need to understand the expectations and ambitions of these employees. One way of doing so is to empower them. Thus, in many organizations managers are giving employees more and more control over their work, as employees are learning how to take responsibility for their work and grow in their roles so that they not only make appropriate decisions but prepare themselves to take more challenging roles in the future.
- **Coping with temporariness:** Instead of long-term and permanent employment, we now have jobs and tasks which are continuously being redesigned. Tasks are being performed by flexible teams rather than individuals. Companies are relying more on temporary workers which provide them flexibility in the sense that work has become project based. The moment the project is completed, the team is disbanded. Workers need to regularly update their skills and knowledge to perform new job requirements. Temporariness is the reality of contemporary organizations. Temps or temporary workers may be of various kinds. Some temps are being supplied by a third party agency to a particular organization. Security guards in most of the offices are temps. On the other hand, we have some temps who are free agents such as doctors, professors, etc., who are working

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as a free agent which gives them control over their lives. Nowadays, employees must deal with temporariness and learn to live with flexibility, spontaneity and unpredictability. Organizational behaviour provides insights into continual change and adapts to change creating an organizational culture based on change.

- **Working in networked organizations**: Computerization, Internet, and the capacity to connect computers within organizations and between organizations have greatly transformed the work environment. With the advent of communication technology now it is possible to work even from home. There are many people who work in a team, even when each member may be situated in different parts of the world they are connected through the Internet. In some cases people become free agents or independent contractors and provide their services to agencies or organizations for a fee. Software programmers, photo researchers, psychometricians, etc., constitute these kinds of free agents. Managing people online/virtual world is not the same as handling them in the real world and needs different managerial strategies.
- **Aiding workers in handling conflict at work:** When formal organizations were designed in the beginning of the 20 th century, gender roles were clearly delineated. Men were responsible for work and women for the family. However, in the past two decades, this distinction does not hold as many more women have come out to shoulder the responsibility of managing and working in the formal organizations. Moreover, the role of men is also changing as many men in so many families are not just the bread earners but also the nurturer of the kids and the family. During the recession in the year 2008–09, there were many cases all over the world including India where the gender roles were reversed. Thus, it poses a great challenge to organizations that the two most important domains of our life work and family do not collide with each other. Moreover, most employees aim to achieve a balance between the two. According to the 'MetLife Employee Benefits Trend Study' conducted in 2006, among all age groups the opportunity for work balance was the second most important recruitment/ retention criterion.
- **Positive organizational behaviour**: Positive organizational behaviour is the application/extension of positive psychology at work. A.B. Bakker and W.B. Schaufeli have laid stress on positive psychology that is largely about the 4 D's approach (damage, disease, disorder and dysfunction) that focusses on preventing poor performance, low motivation, unwell-being, ill health and disengagement and makes psychology more balanced. 'Positive psychology at work' studies individual positive psychological situations and employee strengths levels, which are connected to employee well-being and performance. Further, it focuses on elements like self-efficacy, optimism, hope, resilience, and other personal resources are involved in the

management of organizational demands or in fostering performance. It analyses the conditions required achieve optimum performance levels. Therefore, positive psychology at work or positive organizational behaviour (POB) has great potential in influencing individual and work-related outcomes and building great organizations. Many concepts of positive organizational behaviour, such as psychological capital, employee engagement, vigour, etc., have the potential of developing positive work experiences and positive traits/capabilities along with creating great institutions which would eventually benefit all.

1.5.2 Scope and Opportunities

The scope of any subject refers to its subject area. It implies the themes/issues/problems/concerns of the subject which needs to be examined and understood. As practicing managers, the following themes define the scope of organizational behaviour:

- The main aim of any institution is to attain the organizational objectives. Employees work in tandem towards the attainment of the set objectives of the organization. Managers are required to reach these objectives through employees. Thus, to stay ahead in the competition managers are required to possess good interpersonal skills in addition to the managerial skills of controlling and coordinating people in the organization.
- Retaining high performing employees is very essential for generating superior financial performances, which requires job performance and a good work environment in order to influence organizational events. These organizational events in turn depend on the manager's ability to communicate effectively with people.
- An effective and successful manager is defined in terms of the quantity and quality of his performance and the satisfaction and commitment of his employees. A thorough study of organizational behaviour help managers achieve these goals.
- Organizational behaviour is a field of study, a distinct area of expertise which studies the three determinants of behaviour in organizations, i.e., the individual, the group and the structure of the organization. It applies the knowledge so gained towards making organizations work more effectively. At the three level of analysis, although interdependent, different themes/concerns/issues become important. At the individual level, themes such as learning, motivation, perception, attitude and values of the people in the organization become very important. Our attitudes and perception provides the framework to see, feel and act towards the organizational phenomena in a particular way. Similarly, at the group level, issues like group dynamics, leadership, conflict, negotiation, decision-making, etc., are examined and discussed. At the organizational level, organizational structure, organizational culture and organizational development are being discussed.

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- It complements intuition with a systematic approach to reveal significant information and relations providing a foundation to predict behavioural patterns. Thus, employee actions are analysed through a methodical system. There are certain fundamental consistencies underlying the behaviour of all individuals that can be identified and then modified to reflect individual differences which is very important for motivating the organization's work force towards achieving the goals.

1.6 PERSPECTIVES FOR UNDERSTANDING ORGANIZATIONAL BEHAVIOUR

Perspectives are frameworks that are used to understand and analyse a phenomenon. Human experiences are not neutral experiences; they need to be seen from a particular perspective to get meaning. A same phenomenon has different interpretations depending on what theoretical stance we take. In the present section, three important perspectives in organizational behaviour, i.e., the human relations perspective, the socio-technical and the open system perspectives shall be discussed.

1.6.1 Human Relations Perspective

The human relations perspective to management was established in 1930s as opposed to the mechanistic and negative perspective of organizations and human nature advocated by the classical school of thought. The human relations approach supports the view that the workforce is merely an economic-rational entity rather humans beings are emotional beings. Organizations are not always mechanistic but at time cooperative social systems. In organizations, informal structures, rules and norms coexist with the formal ones. There are three important developments related to the human relations perspective:

(i) Elton Mayo's Hawthorne experiments,

(ii) Abraham Maslow's hierarchy of needs, and

(iii) Douglas McGregor's Theory X–Theory Y, etc.

1.6.1.1 Hawthorne experiments (1927 to 1932)

In 1920s, the Hawthorne plant of the General Electric Company began experiments to see how physical working conditions impact performance and morale of the employees. Like any experimental design the researchers manipulated the independence variable/s (illumination for example in one of the studies) to observe its effects on the dependent variable (performance). Many experiments were conducted and two of them are presented below to provide a better understanding.

1.6.1.2 Illumination experiments (1924-1927)

This was the first series of experiments in which changing the amount of illumination was seen as the determinant of behaviour. For this, two groups were formed,

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experimental and control. In the control group, the illumination was uniform during the experiments while in the experimental group the illumination improved in intensity during the course of the experiments. The productivity was measured in both the groups. Strangely, the performance in both the groups shows improvement. The researchers then decreased the illumination for the experimental group resulting in an increase in the output. The findings perplexed everyone. How could this be possible? It was beyond comprehension that physical working conditions failed to impact performance in the desired manner. At this point of time, Elton Mayo who was the professor at Harvard was invited to explore the findings. His contribution has been explained in the following paragraphs.

1.6.1.3 Relay room experiments

The year 1927 witnessed the inception of the relay room experiments marking the commencement of the Hawthorne studies. Following the concept of the illumination experiments it involved two who were required to select other girls and create a group of 6 girls. These girls were then required to assemble telephone relays. Various changes were introduced in the experiment that existed for 1–3 months. Under normal working conditions in a forty-eight hour week and no rest pauses, all of them produced 2400 relays each per week. The group then worked on a piece of work basis for eight weeks resulting in an increase in production. After this, two five minutes rest pauses were introduced, which later increased to 10 minutes. This led to a marked increase in productivity. The company further introduced free meals leading to a further increase in productivity. After all these amenities were withdrawn the group returned to their normal working condition with forty-eight hours per week, and no free meals. However, the productivity remained the highest. The productivity improved due to the group's approach towards work. The findings presented above led to the development of what is called the 'Hawthorne effect'. It refers to the fact that physical working conditions in themselves could not produce the desired result. The second experiments showed that what is important is the right kind of attitude to perform well even without the amenities with which employees were used to. These findings were opposite to what the classical approach led us to believe. Even the best results could be achieved even when the working conditions were poor or when amenities were withdrawn. This was a landmark revelation which paved for the development of the human relation approach.

1.6.1.4 Elton Mayo's contribution

Elton Mayo (1880–1949, Australia) was the Director of the Department of Industrial Research at Harvard University. Mayo's contribution to the famous 'Hawthorne Studies' led to the establishment of a new school of thought on management called the Human Relations Movement. While explaining the findings of the 'Relay Room Experiments' he said

> 'What actually happened was that six individuals became a team and the team gave itself wholeheartedly and spontaneously to

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cooperation in the experiment. The consequence was that they felt themselves to be participating freely and without afterthought, and were happy in the knowledge that they were working without coercion from above or limitation from below.'

According to Mayo, in order to attain organizational objectives it is important to empathize with the emotional as well as the non-monetary requirements of the workers.

1.6.1.5 Implications of human relations approach

- Employees' perception is more important than the actual change in the work conditions in influencing work behaviour.
- Employees are encouraged by social needs and relationships. They react better to work-group pressure than to management control measures.
- When employees were given attention by the management/supervisor or they themselves are in the focus, more efforts would be put in by the employees. Organizations are co-operative social systems and not only rigid structures.
- However, if there is any misgiving about the management such as the more an employee works the more responsibility he is expected to take on, the workers tend to restrict their performance.
- The fulfillment of the psychological needs should be the main concern of the management.
- Informal work groups have a major influence on productivity than formal organizational groups alone.
- The nature of leadership should be democratic and should show care and concern for the needs and feelings of the employees.

Drawbacks of the human relations theory

- The human relations theorists believed that the elimination of any threat or fear would lead to better performances at the workplace. This opinion provided a new outlook as opposed to the traditional viewpoint, which stated that employees need strict supervision at work. However, this approach does not focus on positive motivation.
- This theory fails to stress on work. It primarily focusses on work relations and 'the informal group' at work. This theory emphasizes on the fact that employee behaviour and motivation are predominantly influenced by the relationships established at work and are not based on the nature of the work.
- This theory also fails to recognize the financial issues faced by an organization. Thereby, it does not hold much relevance in an actual organizational set-up. It talks about developing a sense of responsibility in employees but does not elaborate much on this area.

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- Unlike classical approach, Human Relations approach could not be evolved into a system. They only focus on the significance of interpersonal skills. The application of these skills in the organization remains unexplored. This aspect has not been delineated well by the human relations theorists.

1.6.1.6 Abraham Maslow's focus on human needs

Abraham H. Maslow (1943) propagated a theory that emphasized on the hierarchy of needs. According to Maslow, people were motivated by certain needs which were based on three assumptions. These are as follows:

(i) Human beings have needs that remain unfulfilled.

(ii) People by their activities aim to fulfill the needs.

(iii) The needs are categorized hierarchically in the following order:

- Physiological needs
- Safety or security needs
- Belongingness or social needs
- Esteem or status needs
- Self-actualization or self-fulfillment needs

On the basis of Maslow's theory, after a need at a particular level has been satisfied, it fails to motivate actions. The person aims to fulfill the next need in the hierarchy of needs. Managers who adopted Maslow's hierarchy of needs, tried to adapt their managerial skills in compliance with the needs of the employees. This theory has been explained in detail in unit 2.

1.6.1.7 Douglas McGregor's contribution

Douglas McGregor established two assumptions concerning human behaviour, which he termed as 'Theory X' and 'Theory Y.' He stated that these theories represent the two extreme sets of notions concerning workers. Theory X reflects a slightly pessimistic perspective of the employees. It supposes employees to be lethargic, unambitious and projects them as avoiding responsibility. They thus, are required to be supervised to increase work efficiency. Theory Y on the other hand is more positive and assumes employees to be original and innovative. They should be eager to take accountability, and implement self-control in order to take pleasure in working. They usually have higher-level needs which remain unsatisfied by the work.

Similar to Maslow's theory, McGregor's Theory X and Theory Y had an impact on a lot of managers. These theories aided managers in developing new techniques of handling workers. A detailed explanation of this theory has been provided in unit 2.

1.6.2 Systems Approach

The systems school emphasizes on viewing an organization as an open system that changes inputs into outputs. Based on the work of a biologist, Ludwig von

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Bartalanffy, the systems school was established with the aim of using a general systems model to bring together science. Major contributors of this school include Kenneth Boulding, Richard Johnson, Fremont Kast, and James Rosenzweig. The systems school had a major influence on management thought in the 1960s.

What is a system? Any system including organizations is composed of many interdependent subsystems. They all impact/influence each other. The system is separated by other system or the outside environment by a well-defined boundary, which gives it a name or identity. The systems school focusses on the organization as a whole, its interaction with the internal sub system as well as the environment in which it operates and its need to achieve equilibrium. It has a porous boundary therefore modern organizations are called open system. Strikes by employees impact consumers. Similarly, what happens outside an organization including social, political and economic changes also impact all organizations.

According to the systems approach, an organizational structure has four major components: inputs, transformation process, output and feedback. Inputs are needed to produce a product or services, such as capital, human resources, energy, materials, machinery and information. Transformation process refers to organizational capabilities to transform the inputs in a desired manner so that desired output is being produced like organizational control mechanisms. Output refers to goods and services of the organization. Feedback refers to information about the outcomes and the position of the organization relative to the environment it operates in.

1.6.2.1 Closed versus open system

The kind of organization conceived by classical theorists and human relations theorists is an example of a closed system. In both the approaches the emphasis was on the development of a robust internal system. In the classical approach, the emphasis was on the creation of a structure (based on scientific management, or bureaucracy), while the human relations theorists spoke about human issues and feelings, which however, could not be developed into a system. The two approaches failed to understand the importance of the environment in which organizations exist. Organizations cannot survive individually, no organization can ever be self-sufficient. As we understand, organizations need three things to survive— structure (classical approach), human resources (human relations approach) and an environment in which the transaction takes place. All organizations must be able to understand the importance of the environment in which it operates. If the boundary of system is porous then it will be influenced by external conditions on the basis of which necessary corrective changes can be made. Thus, organizations need to have an open system in order to survive and grow.

An open system involves the dynamic interaction of the system with its environment. These systems are open not only in relation to their environment but also in relation to themselves; the interactions between components affect the system as a whole. The open system adapts to its environment by changing the structure and processes of the internal components. It stresses on the fact that organizations are not autonomous. They depend on the conditions (constituting social, political, technological, and economic issues) for their survival. It is impossible for any organization to sustain government regulations, the legal system, external groups and other associated organizations. An organization is to be assessed on its capacity to get inputs, process these inputs, channel the outputs, and maintain stability and balance.

1.6.2.2 Characteristics of open systems

The chief characteristics of open systems are as follows:

- *Interaction with the environment:* Open systems as has already been explained, have permeable boundaries. Open system, like an organization is not a self- contained and self-sufficient entity.
- *Synergy:* An open system is not a mere collection of its main elements, for example, a successful business enterprise is more than the traditional resources such as land, capital, and labour. Synergistic thinking emphasizes that a firm's competitive edge lies in the factors of production and their are mobilization.
- *Dynamic equilibrium:* It is the process of maintaining the internal balance necessary for survival by importing the needed resources from the environment, for example, whenever an organization is in shortage of people, hiring can be done to ensure that it has a stable flow of workforce.
- *Equifinality:* It refers to the fact that the same results can be achieved by following means. It implies that the same level of output can be achieved by a variety of inputs and processed in different ways. This principle is in contrast to the classical approach which led us to believe that 'there is always a best way of doing anything.'
- *Negative entropy:* Entropy refers to the natural tendency of the system/ object to move from order to disorder. As organizations are a system, they follow a cycle of life and death or entropy. However, as organizations are a human creation, it is possible that the entropy can be arrested and transformed into negative entropy. We have many organizations which have become more mature, diversified and more growth-oriented as they grow old, for example, Tata, Reliance, IIMs, and IITs. As organizations become old, they become more diversified and growth-oriented. However, not all organizations are able to achieve this level and many meet their end.

1.6.2.3 Drawbacks of the systems approach

Although the tenets of system approach seem to be perfect, as we understand that organizations are complex entities, the approach too is complicated. However, theoretical underpinnings are very difficult to actually apply. It is difficult to start a diagnosis when something goes wrong with the system. Any intervention at any of the subsystem shall impact all the sub systems.

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1.6.3 Contingency Approach to Organizational Behaviour

The contingency school or situational approach emphasizes on the application of managerial principles and processes on specific organizational problems. This is based on special features that are relative to specific conditions. The primary concept behind this approach stresses on the fact that there is no one ideal managerial methodology. It rather proposes the theory that everything is based on different situations like external conditions, technological advancements, organizational characteristics and managerial skills. Contingency theorists argue against the classical school for the latter's focus on the generality of managerial principles. Nevertheless, a major segment of classical writers accepted the need to regard different facets of a situation when using management principles. Further, classical writers are critical of the human relations school of thought as it has also presented a very simplistic and universal notion of organizations.

The contingency school was established in the 1960s. Its application ranges across various areas including organizational design, job design, motivation, and leadership style. For example, on the basis of this theory optimal organizational structure relies on organizational size, technology, and environmental uncertainty. Similarly, optimal leadership style also relies on different elements, such as task structure, position power, features of the work group, features of individual subordinates and quality requirements. The primary contributors of this theory are as follows:

- Joan Woodward
- Paul Lawrence
- Jay Lorsch
- Fred Fiedler

1.6.4 Socio-Technical Approach

Tavistock Institute of Human Relations, London was the flag bearer of this movement. The aim of the Institute was to explore social and psychological consequences of technological changes in the British coal mining industry in 1940s. During that period the long wall method of cutting coal was introduced in Britain. It was a mechanized way to mine and transport coal to a central location for processing. The new technology changed the earlier practices of coal mining by small, autonomous, and friendly group of workers who used to mine primarily with their hands. The new jobs were more mechanized, specialized, and performed individually. The findings were surprising, it was expected that the new technology would increase performance but the new technology produced psychosomatic disorders to many of the workers that also impacted their performance negatively. The workers were dissatisfied and there was high rate of absenteeism. More over, there were many cases of conflicts among the workers that ultimately influenced performance.

When the causes of employee dissatisfaction were explored, it was found that workers felt the need for a friendly work environment that they used to enjoy earlier. This led to the following conclusions:

- Better technology without integrating it with the psycho-social requirements of workers will not yield better result.
- Technological advancements might result in conflict. When conflicts arise because of the technology, normal conflict management strategies will not be effective.

These revelations resulted in a new approach called the 'socio-technical approach' in which both technological requirements as well as the personal and social needs of the workers are integrated to yield best results. They devised a method where the various components of the job are integrated into a unified whole (opposite to work specialization emphasized in classical approach), which is assigned to a group of workers who take joint responsibility for accomplishing it. The group was conceptualized in a manner in which there shall be no hierarchy. The workers in such groups interchanged their roles and responsibilities, supervised themselves, made up for each other's deficiencies and worked with team spirit. A supervisor was needed, not for controlling and directing them, but only for representing the group to other groups and authorities. The results of these arrangements were very encouraging. Similar experiments were also carried out in Calico Mills, Ahmedabad, India. However, despite this initial success, the approach remained dormant till the mid-1980s. In 1985, the socio-technical approach was successfully implemented at the Volvo Automobiles plant.

Volvo experiment

The idea got rolling when the management was convinced that this was the best way to resolve conflict between employee values and technological advancement. Volvo introduced natural work modules, in which group members could inspect their own work. Each member of the group worked towards the same group goals, and were paid the same except the leader. After some initial smaller programs, an entire plant used the new approach. Soon after turnover and absenteeism were reduced, and workers reported improved quality of life. In terms of objective parameter, the plant which introduced socio-technical restructuring had the lowest assembly costs of all Volvo's facilities.

Current status

More recent approaches to the socio-technical approach involve the use of autonomous, self-managed teams. Similarly, the Japanese version of autonomous self managed team is called quality circles. Quality circles or self managed autonomous teams are being used in many companies like General Mills, FedEx, and Hewlett-Packard, etc. The most recent avatar of self-managed team is called 'High performance work practices/team' (HPWPs). The primary goal of HPWP is to achieve a fit among people, technology, information and work.

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CHECK YOUR PROGRESS

7. What is the Human Relations Movement?
8. List the various needs in Maslow's hierarchy of needs

1.7 ORGANIZATIONAL BEHAVIOUR MODEL RESPONSIVE TO INDIAN REALITIES

Like so many other disciplines, organizational behaviour too evolved largely in the US and then imported to India. The principles propounded in classical approach or human relations approach was presented in a way that appeared to be universal. Theories of motivation or leadership which evolved 1950s onwards also were imported to India. Maslow and Herzberg became quite popular in India and many researches were carried out to replicate these findings. Some got replicated, some could not. Mc Clelland was invited in 1960s by Indian corporate houses to enhance the achievement motivation of Indian workers. However, he was unsuccessful. He commented that the future of India is bleak as people have fatalist attitude and they are low on achievement motivation. Participative leadership style (outgrowth of human relations approach) was also experimented in India as the panacea of all the ills; however, it too failed to get desirable results.

All our experiences are rooted in the cultural milieu, and so are organizational experiences. The social and cultural milieu also results in distinctive mindsets of the people which shape and influence one's attitude and behaviour in all realms of life including work life. Recently, Sinha and Pandey (2007) identified four mind sets based on the views of 47 social scientists in 147 locations, which needs to be incorporated in cultural conceptualization of OB. They are as follows:

- Dependence prone: Individuals who are unsure of themselves, suffer from an inferiority complex, are submissive and docile to authority, elusive and indifferent to standards, norms and quality.
- Collectivists: Individuals who are generally collectivists, who are role bound in relationships, submissive and docile to authority, and are not elusive. They lack individualistic orientations, have a propensity to change with situations and have analytic skills.
- Materialists: Individuals who are selfish, oriented to acquire power and enjoy prestige, control others to get what they want, enterprising, change with situations, and lastly are individualists.
- Holistic: Individuals who have the capability of abstract thinking and have a preference for personalized relationships. They are emotional as well as analytical, spiritual in not being fascinated by material gains and are the ones who strive for excellence in whatever they do.

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Some more theories developed for Indian organizations are presented as follows:

According to S.K. Chakaborty (1987), '*nishkaam karm*' is one of the motivations prevalent among Indian people. It refers to work without any concern for the outcome. This concept is the primary constituent of Indian ideology of *Karma Yoga*, which is said to lead to the path to liberation. This concept has found an important place in management studies and aims towards promoting better business ethics. According to him, work is to purify one's mind (*chittashuddhi*) and to enlarge one's selfish self. *Nishkaam Karm* takes anxiety out of being too occupied with goal achievement, and thereby enables to focus on the process making efforts.

Theory of giving model of motivation

Unlike the Western notion of exchange principles, S.K. Chakarborty advocated the giving model of motivation. Especially in within in-group situations, 'giving' or '*daan*' creates a norm of sharing important resources with everyone without expecting returns. This gradually results in enrichment of social capital for both the donor and the receiver.

Stress management

S.B. Sharma uses the central tenets of yoga to manage stress and achieve high level of well-being. These tenets can go a long way in employee motivation and influencing organizational behaviour in a positive manner. These tenets occur in the following hierarchy:

1. Proper diet
2. Proper code of conduct
3. Yoga exercises
4. Pranayam
5. Mediation

Power strategies in India

The most frequently power strategies used by managers to influence their superiors are reasoning, persuasion and ingratiation. Ingratiation implies to flattery or praising a person.

Leadership

One leadership style which got substantial empirical support in the Indian context is called N-T (Nurturant–Task) style. It is a kind of leadership style in which the leader provides care and affection for the subordinate and provides all kinds of support; however, this is not unconditional. To get all these subordinates have to perform, i.e., the leader's nurturance is contingent on the performance of the tasks.

The diverse cultural milieu of India does make it challenging to produce a uniform model of organizational behaviour. However, various steps have been undertaken to understand the organizational mechanism in the Indian context. All these models provide a glimpse of some of the research traditions carried out in the field of operational behaviour in India.

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1.8 SUMMARY

- The history of organizational behaviour involves the formation of various social structures. This led to the establishment of important theories of organizational behaviour.
- The classical approach to organizational behaviour is based on the contributions of F.W. Taylor, Max Weber and Henri Fayol. They emphasized on the organizational structure and work methods to attain maximum efficiency.
- Taylor stressed on the scientific theory of management and introduced the concept of 'the best way of doing a task'. He also established the Time and Motion studies and important principles to determine optimum performance.
- Weber introduced the concept of 'bureaucracy referring to an organization that performed on the basis of rationality. Bureaucracy promoted the idea of structured, formalized and impersonal organizations.
- Fayol propagated the administrative theory of management stressing on the five functions of management. These include planning, organizing, commanding, coordinating and controlling.
- Organizational behaviour explores human behaviour in terms of employee attitudes and performance in the organizational setup. The main objectives of studying organizational behaviour include understanding, controlling and predicting employee behaviour at work.
- Organizational behaviour faces various challenges in the present context like globalization, cultural diversity and outsourcing. Various researches and experiments have been conducted to study organizational behaviour including the Hawthorne experiments and the relay room experiments. Elton Mayo established the Human Relations Movement on the basis of these researches. Further, Abraham Maslow and Douglas McGregor posed new theories to study employee behaviour.
- The systems approach, the contingency approach, the socio-technical approach are other important aspects of studying organizational behaviour.
- In the Indian context important contributions have been made by S.K. Chakraborty and S.B. Sharma to study organizational behaviour.

1.9 KEY TERMS

- **Organizational behaviour:** The study of human behaviour, their attitudes and performance in an organization

- **Bureaucracy:** A highly structured, formalized and impersonal organization
- ***Esprit de corps*:** Promoting employee morale and imbibing team spirit amongst employees for improvement in performance
- **Systems approach:** A managerial theory that emphasizes on viewing an organization as an open system that changes inputs into outputs
- **Contingency or situational approach:** A theory that emphasizes on the application of managerial principles and processes on specific organizational problems
- **Socio-technical approach:** A theory that explores the effect of social and psychological consequences of technological changes on organizational behaviour

1.10 ANSWERS TO 'CHECK YOUR PROGRESS'

1. There are three major contributors in the classical approach: F.W. Taylor, Max Weber and Henri Fayol.
2. Henri Taylor is known as the father of scientific management
3. The term 'bureaucracy' is derived from the German word '*buro*' which means 'office', referred to organization that operates on a rational and impersonal basis.
4. According to Henri Fayol the five functions of management are as follows:
   (i) Planning
   (ii) Organizing
   (iii) Commanding
   (iv) Coordinating
   (v) Controlling
5. Organizational behaviour is the study of human behaviour, their attitudes and performance in organization.
6. The three advantages of studying organizational behaviour are as follows:
   - It aids the management in achieving their tasks with effective techniques.
   - It stresses on the relationship between the organization and individual behaviour.
   - It aids in the development of work-related behaviour and job satisfaction.
7. Elton Mayo's contribution to the famous 'Hawthorne Studies' led to the establishment of a new school of thought on management called the Human Relations Movement. According to Mayo, in order to attain organizational objectives it is important to empathize with the emotional as well as the non-monetary requirements of the workers.

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8. The needs are categorized hierarchically in the following order:
   (i) Physiological needs
   (ii) Safety or security needs
   (iii) Belongingness or social needs
   (iv) Esteem or status needs
   (v) Self-actualization or self-fulfillment needs

1.11 QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are F.W. Taylor's principles of scientific management?
2. State the features of bureaucracy.
3. List Henri Fayol's 14 principles of management.
4. State the various perspectives for understanding organizational behaviour.
5. What are the characteristics of open systems?

Long-Answer Questions

1. Illustrate the origin of organizational behaviour.
2. Critically evaluate the scope and opportunities concerning organizational behaviour.
3. Explain the Hawthorne experiments.
4. Explain the contingency approach to organizational behaviour.
5. Discuss the theoretical models of organizational behaviour in India.

1.12 FURTHER READING

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UNIT 2 THE INDIVIDUAL

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Structure

2.0 INTRODUCTION

In this unit you will learn about the individual in an organization. You will understand the differences prevalent among individuals and the attributes responsible for the differences. Further, you will gain an insight into the role of personal values and beliefs in the organizational context. The sources, types and measurement of attitudes will also be highlighted. You will learn about the concept of motivation and the various theories of motivation.

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2.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Explain the importance and meaning of personality
- Understand the importance of personality testing at work
- Explain the meaning of attitudes, values and job satisfaction
- Analyse the importance of motivation and its various theories

2.2 PERSON IN THE ORGANIZATION

This section explores the various characteristics of a person in the organizational context. These include biological characteristics like personality and self-awareness.

2.2.1 Biographical Characteristics: Personality and Self-Awareness

The word 'personality', has been derived from the Latin word 'persona' which means a mask. During the ancient times the Greek theatre actors used masks to hide their identity on stage. Later the Romans used the word 'persona' to denote an appearance, which was contrary to the real appearance. Since then the word 'personality' has always been used by researchers in the formulation of techniques and theories related to personality.

When psychologists talk about personality, they refer to the qualities within a person and the characteristics of a person's behaviour. Among the various definitions given, the most famous definition was given by Gordon Allport who stated, 'Personality is the dynamic organization within the individual of those psychophysical systems that determine his unique adjustments to his environment'. In other words, we can define the term personality as the total functions of an individual who interacts with his environment. It is to be noted that no single definition of personality is acceptable to all psychologists. However, most agree that personality includes the behaviour patterns and psychological characteristics a person shows across situations.

Some other definitions of personality are as follows:

'Personality is self, organized, permanent, subjectively perceived entity, which is at the very heart of all our experiences.' —Carl Rogers.

'Personality is something which guides and directs all human activities.' —Gordon Allport.

'Personality is the outcome of a series of psychological crisis.' —Eric Erickson.

2.2.2 Measurement of Personality

Measurement of personality is significant in light of understanding the personality of a person. The purpose personality measurement is to understand a person in terms of traits. According to J.C. Nunnally, personality measurement aims at studying the following:

- **Social traits:** These determine how people interact with others in the society.
- **Motives:** These motives include the need to earn, achieve, affiliate, etc., which are non-biological. These are said to constitute the personality dynamics.
- **Personal conception:** This includes those methods which determine people's attitude toward the self and others like personal values and interests, etc.
- **Adjustment:** This includes traits like stability and freedom from emotional worries.

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There are three most common tools for the measurement of personality that are as follows:

(i) **Personality inventories and questionnaires:** These are self rating questionnaires where the individual describes his own feelings or reactions towards himself. These questionnaires include a printed form consisting of a set of statements or items which apply to human behaviour. People report about self in the items mentioned in the questionnaire. Therefore, this form of personality measurment is also known as self-report inventories. Some of the well-known personality tests include the Maudsley Personality Inventory (MPI) and the Minnesota Multiphasic Personality Inventory (MMPI).

(ii) **Observational method/situational test:** This method can be undertaken in two different ways, structured situation (where a situation is controlled) and unstructured situation (which is an uncontrolled situation). Persons whose personality traits are to be observed are put in either of the two situations, and a careful, impartial and accurate observation is made by the observers. The observation becomes the basis for assessing the personality traits.

(iii) **Projective techniques:** This technique is the most popular way of assessing the personality of the individual. It involves inkblots, ambiguous pictures and incomplete sentences. These methods reveal the central aspect of personality, which may not be revealed by the conscious mind of an individual. Here a person is asked to describe an unstructured stimulus or situation and through the responses, the person's needs, drives, motives, fears, etc., are revealed. Some of the well known projective tests include the Rorschach test and the Thematic Apperception Test (TAT).

2.2.3 Self-Awareness: Major Personality Attributes Affecting Organizational Behaviour

In an organizational setting the individual personality is important because it denotes the processes of an individual's mind and his behavioural and emotional adjustment in the organization. In the current context of globalization and changing work

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environment, it is essential to recruit employees who effectively adjust themselves to the organizational environment. This has emphasized the need for assessment of personality. Work related behaviour can result from both environmental as well individual factors. Environmental factors include attributes like interpersonal, group and social influences while individual factors include cognitive abilities, experiences, personality styles and motivation. In an organization, people have different personalities directed towards the productivity of the organization. Different personality attributes contribute to the function of the individual in the organization. A. Furnham has devised a research model to define this area and has given out five basic factors that may be related to the organizational behaviour. They are as follows:

- **Ability:** It refers to the capability in which a person can efficiently carry out tasks towards the achievement of goals. Ability is found to be dependent on personal competencies and skills acquired.
- **Demographic factors:** As the name suggests, this refers to the sex, age, class and education of individuals. Demographic factors include biographical factors in a person's life and his background particulars, such as family, education, occupation, etc.
- **Intelligence:** Intelligence is an individuals' capacity for critical thinking.
- **Motivation:** This is the drive that is the reason behind a person's actions and is aimed towards the achievement of a particular goal. Motivation is an important factor for the success of the organization. Thus, when a person has a willingness to achieve an aim there is high motivation and higher chances of success.
- **Personality:** This constitutes the overall characteristics/traits of a person, and is responsible for how a person behaves and responses to everyday situations.

The concept of emotional intelligence has received a great deal of attention from scholars and consultants over the years. Emotional intelligence is the ability of an individual to imagine oneself in another's situation. Also, there has been extensive research showing that intelligence, especially general intelligence is a good predictor of both job performance and work proficiency. An intelligence test is believed to be a good technique of selecting employees. Creativity is also another factor that interests psychologists. Psychology believes that creativity is a phenomena whose utilization can lead to a more effective and innovative way of work. Creativity and innovation are mostly used interchangeably, while creativity involves the production of new and useful ideas, and an ability to come up with new and different viewpoints on a subject. Innovation on the other hand is about production and implementation of useful ideas, such that a unique solution is provided to a problem. Like intelligence and emotional intelligence, creativity and innovation are also integrated parts of personality. At workplace innovative people are more creative in their general approach of life.

2.2.4 Six Approaches to Personality and Individual Differences at Work

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This approach highlights the various personality theories and their effect on individual behaviour.

1. **Classic personality theory:** This theory of personality deals with personality traits such as extraversion, Machiavellism and relates them to work related behaviour. The main idea behind this theory is to measure personality as the independent variable and understand its role in work related behaviour. Some of the dimensions of variables are as follows:
   - **Single or multiple traits:** A single trait measures one dimension at a time. Most personality theorists try to seek a single trait in order to measure personality. However, multiple traits are usually preferred over a single trait as they are a rich source of information because of which work psychologists usually prefer multiple tests.
   - **Cognitive or biological traits:** Some traits are conceived under cognitive terms, such as belief systems and denote the way people perceive the world and form their views. On the other hand, traits like extraversion are conceived in biological terms so that a person's behaviour is perceived to be formed out of genetic or physiological functions. Although both are desirable, researchers prefer the cognitive perspective as they believe that it can be changed and manipulated.
   - **Normal and abnormal traits:** There are some traits like depression and hypochondriasis which have been conceived in abnormal behaviour. They measure the abnormal aspect of behaviour, but in work psychology they are considered as normal because many working people do not exhibit these traits to any degree. In fact many personality tests of psychology were initially meant for the measurement of mental illness.
   - **Dynamic or stylistic traits:** These are differences between Freudian and neo-Freudian concepts about the personality development and that of stylistic traits. There are still no personality tests which are based on the Freudian concept that has been applied to the workplace.

   The limitation of this approach is that it has very little evidence about a systematic and concerted research effort and there is not much database to support this concept. Sometimes this concept has also been found to have poor ecological validity as it is mostly based on laboratory tests. Also, the selection of work-related behaviour is random and unorganized. This type of research is mainly based on the opinion of psychologists and not actual work behaviour.

2. **Classic occupational psychology/organizational behaviour:** This concept stresses on work related behaviour, which is conceived either at the individual, group or organizational level and examining its personality correlates. At the individual level variables like absenteeism or productivity,

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at the group level variables like team effort, productivity and overall achievement at the organizational level are used. The dimensions of this theory are as follows:

- **Self report versus behavioural data:** Variables can be measured in two ways. Firstly, through questionnaire ratings or interviews and secondly, by keeping track of absenteeism that portrays behaviour. Both these methods have limitations as they are both liable to errors. The self report questionnaire makes a person appear more variable and the behavioural data obtained makes people seem more consistent than they actually are.
- **Single versus aggregate measures:** Measurement of work related behaviour may be either done individually or by combining different tests and taking the average ratings. So in terms of reliability and representativeness of scores, the average rating is found to be more desirable than individual rating as it represents the organization as a whole.
- **Within versus between organizations:** Variables are available both within the organization as well as in the external environment. Variables can be examined either related to those within the organization and also between organizations. However, the it is easier to control variables within the organization.

In this approach, researchers are mainly interested in finding personality correlates with work in order to appraise or promote individuals at work settings. However, this concept has a few limitations. The choice of personality variables are arbitrary, also the statistical analysis that is used is simple and liable for errors like type II errors which can be prevented by the utilization of multivariate statistics instead of partial correlations. Further, the researchers usually ignore those variables which either directly or indirectly affect the dependent variables.

3. **Development of work-specific individual differences measure:** This approach is mainly aimed at measuring personality and predicting only work specific behaviour. The dimensions of this theory are as follows:
   - **Narrow versus broad:** Measurement can be either done specifically by measuring one variable like absenteeism or self esteem or we can elaborate the study by measuring the broader concept like organizational climate or job satisfaction. The specific approach is a more common one than the broader one.
   - **Single versus multiple traits:** Measures can be either multiple dimensional (assessing more than one behaviour) or unidimensional. However, it is found that most of the measures are unidimensional.
   - **Self report versus behaviour data:** Measurement of personality can be done through a self report by the individual. It can be done even by

biographical or physiological study or by measuring an individuals' reaction time.

- **Attitudinal versus attributional:** When we talk about attitude we refer to the beliefs that an individual has on a particular topic while attribution is about the way people view different causes of behaviour.

One of the drawbacks of this approach is that researchers do not examine the origins of the trait or dimensions being used and are unaware whether the dimensions being used are genetically linked or related to intelligence. Also, the measures have limited applicability except at the workplace settings, so it is difficult to generalize them in areas where there could be problems like reliability and validity.

4. **The concept of 'fit' and 'misfit' at work:** According to this concept some jobs are more suitable for some individual than others. Through study and research we can find the best fit. The dimensions of this theory are as follows:
   - **Whether the analysis is based more on jobs or individuals:** The matter of fit or misfit is mainly based on the personality or upon the individual differences.
   - **Impressionistic versus 'geometric':** Another crucial feature is whether the matter of fit or misfit is based on subjectivity or measurable.
   - **Similarity versus complementarity:** There has been research and also evidence that similarity brings attractiveness and attachment, while complementarity is about the attraction of similarity and also about attraction of opposite concepts. Due to lack of evidence about the complementarity, it remains uncertain.

   This study concerns only a limited number and type of people or jobs. Specificity is the primary requirement in order to have a perfect fit. The studies on fit or misfit are mainly correlational.

5. **Longitudinal studies of people in work:** Longitudinal studies have been considered to be essential in examining the development and effect of personality attributes and how they change in time. The concept of cause and effect can thoroughly examined through longitudinal studies. The dimensions of this theory are as follows:
   - **Short, medium and long time span:** The time span of longitudinal studies can range from a few hours to decades. Also, there may be issues like difficulty in remaining in touch with the subjects of the study.
   - **Within or between organizations:** Some organizations are found to be sponsoring studies to be conducted within them and such studies usually restrict the number of variables to be allowed.
   - **Retrospective versus prospective:** Research in longitudinal studies is sometimes conducted by comparing the old data with the current data. It is found that if the data is reasonable then the studies can be very

important. On the contrary, we can collect data and study it at a later date. This method is found to be more preferable as it allows the researcher to have control over the data.

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The main problem of longitudinal studies comes only when the collected data is weak and becomes irrelevant or that the resources become scarce. A common limitation of this approach is that one cannot keep track of the subjects for a considerable period of time. Also, the measurement which is chiefly dependent on the records of the organization is not very dependable.

6. **Biographical or case study research:** As the name suggests this approach studies in detail the life of a person in order to find out which factor in the person's biography predicts job success.
   - **Individuals versus groups:** In some research the focus of the study is confined to the individual of study whereas in others the study is based on individuals as well as close relatives.
   - **Monetary versus 'other' success criteria:** There is often a problem regarding what criteria of success or failure should a person be selected on. Generally, it is people with monetary or influential background who are usually selected.
   - **Impressionistic versus scholarly:** In studying the biographies of successful people we tend to look at popularity rather than readability. However, the most important factor remains the understandability of the content.

   This approach is popular and holds mass appeal. However, there is no valid reason for choosing only those individual who are popular and successful over others. Also, it is difficult to decide the success or failure of a group on the basis of individual characteristics. This approach is theoretical, without any hypotheses.

2.2.5 Personality Testing at Work

Initially, personality tests were not a popular selection tool. They were complex, expensive to train on and usually require a psychologist to administer and interpret the results. The increasing use of personality tests has reflected its importance in the selection of personnel. Today, the tests are getting simpler and less time-consuming as various modifications are being introduced. Personality tests are being used in recruitment, selection, performance appraisals and in promotion.

Advantages

The following are various advantages of personality tests:

- The numerical information obtained in tests is useful in the long run, which is more specific and easier to analyse and recollect.
- Since the records are maintained one can simply go back to the previous records and keep track of the personnel.

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- The results obtained from the tests provide specific results, which give a clearer picture.
- Personality tests are free from biasness to individuals as the ratings are based on self-assessment.
- Personality tests include all the important aspects of personality.
- Tests are scientifically based therefore much more reliable and valid.

Disadvantages

The following are the drawbacks of personality tests:

- Tests can be easily manipulated as people can portray themselves differently from their actual personality.
- Answers may differ across different situation and circumstances for variables like anxiety, boredom, etc., which are temporary in nature and therefore making the test unreliable.
- In order to administer personality tests the respondents have to be sufficiently literate.
- Interpretation of the results requires skills, insight and experience. All these factors are either unavailable or too expensive.
- Since tests have become widely known, people can purchase them and practice them in order to manipulate their scores and provide the desirable answers.

2.2.6 Trait Theories of Organizational Behaviour

Among the trait theories, the most comprehensive approach was provided by Hans Eysenck, which has given rise to some of the most well-known personality inventories, such as Maudsley Personality Inventory (MPI), Eysenck Personality Inventory (EPI) and the Eysenck Personality Questionnaire (EPQ). This theory has three major factors which relate to social behaviour, i.e., extraversion, neuroticism, and psychoticism. The theory has been applied to a wide range of activities like criminal tendencies, health, etc.

According to Eysenck there are three fundamental unrelated traits. These are neuroticism, extraversion and psychoticism. These traits are said to be biologically-based and are measurable. Neuroticism and extraversion are found to be biologically-based and inherited. The extraverted are found to be outgoing and are able to handle pressure at work and have good interpersonal skills. The neurotics on the other hand are found to be cautious in everything they do including decision-making. They are cautious about risks and are depressed and pessimistic.

Research has found significant differences among introverts and extroverts. These are as follows:

- In schools, introverts are better at advanced subjects

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- Students who withdrew from studies due to academic reasons are usually extroverts while introverts mostly withdraw due to psychiatric reasons.
- Extroverts prefer involvement in activities/interactions while the introverts mostly like confinement.
- Extroverts enjoy explicit and aggressive humours while introverts like the more intellectual form of jokes.
- Introverts are more cautious in social life and easily learn and pay attention to social prohibitions.
- Extroverts prefer an occupation that involves social contacts.

According to a study conducted by Eysenck, introverts are stable and a more successful in business. Various other studies have also found that extroverts are easily bored by monotonous tasks and usually perform poorly in them. In the presence of others, introverts are not found to be performing well while the extroverts performed well. Studies have also found that extroverts preferred those types of jobs, which require greater cognitive tasks, demands with rewards. Extroverts are less satisfied than introverts with clerical work.

2.2.7 Matching Personality and Job

One of the oldest notions in work psychology is that productivity and satisfaction are directly related to the degree of fitness between the characteristics of an individual and the job. A perfect match implies compatibility between the norms and values of the organization and the individual. In short, greater the match between individual needs and environmental factors, greater the degree of individual satisfaction and performance.

Extroverts having the need for arousal and stimulation will perform well in an open office with noises and movements but poorly in closely planned offices without any sensory stimulation. On the contrary, introverts will best perform under conditions of low arousal and lesser in an open office environment. Organizations that attract extroverts mainly increase productivity by establishing an open office environment, like advertising agencies. On the other hand, places that attract introverts are required to have offices with limited external stimulation in order to ensure that work is performed and executed productively. Research has shown that personality factors are important in influencing performance at work, taking into consideration the impact of environmental factors on work performance.

Type A and Type B

Type A kind of personality is found to be extremely competitive, high achieving, aggressive, impatient and restless. They are characterized by explosive speech patterns and appear to be under pressure. These type of individuals are often deeply involved and committed to their work.

The characteristics of Type A as given by M. Friedman and R.H. Rosenman are as follows:

- Always moving, walking, and eating rapidly
- Often attempting to do two or more things at the same time
- Almost always feeling vaguely guilty when attempting to relax or do nothing for even a few hours
- Lack interest in observing the surroundings
- Always busy and preoccupied with getting things worth having

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The characteristics of Type B personality as given by Friedman and Rosenman are as follows:

- Do not display urgency and impatience
- Do not feel the need to impress others with achievement or accomplishment unless the situation demands
- Focus on relaxation and fun
- Able to work without agitation and relax without guilt
- Free from all habits and traits shown by the Type A personality

Type A personalities as compared to the Type B believe themselves to be more ambitious, cold, complaining, cruel, dishonest, dominating, enthusiastic, jealous, impatient, selfish, etc. Type A may have lower self esteem and rate themselves more highly on negative traits and less on positive traits as compared to Type B. According to research, it was found that Type A tend to describe their jobs as requiring more responsibility, longer hours and heavier workloads than Type B. Also Type A behaviour patterns are associated with need for achievement, autonomy and power, as well as job commitment. Further, Type A is positively associated with productivity, and negatively with satisfaction.

2.2.8 Personality and Culture

Personality and culture studies, also called psychological anthropology is a branch of cultural anthropology that seeks to determine the range of personality types present in a given culture and where (from ideal to perverse), the culture places each type. The study applies the methods of psychology to the field of anthropology, including in-depth interviews, role playing, Rorschach tests, elaborate biographies, studies of family roles, and dream interpretation. The 'culture and personality approach' was founded by Edward Sapir, Ruth Benedict and Margaret Mead. This approach was influenced by Gestalt's psychology, and believed in configuration or cultural patterning. According to this approach that culture should be looked at in forms or patterns, rather than as individual elements or cultural traits.

The most appreciable beginning on the study on culture and personality was evident in the writings of Sigmund Freud (1856-1939). His major contribution in this context is the 'critical-periods hypothesis'. This is based on the assumption that infants learn at a stage or a specific time in their early life, things that they exhibited in their adult life. Freud identified five such stages: oral learning, anal learning, sexual learning, dependency learning, and aggression learning. Every stage is characterized by certain conflicts which the child must satisfactorily resolve in order to become a fully functional adult else the child may be fixated in that stage and later in life may even regress to the early phase.

2.2.9 Self-Esteem at Work

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In any situation, people with high self-esteem and self-confidence are relatively more successful than others. According to research it has been found that self-esteem has been highly responsible for the quality and quantity of output. Self-esteem plays a vital role in every event of an individual's life, both personally and professionally. According to a research, it was found that in the workplace each individual brings a different level of self-esteem which determines his/her behaviour and reactions to situations at work. Individually everyone desires success and contentment thus, all activities are focus on enhancing, preserving and restoring our self-esteem.

According to research conducted by J. Brockner, people with high self-esteem in comparison to those with low self-esteem portray the following characteristics:

- They work harder in response to negative feedback
- They hardly imitate the managerial style of their superiors
- They are also less likely to be affected by stressors, like role ambiguity or conflicts
- They are more likely to be productive in quality circles

In the work place people who are high in self-esteem believe that their career will satisfy their desires, and believe that they possess more abilities to succeed in comparison to those who lack self-esteem. This is because people think and act on the basis of self-esteem and the degree of ambition they possess depends on their self-esteem. Such people are more likely to be successful in life.

2.2.10 Personality Tests and Predicting Work Behaviour

Personality tests and various types of psychometric tests have become a popular form of assessing and identifying the right kind of individuals to be employed by organizations. They have largely aided human resource practitioners in the process of recruitment and selection until suitable candidates are recognized. Although personality tests have proved to be helpful, there exist various drawbacks and limitations that might influence and interfere in the process of assessment. There has been a lot of debate regarding the validity and use of personality tests in business. There is concern that people can manipulate answers in the assessment so it was suggested that it is important to minutely review the entire profile of the individual in question. Work related behaviour is dependent on an individual's personality as well as situational factors. Thus, even though data obtained in the personality tests are sufficient and proved to be true, it is insufficient to make a decision.

A. Furnham has given the following findings:

- Personality tests measure a single trait while it is in fact multi-dimensional
- The measure has poor reliabilities and is not a valid measure of what is being tested
- Systematic errors occur in self-report, such as attributional errors or dissimulators that make scores meaningless
- There is no reason to suppose that the traits selected are actually predictors of the occupational behaviour
- Behaviour in the workplace is dependent on factors other than one's personality, which are more powerful
- Personality is more of a mediator rather than a direct factor behind the work behaviour, and is dependent on factors, like social class, intelligence, etc.

According to J.N. Butcher, the validity of psychological assessment especially in the industrial setting is dependent on the following eight factors:

(i) Individuals may give invalid response due to fear that the responses could be used against one.

(ii) The use and assessment of the tests could be influenced or objected by the union or labour organizations.

(iii) Other than the tests the duration of one remaining in the position is more dependent on other factors, such as pay or working conditions.

(iv) The selected test should be one which measures all the attributes in question.

(v) Assessment questions might be inappropriate or unlawful.

(vi) Some of the evaluations might go against the individual's right to privacy.

(vii) The obtained results of the finding should be used appropriately.

(viii) Management might overate psychological technique and as a result acquire easy answers to complex or unanswerable questions.

CHECK YOUR PROGRESS

1. What is personality?
2. List the three most common tools for the measurement of personality.
3. What is emotional intelligence?
4. What is the classic personality theory?
5. List three advantages of personality tests.
6. State the characteristics of people with low self esteem as suggested by J. Brockner.

2.3 INDIVIDUAL AND ORGANIZATION

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Values can be defined as those things that are important to or valued by someone. That someone can be an individual or, collectively, an organization. Values are broad preferences concerning courses of action or outcomes. They represent basic convictions that 'a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence'.

2.3.1 Values

Values can be explained as, one's personal convictions about what one should strive for in life and how one should behave. Similarly, at the organizational level, organizational values comprise core values, which are principles that guide a company's actions and practices. One place where values are important is in relation to the vision of the organization. One of the imperatives for organizational vision is that it must be based on and consistent with the organization's core values. When values are shared by most members of an organization, they become very strong that help organizations in making important decisions, such as to enter into a difficult market segment (TATA Nano project may be one such example) and at lower level help organizations in assessing probable outcomes of contemplated actions, and choosing among various alternatives to a problem. For instance, the decision to remove someone from service or retain him/her could depend on the values of the organization, i.e., assertive or humane. Similarly, work values include the conceptions of an individual of a desirable work activity (finishing tasks in time, maintaining confidentiality, etc.), and the means to achieve it. If assertiveness is one of the core work values of the organization, then it must be shared by majority of organizational members, which is in fact a manifestation of the values of arrogance or humility. It refers to another aspect of the hierarchy of values. Various values are present within us in a hierarchy, it may be unique to each one of us depending on our past experiences. For a particular person, achievement, affiliation, assertiveness, honesty, modesty, etc., may be the prime values arranged in the hierarchy. Achievement being the most salient one, followed by affiliation; and modesty may be the least important value. For another person, the same values may be arranged in a different order. For example, honesty may be the most salient feature in some and achievement being the least important. Also, values have another aspect. A particular behaviour is the result of interplay of many values. A person who is working hard may reflect the interplay of at least two values: achievement and affiliation. Since, he/she is working with a group the value of achievement becomes more meaningful, in the context of group prestige.

Work values

Work values refer to the values attached to work. It indicates the centrality of work in comparison to other life roles such as family, community, religion, etc. Work value refers to the degree of general importance that working has in the life

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of an individual at a given point of time. J.B.P Sinha, the acclaimed Indian psychologist conceptualized work values as having cognitive, affective and action-orientation components. Cognitive aspects refer to job clarity, which implies the guidelines that are to be followed on a job. These also include desirable and undesirable work-related and people-related behaviour. Affective refers to the emotional aspects of work values, such as job satisfaction, which implies the degree to which employees are satisfied with the content and context of the work. Finally, action-orientation refers values of sincerity and hard work. Sinha identified twenty-one work values to be suited in the Indian context. .

2.3.1.1 Characteristics of values

The following are certain characteristics of values:

1. **Values contain a judgmental element:** This implies the ability to judge right or wrong. For example, honesty is a value. People who value honesty are very particular about it.
2. **Values are relatively stable and enduring:** Once acquired values remain with us for a lifetime. Values may change but not so easily. They are acquired over a span of many years through various socio–cultural experiences.
3. **Values are not fixed, but they change slowly:** A particular value may also reflect the time/historical context in which it manifests. Different times may require different sorts of values. The meaning and manifestation of honesty/dishonesty has changed over the years.
4. **Values contain 'content attributes' (mode of conduct) and 'intensity attributes':** The content attribute stresses on the significance of the mode of conduct or end state of existence. The intensity attribute specifies the importance of a value. When an individual's values are arranged in terms of their intensity they formulate a value system.

2.3.1.2 Sources of values

A significant portion of values is established during one's early years. When a child is born, he/she is value neutral. As he/she grows old, different experiences in the family, influence the development of values in the child. In short, the socialization process in the family largely influences the development of values. Achievement or honesty and their importance in guiding one's life are largely learned early in one's life.

The environment in which an individual is brought up also influences his/her value system. Values develop and manifest in a context and not in a vacuum. For example, liberalization/globalization of India also brought a particular kind of value with it. It led to the disintegration of the joint family structure, live-in relationships, short-term relationships, etc. These developments are quite recent and have occurred in the Indian society only in the past few years.

Certain values are developed over a span of time and are continuously reinforced. These values are learned and developed over a period of time therefore their intensity is governed by reinforcement and punishment. Corruption or unfair practices in India as we witness today, may be attributed to the fact that hardly anyone ever gets punished over a breach of a value.

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2.3.1.3 Importance of values

The following points sum up the importance of values:

- Values lay the foundation for the understanding of perception and motivation
- Values affect employees' perception and decision-making.
- Values influence attitude and behaviour
- Once a value is internalized, it becomes a standard/norm for selecting and guiding an action.
- Values provide the basis for judgement concerning the most important or most salient aspects of the organization. Earning profits at any cost or earning profits ethically in a socially responsible manner, is a difficult decision to make and values help organizations decide on such issues.
- Challenging and reestablishment of work value are the cornerstone of the current management revolution.

2.3.1.4 Types of values

An early classification of values was developed by G. Allport and his associates. They defined values in terms of six different categories that are as follows:

(i) Theoretical: These values focus on the discovery of truth through a critical and rational approach to a problem.

(ii) Economic: These values are utility-based and focus on practicality.

(iii) Aesthetic: These values focus on form and harmony and emphasize on the artistic aspects of life.

(iv) Social: These values constitute feelings, such as love and concern of others.

(v) Political: These values focus on power, position, influence, competition and winning.

(vi) Religious: These values emphasize on high ideals. The ultimate idea behind these values is to search the purpose of meaning of life on earth.

Another important classification of values was given by M. Rokeach. He distinguished between two sets of values. Instrumental values describe desirable beliefs about behaviour that is appropriate in order to reach set goals and ends, for example, ability to love, competence, self control, honesty, etc. On the other hand, terminal values describe desirable ends that are worth striving for. Examples include achievement, inner peace, prosperity, etc. These two values work in coherence to help individuals set goals for themselves and aspire to achieve them.

Another important classification of work-related values was given by G. Hofstede. Hofstede identified the following five values, which are important to understand the cultural difference among multinational organizations.

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1. **Power/distance (PD):** This refers to inequality or equality that exists and is accepted by the members of the society. A high PD score indicates that society accepts an unequal distribution of power and people understand 'their place' in the system. Low PD means that power is shared and well-dispersed. It also means that society members view themselves as equals. India is higher on the side of PD while Scandinavian countries, such as Denmark and Switzerland are towards the lower side of PD.
2. **Individualism (IDV):** This refers to the extent to which people are connected or disconnected with other people in the community. A high IDV score indicates a loose connection with people, i.e., individual-centric behaviour. In countries with a high IDV, such as, the US, people tend to be independent, aloof and lack family values. A society with a low IDV score, on the other hand, is one where people's dependent 'self' is very high. In such societies people mostly think in terms of 'we' and not 'I'.
3. **Masculinity (MAS):** This refers to the socially defined gender roles. We have some societies where gender roles (and associated behaviour) are still clearly demarcated. High MAS scores are found in countries where men are expected to be tough, assertive and strong. Professionally too, the boundaries between men and women are clearly demarcated. In a low MAS society, the roles are more or less equal. There are no professions which are strictly meant for a particular gender. Even in the family realm both men and women equally share the responsibility of managing household responsibilities.
4. **Uncertainty/Avoidance Index (UAI):** This refers to the degree of tolerance society has for risk-taking or uncertainty. Societies which are high on UAI encourage people to take risk and enter into those segments where there is low predictability as compared to societies which are low on UAI.
5. **Long-Term Orientation (LTO):** This refers to how much society values long standing as opposed to short-term traditions and values. This is the fifth dimension that was added by Hofstede in the 1990s. Asian countries possess high LTO in comparison to the West.

2.3.1.5 Indoctrination of values

B. Peterson defines indoctrination as the willful and intentional action of a person to get someone to accept their beliefs without question or without seeking the truth. Indoctrinators may provide reasons for their belief but they do this in such a way that encourages others to ignore opposing beliefs, i.e., people may not be able to engage in activities that will question the belief. Thus, values are deep-rooted in an organization's environment in various forms. This includes an organization's norms, culture, ethics and policy statements. Indoctrination of values may take place in the following manner.

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- **Organizational culture and work ethics:** According to Robbins and Judge, since all differences in culture are socially constructed; any organization or group has to continually evolve with the cultural environment around them while educating the people that will advance the organization/group culture.
- **Leader's role modeling:** Leaders are crucial for the indoctrination of values. Factors like personality, belief and attitude of leaders are very important in the organizational context. For employees, 'organization' as an entity is an abstract term, for them an 'organization' is best depicted through their agents or leaders. Values of honesty or fairness are in fact realized not only on a long-term basis, but in everyday activities, such as giving credit to juniors, actively involving employees in the decision-making process, etc.
- **Company's vision and mission:** Organizations set their values on the basis of a belief that their leaders will model these values and their employees will follow the value system and use the values towards the achievement of organizational objectives. In doing so, organizations must ensure that the values they select are truly the values that will be modelled in every circumstance. Any deviation from these values by the leadership can have serious short-term as well as long-term implications.
- **Mentoring and training programs:** Organizations have introduced various advancement programs, workshops, seminars, and training sessions to incorporate new ideas and new ways of thinking. These aim towards further strengthening the value system prevalent in the organization.
- **Socialization:** Socialization is an ongoing process that involves relating to others through a social environment where individuals learn to display rules, unspoken values, norms, informal and formal hierarchy, and the required skills to succeed through the organizational culture and circumstances. An organization has an elaborate mechanism to socialize new entrants into the organizational system, which begins with orientation, training, rituals, rewards and punishments, stories, etc. This is another means of imbibing values.
- **Value statements:** This refers to how values are actually shown/manifested in people's behaviour. The more visible they are, the easier it is for people to follow and understand. Several examples of these value statements are as follows:
    - o *Integrity:* We maintain credibility by ensuring that our actions always match our words. For example, if patient care is the core value of a hospital, then it must clearly reflect in the organization.
    - o *Respect:* The value of respect is significant in terms of ensuring the credibility of an organization. Respect is a primary value in terms of promoting loyalty and work satisfaction.
    - o *Accountability:* Employees should accept personal responsibility for efficient use of organizational resources and improvement of prevalent systems.

2.3.2 Attitudes

Attitude is the basic factor underlying behaviour. Attitudes strongly influence what we perceive, think, feel and finally act. It is important to understand the formation of attitudes and their relationship to behaviour.

Attitude implies the way we think, feel and act—how we react to the world around us. It determines the quality and effectiveness of all of our thinking, emotions and behaviour and, thereby, the positive or negative consequences of that behaviour.

It can also be defined as relatively lasting feelings, beliefs, and behaviour tendencies directed towards specific people, groups, ideas, issues, or objects.

Attitude consists of three components It should be:

(i) **Cognitive:** This includes beliefs about people, objects, etc., which is generally based on facts and figures. For example: Smoking cigarette leads to cancer.

(ii) **Affective:** This includes feelings and emotions about people or objects. For example: Feeling of guilt for smoking.

(iii) **Conation/Behavioural:** This includes predispositions to act. For example: Quitting smoking.

Figure 2.1 illustrates the three components of attitude.

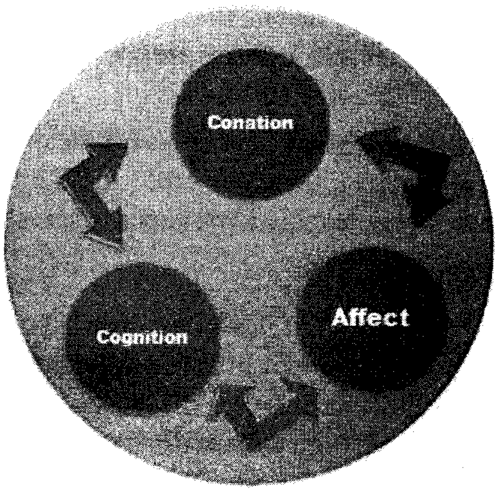

Fig. 2.1 Components of Attitude

Attitude is based upon our expectations and perceptions—our definition of reality.

Gordon Allport defined attitude as a mental or neutral state of readiness, organized through experience, exerting a directive or dynamic influence on an individual's response to all objects and situations to which it is related.

A. Eagly and S. Chaiken emphasize on the tripartite (multi component) classification of attitude. They define attitude as, 'tendencies to evaluate an entity with some degree of favor or disfavor, ordinarily expressed in cognitive, affective

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and behavioural responses and formed on the basis of cognitive, affective, and behavioural processes.'

2.3.2.1 Nature of attitude

The following are the primary features of attitudes:

- **Attitudes have structure:** Attitudes are not haphazard or random. They follow a structure or system in which the components are well-organized. They also tend be stable, have varying degrees of salience and can be generalized across similar situations/objects. For example, if a person is dislikes something his behaviour will remain the same across various situations. Thus, behaviour remains consistent across different situations and contexts.
- **Attitudes do not stand in isolation:** Attitudes are associated with each other to form a complex whole. This implies that a certain degree of consistency must exist between them. For example, if a person dislikes fast food then he may encourage others to follow the same. This implies that one negative attitude is like a web where so many related attitudes are tied together to make it a complete whole.
- **Attitudes tend to be general:** A person's attitude towards specific object/people/product tends to generalize towards a class of similar objects/people. Thus, a consumer who purchases a Porsche which develops mechanical difficulties may believe that all Porsches and Volkswagen products, and possibly all German made products are poorly constructed. Generalization simplifies the decision-making process.
- **Attitudes are learned:** We are not born with attitudes. They are learned over the years depending on our experiences with people, objects, etc. Learning and its principles play an integral role in shaping our attitudes.

2.3.2.2 Sources of attitude

Attitude is an important factor which affects human behaviour. It is a tendency to feel and behave in a particular way towards some objects/person. Individuals acquire attitudes from different sources. The most important sources of attitudes constitute direct experiences with the social and cultural environment.

Attitudes are learned, as human beings we learn various other responses. At any given moment an attitude may be inactive, but when the appropriate circumstances arise, attitudes make individuals react in a favourable, unfavourable or indifferent manner. For example, a worker who has experienced considerable frustration in a company gradually develops an attitude of dislike towards the company.

Research has indicated there are several ways in which we acquire attitudes. They are as follows:

- One of our earliest agents of attitude formation are parents, later followed by peers and the media.

- Attitude formation takes place as a function of following processes:
  - o **Classical conditioning:** This involves developing a particular kind of attitude because of the simultaneous occurrence of two things/events, etc., certain events and temporal proximity. For example, if a person misses a train whenever he/she takes tea at a particular shop on the railway station it might result in the development of a negative attitude towards the tea shop.
  - o **Operant conditioning:** This implies development of a particular kind of attitude or extinction of a particular kind of attitude as a result of reinforcement or punishment. If having a positive attitude towards the leaders in the organization is constantly being rewarded, then it might strengthen the attitude. On the other hand, culture or beliefs are not rewarded or punished, and might result in development of a negative attitude.
  - o **Observational learning:** This involves learning attitude through peer behaviour, role models and media. For example, if your peers are have negative attitude towards a particular teacher or a restaurant then it is very natural for you to follow the same. The media plays an important role in shaping individual opinions and perceptions. For example, media portrayal of instances like the Jessica Lal murder case has played an important role in shaping the attitudes and opinions of a large section of society.

2.3.2.3 Types of attitudes

The following are certain important job-related attitudes:

- **Job satisfaction:** This involves a collection of positive and/ or negative feelings that an individual possesses towards his or her job.
- **Organizational commitment:** This is the degree to which an employee identifies with a particular organization and its goal, and wishes to maintain membership in the organization.
- **Job involvement:** This is the degree to which a person identifies with his or her job, actively participates in it, and relates his or her performance to self-worth.
- **Perceived organizational support (POS):** This is the degree to which employees feel the organization cares about their well-being.
- **Employee engagement:** This implies an individual's involvement, satisfaction, and enthusiasm for the organization.

2.3.2.4 Measuring attitude

Attitudes can be measured directly or indirectly as follows:

- **Direct measures:** Organizations have already developed attitude scales to measure every aspect of individual personality. To measure employee

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attitudes organizations have developed self report measures to gauge levels of job satisfaction, organizational commitment, job involvement, organizational justice, etc.

- **Indirect measures:** These measures are used to gauge disguised, non-reactive and physiological aspects of attitudes. They include:
  - o *Feedback:* This involves obtaining information about individuals or collective performance.
  - o *Use of scales and inventory:* This involves psychometric testing and observational behaviour.
- **Attitude function:** Attitudes can be measured by knowing the attitude function. These include:
  - o *Knowledge function-* This implies the need to maintain a stable, organized and meaningful structure to avoid chaos. Attitude provides the standards or frame of references by which an individual judges objectives or events.
  - o *Expressive functions-* This involves adopting and internalizing the values of a group. Attitudes can also be measured on the dimension of value expression, adjustment to work environment and value expression.

2.3.2.5 Difficulties in measuring attitude

The following are the difficulties in measuring attitude:

- **Social desirability:** This refers to errors in assessing attitudes because participants respond in a socially desirable manner. For example, in response to a question on job satisfaction, the participants may answer on the basis of external factors.
- **Operationalization:** In social science research, the construct/concept must be defined in a concrete manner, only then is it possible to measure it. For example, we have various theories on job satisfaction, all tapping different aspects of job satisfaction. The problem arises in determining the correct theory in terms of the organizational context.

2.3.2.6 Importance of attitude measurements

Attitude measurements help in understanding and predicting behaviour. For example, an exit interview (the interview which is conducted when the employee leaves the organization) can be conducted to know the real attitude of an employee towards various aspects of the job. Attitude measurements may be used for making correct interventions in the organization.

Further, attitude measurements help to change attitudes by changing the conditions leading to the same. As we are aware that all attitudes are learned, negative attitudes can be changed by creating positive and healthy work conditions.

2.3.2.7 Changing attitude

Employee attitude particularly when unfavourable need to be changed so that it serves best in the interest of the organization. Changing attitude is a difficult task as it is generally reinforced because of the following:

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- **Escalation of commitment:** This implies a prior commitment to a cause and unwillingness to change. The idea behind this concept is that once a person has already invested so much in a cause he may be unwilling to change.
- **Cognitive dissonance:** This is a state of inconsistency/incongruence between individuals and various attitudes or beliefs and behaviour. For example, a person may like a person for particular qualities but simultaneously he may dislike the same person for certain negative qualities. The discomfort experienced by people feeling cognitive dissonance may result in efforts on the part of the individual to reduce tension by changing attitude or behaviour and rationalizing dissonance.

Skills involved in changing attitudes

Despite the difficulties involved in changing attitudes, attitude change is possible. There are two aspects related to attitude change:

(1) The first pertains to the abilities/skills of the communicators. The most important quality required to bring about change in attitude is credibility. According to research, attitude change is directly related to the credibility of the source. The more the person appears to be credible/ trustworthy, the more chances he/she has to bring about attitude change. A person with expertise and knowledge of the subject appears very credible. For example, a doctor's advice is taken seriously by everybody as he reflects expertise, which ensures credibility. Conversely, as credibility decreases, the chances of attitudinal change lessen.

(2) The second skill pertains to the message to be communicated. This includes factors like the clarity of the message and the channel of communication used by the communicator. For example, if the message is not communicated in a proper/clear manner, the listeners/target audience might misinterpret the communicated message. Also, the level of attitude discrepancy is another important factor that affects change. If the discrepancy is not too great, then the chances of attitude change is more and vice-versa.

2.3.3 Job Satisfaction

Out of various work related attitudes mentioned above, job satisfaction is one of the most important. It is a pleasurable emotional state resulting from the appraisal of one's job—an affective reaction to one's job and an attitude towards one's job. There are many definitions of the concept.

- Smith *et al.* defined job satisfaction as the feeling an individual has about his or her job.

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- According to E.A. Locke, job satisfaction is a positive or pleasurable reaction resulting from the appraisal of one's job, job achievement, or job experiences.
- V.H. Vroom defined job satisfaction as workers' emotional orientation toward their current job roles.

Therefore, we can say that job satisfaction is an individual's affective reaction, usually positive, towards the content of the job and also the context in which the job is being done. There are various job components/facets that have direct bearing on job satisfaction. These facets/components include pay, promotion, benefits, supervisors, co-workers, work conditions, communication, safety, productivity, and the work itself. The influence of each of these might be different for different people. For some, pay is the most important influencer but for others working conditions or relations with co-works might be more important in influencing job satisfaction. However, these factors may not be so important for many of us, who are usually, satisfied with the job in a very general/global way. This highlights the two ways in which job satisfaction is being conceived, i.e., the facet approach and the global approach. The facet approach emphasizes on the various aspects of job, i.e., salary, working conditions, company policies, etc., in order to define and assess job satisfaction. The latter approach does not focus on the facets but the overall position towards the job. Both approaches must be seen as complementing each other, in order to get a complete picture on job satisfaction.

2.3.3.1 Theories of job satisfaction

The following are various theories of job satisfaction:

- **Content model:** The main proponents of this theory are A. Maslow and F. Herzberg. According to this approach job satisfaction occurs if the growth needs or need for self- actualization is fulfilled while performing on the job. It also indicates that if the job provides 'motivators' then the chances of getting satisfied is more than otherwise.
- **Process model:** This theory was popularized by J.S. Adams and V.H. Vroom. Process approach explains job satisfaction in terms of expectancies and values. It also indicates that job satisfaction is the extent to which people feel that they are treated fairly in the organization. In some cases, this comparison is not confined to the organization but transcends the organizational boundaries. Vroom stated that workers will put in more effort and perform better at work, if they are treated fairly.

2.3.3.2 Impact of job satisfaction

Job satisfaction affects different aspects of organizational behaviour:

- **Job satisfaction and performance:** The relationship between job satisfaction and performance is very controversial. Some researchers think that it is just a myth. However, recent studies conducted by Robbins, Judge and Sanghi have suggested that the relationship between the two concepts is very strong. Happy workers are more productive and beneficial in the organizational context.

- **Job satisfaction and turnover:** Satisfied workers are less likely to leave the organization as compared to dissatisfied workers. However, this relationship is mediated by labour market conditions, and the possibility of alternative job opportunities. A similar relationship (but in less intensity) is also reported between job satisfaction and absenteeism.
- **Job satisfaction and other work-related attitudes:** As expected, job satisfaction is positively related to organizational commitment and organizational behaviour.

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So far we have discussed job satisfaction and its relationship with other variables. Research suggests that unhappy/dissatisfied employees display the following behaviour:

- *Exit:* Unhappy employees leave the organization. Sometimes with proper alternatives in hand or even without that, depending on the intensity of dissatisfaction.
- *Loyalty:* Passively but in an optimistic manner waiting things to improve in the organization.
- *Neglect:* It refers to passively allowing things to worsen, including chronic absenteeism, lateness, reduced effort etc.
- *Retaliatory behaviour:* In some extreme cases, employees may sabotage and harm the organization.

CHECK YOUR PROGRESS

7. What are values?
8. Define indoctrination.
9. List the three components of attitude.
10. What is operant conditioning?

2.4 INDIVIDUAL IN THE ORGANIZATION

There are various factors that influence an individual in the organization. These include motivation and various theories of motivation as well as employee involvement programs. Motivation has an essence of related concepts in various disciplines; a person may be intrinsically driven to work hard or not to work at all. Motivation is operationally defined as the inner force that drives individuals to accomplish personal and organizational goals.

2.4.1 Motivation

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The concept of 'motivation' is derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions in order to accomplish goals. Stimulating people's behaviour involves psychological factors, like success, recognition, job satisfaction, team work, desire for money, etc.

The process of motivation consists of the following stages:

1. A felt need
2. It creates a drive
3. A goal-directed activity to complete the need
4. Achievement of goals
5. Satisfaction as the nee is fulfilled

Figure 2.2 presents a graphical representation of the process of motivation.

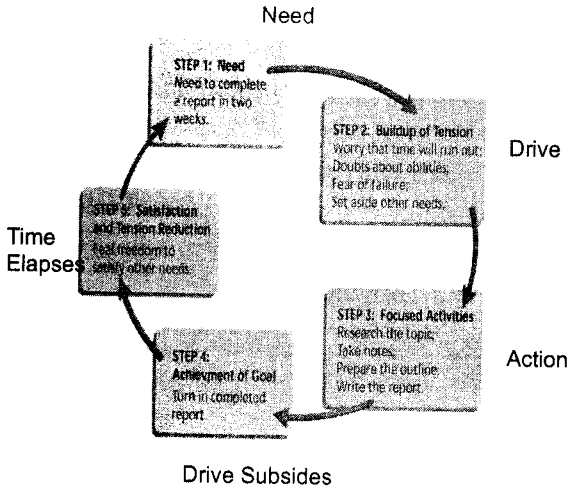

***Fig. 2.2** Process of Motivation*

All our activities are rooted in the motivational process. The concept of motivation has implications for both the individual and the organization. Some of the key features of motivation on the basis of the individual and the organization are as follows:

Individual	Organization
1. Motivation will help an individual achieve his/her personal goals. 2. If an individual is motivated, he/she will also possess job satisfaction. 3. Motivation will help in the self development of individual.	1. The more motivated the employees are, the more empowered the team is. 2. The more is the team work and individual employee contribution, more profitable and successful is the business. 3. Motivation will lead to an optimistic and challenging attitude at work place.

2.4.2 Early Theories of Motivation

Motivation is the root of all our activities, so it is not surprising that over the years many efforts have been made by researchers to explore this concept. The early theories of motivation constitute three major theories that are as follows:

(i) Maslow's hierarchy of needs theory

(ii) Herzberg Two factor theory

(iii) Theory X and Theory Y

These three are early theories and still hold relevance in contemporary organizations. In fact, many managers still think and act in accordance with these models. Furthermore, many later theories developed on these frameworks. A description of these theories is provided as follows:

2.4.2.1 Maslow's Hierarchy of Needs Theory

This is one of the oldest theories of work motivation. Maslow's theory is based on the assumption that people have universal needs and at one point of time only one need remains active. The theory also assumes that once a need is satisfied substantially, it will cease to motivate people; therefore the next higher level of need must be activated. The five needs are as follows:

1. **Physiological needs:** These are the most basic needs which we need for survival. These comprise of the need for food, water, rest, etc.
2. **Safety needs:** These refer to the need for security and protection from physical and emotional harm.
3. **Social needs:** Social needs include the need for love, affection, care, belongingness, and friendship.
4. **Esteem needs:** Esteem needs are of two types, i.e., internal esteem needs (self-respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).
5. **Self-actualization need:** This refers to the urge to become what one is capable of becoming on the basis of individual potential. This includes the need for growth and self-contentment. This need is the culmination of all needs and one can never reach this level unless all the four needs are substantially met. Therefore, this need is rarely achieved by most people.

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Figure 2.3 illustrates Maslow's hierarchy of needs.

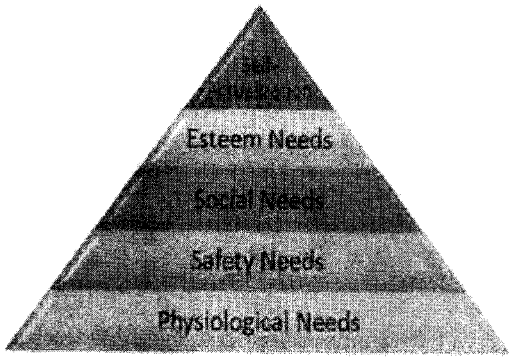

***Fig 2.3** Maslow's Hierarchy of Needs*

The shape of the triangle conveys that majority of people in any organization or society struggle to satisfy the basic physiological needs, therefore the base is broad. Also, few are able to reach the self actualization level.

Maslow separated the five needs into higher-order needs and lower-order needs. The physiological and the safety needs constitute the lower-order needs. These lower-order needs are mainly satisfied externally. The social, esteem, and self-actualization needs constitute the higher-order needs. These higher-order needs are generally satisfied internally, i.e., within an individual.

Implications of Maslow's Hierarchy of Needs

Employees are motivated by variety of needs. The task of the managers is to determine the levels at which the employees are working and design motivational strategies to motivate them.

Different needs require different strategies, such as for employees who are at the first level, salary and perks must be given in a manner that employees should be able to satisfy them. On the other hand, for employees who are at the final level of the needs hierarchy, i.e., self actualization, growth opportunities should be provided by the organization.

Limitations of Maslow's theory

The following are the limitations of Maslow's theory:

- The assumption that people have five universal needs is not scientifically proven. In 1969, Clayton Alderfer revised Maslow's Hierarchy of Needs and established the **ERG Theory** (Existence, Relatedness, and Growth). It was established to support Maslow's motivation theory with empirical research.
- The theory has intuitive appeal but not much empirical support.
- The assumption that particular needs must be satisfied substantially only then a person will move to next level of the hierarchy is not always true.

Many times lower order needs are not substantially satisfied but we strive for higher order needs.

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2.4.2.2 Herzberg Two-Factor Theory of Motivation

F. Herzberg and his associates developed the two-factor theory in the late 1950s and the early 1960s. As part of a study of job satisfaction, Herzberg and his colleagues conducted in-depth interviews with over 200 engineers and accountants in Pittsburgh, USA. The researchers felt that a person's relation to his work is a basic one and that his attitude towards wrok would determine his organization related behaviour. The respondents were required to describe in detail the type of environment in which they felt exceptionally good or bad about their jobs. It seems natural to believe that people who are generally satisfied with their jobs are more dedicated to their work and perform better. He adopted the Critical Incident technique (CIT) and asked each respondent two basic questions pertaining to their job:

1. What is it about your job that you like?
2. What is it about your job that you dislike?

The results were fairly consistent and two patterns were found. It was found that the respondents associated whatever good feelings they had about their job to the job contents, i.e., factors which were intrinsic to the job, i.e., the job itself. On the other hand, respondents associated whatever negative feelings they had about their jobs to extrinsic/context factors. The first set of factors was categorized as motivators and the second set of factors was termed as hygiene factors.

(i) **Motivational factors:** These factors are related to the nature of work (job content) and are intrinsic to the job itself. These factors have a positive influence on morale, satisfaction, efficiency and higher productivity. The second set of factors which were responsible for developing positive feeling or satisfaction is called motivators. These factors are inherent to work. These factors are also called satisfiers. Employees find these factors intrinsically rewarding as well. Motivational factors include the following:

- Recognition
- Sense of achievement
- Growth and promotional opportunities
- Responsibility
- Nature of the work

(ii) **Hygiene factors:** These are extrinsic factors which are responsible for preventing dissatisfaction, however, in themselves they could not produce satisfaction. At a theoretical level, the elimination of dissatisfaction does not mean satisfaction and these factors simply maintain a 'zero level of motivation.' Hygiene factors include the following:

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- Pay
- Company policies and administrative policies
- Fringe benefits and physical working conditions
- Interpersonal relations
- Job security

Implications for practicing managers

It was Herzberg who for the first time introduced the idea that work content or work itself is very important for motivation or satisfaction of employees. Before Herzberg, managers only focussed on hygiene factors to motivate employees. The idea being that the best way to motivate employees is to give them good pay and job security. However, as it is clear from the above discussion that these fall under hygiene factors, therefore they could not motivate employees in many areas. The answer lies in the concept of motivators, which many organizations successfully incorporated in the past and even today to motivate employees.

Limitations of the two-factor theory

Like all theories Herzberg's theory is not free from limitations. The following are the limitations of the approach:

(i) There is nothing new in this theory as it is a normal human tendency to associate success to one self and failure to contextual factors

(ii) Not all of us are motivated by motivators, Herzberg neglected this aspect of human life

(iii) This theory was based on a specific sample of people and could not be replicated.

2.4.2.3 Theory X and Theory Y

Douglas McGregor proposed theory X and theory Y as two contrasting models based on different assumptions about human beings, which could be used for motivating, guiding and controlling behaviour.

Assumptions of Theory X

- A normal human being does not like work and therefore would like to avoid it as much as possible.
- Since employees do not want to work, he/she must be persuaded, compelled, or forced to work.
- Punishment or fear of punishment is the only way to motivate people to work.
- A close supervision is required on part of managers to ensure that employees are working; hence a short span of control is needed.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.
- Employees generally dislike responsibilities.
- Employees resist change.

Assumptions of Theory Y

- A normal human being likes work and wants to grow in his/her role. As employees are self motivated, they do not need to be motivated. Instead a good and enabling culture is needed so that they can work easily.
- No close supervision is required; therefore a broad span of control is perfect for employees.
- If employees are not performing well, then there is something wrong with the culture of the organization, which needs to be corrected or improved.
- An average employee can learn to admit and recognize responsibility. In fact, he/she can even learn to take responsibility.

In short it can be said that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the same. In terms of Maslow's approach, we can say that Theory X is reflects physiological and safety needs; while Theory Y is more close to social needs, esteem needs and self-actualization needs of employees.

McGregor always advocated for Theory Y than Theory X to achieve both satisfaction and performance of employees.

Implication and criticism of Theory X and Theory Y

Mc Gregor advocated for Theory Y as the panacea of all problems. Many organizations and practicing managers use principles of Theory Y more than Theory X to motivate and control employees in organizations. However, we must understand that the choice between Theory X and Theory Y must be based on the cultural context of the organizations. Moreover, situational factors, types of employees, types of organizations, etc., are important considerations that should be kept in mind before choosing a particular motivational model.

The three theories discussed in this section come under the category of early theories of motivation. In recent times, many theoretical models have been presented to explain work motivation

2.4.3 Contemporary Theories of Motivation

The following are the contemporary/modern theories of motivation:

1. ERG theory
2. McClelland's theory of needs
3. Goal setting theory
4. Reinforcement theory
5. Equity theory of motivation
6. Expectancy theory of motivation

However, a detailed discussion of these theories is beyond the scope of this unit. We shall only be focussing on some of more important ones in the following section.

2.4.3.1 Equity theory of motivation

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Organizations are in some ways social units, where people tend to compare with some relevant others (known as referents in this model) in terms of what they have given (inputs) and what they got in return (output) from organizations. Inputs can include knowledge, experience, efforts, etc., which we give to the organization while output include pay, perks, recognition, promotion, demotion, etc., which we receive from the organization in exchange of our inputs. The core of the equity theory is the principle of balance or equity of inputs and outputs. The higher is an individual's perception of fairness of outputs and inputs ratio, greater is the motivation level and vice versa.

The following are certain choices that employees may make to reduce inequity:

- Change in input: This may include putting less effort.
- Change in outcome: Employees may produce output of lesser quality.
- Change in self-perception: Employees may change the level of comparison with other employees. Employees may believe either that other people get better outcomes because they work harder at it or because they belong to a different category with which the comparison is not valid or justified.
- Quit the job: Employees who feel that they have been inequitably treated at a particular job may find another job.

The under equity/negative tension state is well supported by researches. However, the same cannot be said for over rewarded inequity. Employees may complain on many occasions due to negative equity, however, they use various forms of defense mechanism to justify over rewarded equity.

Referents

A 'referent' is a person with whom an employee compares his/her input. According to Robbins, Judge and Sanghi there are four types of referents:

(i) **Self-inside:** This refers to an employee's experience in a different position inside his/her presents organization.

(ii) **Self-outside:** This refers to an employee's experience in a situation outside the present organization.

(iii) **Other-inside:** This refers to another employee or group of employees inside the employee's present organization.

(iv) **Other-outside:** This refers to another employee or employees outside the employee's present organization.

An employee might compare himself/herself with colleagues and peers in the current organization or with peers working in some other organization. An employee's choice of referent will be influenced by the appeal of the referent and the employee's knowledge about the referent. The choice of referent is moderated by gender, length of tenure, level in the organization, and amount of education or professionalism. It is unlikely that men compare themselves with women or a junior level manager may compare himself/herself with the CEO of the company.

Assumptions of the equity theory

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The theory demonstrates that individuals are not only concerned with their own inputs and outputs but also with the performance of referents in terms of their inputs and outputs.

Problems arise when there is discrepancy in the salary of employees. Therefore, equity and fairness has to be ensured.

Employees decide what their equitable return should be after comparing their inputs and outcomes with those of their colleagues/referents in the future. Therefore, the amount of efforts required by the focal person in the future depends on whether there was equity during the last quarter/cycle.

Employees who perceive themselves as being in an inequitable scenario will attempt to reduce the inequity either by distorting inputs and/or outcomes psychologically, by directly altering inputs and/or outputs, or by quitting the organization.

Implications and limitations of the equity theory

Perception of equity/inequity is more important than its actual presence. Therefore, managers must ensure that there is perceived equity in the organization and in case there is inequity present in the organization it is perceived to be removed by the employees. Furthermore, perception of equity shall not only be limited to the salary but also to all kinds of rewards and recognition.

To work on perception of equity is not an easy task. In this model, all propositions/assumptions are subjective in nature; therefore the conclusions drawn are difficult to actually apply in practice.

2.4.3.2 Reinforcement theory

Reinforcement theory, which was originally developed as a theory of learning was proposed by B.F. Skinner and his associates. This theory is based on the underlying concept that behaviour in itself is as important as what follows behaviour. If behaviour is followed by rewards/something which the individual likes, then it is more likely to be repeated in the future. On the other hand, if behaviour is followed by negative consequences/something which the individual does not like, its chances of being repeated are less. This theory is widely used in training programs, in hospitals or even schools in order to develop the desired behavioural patterns through appropriate use of rewards (reinforcement) and punishment. The theory focusses on designing the work context in a manner that rewards the desired behaviour and punish/not reward unwanted behaviour in order to ensure that the desired behaviour is repeated while the undesired behaviour is eliminated with the appropriate use of rewards and punishment.

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The theory is a strong tool for the development and control of desired behaviour. Its application in the organizational context is known as Organizational Behaviour Modification (OB-Mod), which is discussed later in the unit. A drawback of this approach is that it focusses solely on the external environment to instill or control behaviour without stressing on any internal mechanism. As already discussed, the equity theory stresses on the perception or how things are being interpreted rather than the actual event. This is completely ignored in the reinforcement theory. For example, introduction of modern technology can be either accepted or resisted by employees, which will depend on their perception or interpretation of technology. As the reinforcement theory primarily stresses on rewards (reinforcement) and punishment as a means to motivate and control behaviour, there are many variants of reinforcement. These are as follows:

1. **Positive reinforcement-** This implies giving a positive reward when an individual shows positive behaviour. For example, praising an employee for coming early. This will increase probability of coming early/punctuality in the organization. Any event/reward which increases the likelihood of the behaviour again in the future is called positive reinforcement. Therefore, positive reinforcement must be chosen with great care because things which are liked by people act as positive reinforcement. For example, if an employee knows that his incentives depend on his performance then he is bound to work hard.
2. **Negative reinforcement-** This implies rewarding an employee by removing negative/ undesirable consequences. Removal of undesirable events or consequences as a result of certain behavioural patterns can act as a good motivator. Both positive and negative reinforcement can be used for ensuring the desirable / required behaviour.
3. **Punishment-** Punishment involves imposing something negative or unpleasant as a result of undesirable behaviour. For instance, suspension of an employee for deviating from the organizational policies.
4. **Extinction-** This implies absence of reinforcements. In other words, extinction implies lowering the probability of undesired behaviour by removing reward for that kind of behaviour. For instance, if an employee no longer receives praise and admiration for his good work, he may feel that his behaviour is generating positive consequences. Extinction may unintentionally lower desirable behaviour.

Implications and limitations of reinforcement theory

Reinforcement theory, primarily involves shaping and developing desirable behaviour, while removing undesirable behaviour in the organization with the appropriate use of reinforcement, punishment and extinction. The theory implies that people are aware that they will be rewarded or punished for their behaviour on the basis of the organizational policies. However, organizations should ensure that there is no ambiguity or lack of transparency in punishments and rewards for a particular behaviour.

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Reinforcement theory is a very simplistic presentation of a very complex environment, known as the organization. By completely focussing on external conditions (reinforcement, punishment, and extinction) theorists have neglected the intricacies of the human mind. We are not externally governed all the time, extrinsic aspect of motivation (Herzberg's motivators) is important on many occasions. Moreover, it is not possible to devise a very articulated system of reward and punishment especially in contemporary organizations which are diverse, global, and in some cases boundary less.

2.4.3.3 Expectancy theory

The expectancy theory was proposed by V.H. Vroom. It has its roots in the cognitive aspects of Psychology. Also, some of its assumptions have been taken from the classical economic theory. The theory focusses on cognitive forces, i.e., what is perceived, inferred is more important than what is actual. The expectancy theory is similar to the equity model. According to the classical economic theory, we are rational adult human beings therefore we try to choose that course of action/ alternative, which appears to be the best at a particular point of time. According to Vroom, the content theories of work motivation did not provide an adequate explanation for the complex process of work motivation. Therefore, an alternative is required that should be able to tap the complexities of modern organizations and explain how these complex forces interact to create motivational force for an individual. Vroom identified three such complex forces, which define the motivation for a person at a particular point of time. This model is therefore known as the 'VIE' theory. The following are the features of the VIE theory:

- **V stands for Valence.** This refers to the value of a particular reward for a particular person. Valence may be positive, negative or even zero. For example, promotion may have positive valence for a person but may have negative valence for a woman who has just become a mother as it entails increasing work, more responsibility and an outstation posting. Valence many be high, moderate or low. Promotion may have a very high positive valence for a person who is ready to do anything to achieve it. However, for some a promotion might have a moderate or low positive valence.
- **E stands for Expectancy.** This refers to expectancy that the efforts made would result in a desired level of performance. Thus, it refers to the relationship between effort and performance. If the relationship is well-defined and well articulated, chances of putting in efforts increase. For example, when an employee knows that no matter how hard he/she works, he will not receive any benefits his efforts will remain low.
- **I stands for Instrumentality.** This aspect of the VEI theory stresses on human needs and ambitions.

Although the concept of instrumentality and expectancy seem to be similar, they are very different concepts. Expectancy relates to a person's efforts towards the organizational outcomes, while instrumentality emphasizes on how organizational level outcomes transform into individual level outcomes. The motivation to perform a certain act depends on the algebraic sum of the products of the valence and instrumentality for the outcomes times the expectancy.

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As it is evident from the above discussion, this model focusses on the relationship between an employee's efforts, performance, rewards and personal goals. If the relationship between all these aspects is clear and well-defined then it is easier for employees to put in efforts.

Vroom was of view that employees consciously decide whether to perform or not. This decision solely depended on the employee's motivation level, which in turn depends on three factors of expectancy, valence and instrumentality.

Advantages of the expectancy theory

The advantages of the expectancy theory are as follows:

- It is based on the rational economic model, which assumes that people want to maximize their benefits and weigh possible costs and benefits before deciding on any course of action. It has intuitive appeal and most of us operate from this framework.
- This is a cognitive based theory. Therefore, what is perceived and inferred is more important than the actual event.
- This model assumes the complexities of modern organizations as it is evident that people may differ in terms of valence, instrumentality and expectancy, therefore, it is not possible to make simplistic predictions about human motivation at work place.

Limitations of the expectancy theory

The drawbacks of the expectancy theory are as follows:

- The three aspects of the expectancy theory (valence, expectancy and instrumentality) are the corner stone of this model. However, in many organizations these linkages are not so well-defined; therefore it is not possible to actually apply them in reality.
- The expectancy theory is based on the rational economic model, which implies that the costs and benefits of the alternatives are weighed most of the times. However, this is not true in many cases.
- Perception and inferences are important aspects of this theory and are not easy to identify for practicing managers.
- The three elements of this theory, 'VIE' are subjective in nature, hence pose a challenge to practicing managers.

Implications of the expectancy theory

Following are the implications of the expectancy theory:

- To ensure that the linkages among the three components (VIE) of this model are well- defined, so that people can clearly see them.

- To ensure that what is communicated or what has been done by the manager or the organization is actually perceived in the right manner by the employees.

2.4.4 Attributional Style

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Attributional style is a personality characteristic which was introduced by L.Y. *Abramson, M.E.P Seligman* and I. *Teasdale*. Attributional style refers to how we infer the events in our life. The impetus for this came when the learned helplessness theory on depression was reformulated by Abramson and his colleagues. According to the learned theory of helplessness, which explains the attribution style of patients suffering from depression, people under depression tend to view negative events as caused by internal factors (in contrast to external factors), by factors that are stable (rather than temporary), and by factors that exert global influence across many domains in one's life (rather than specific or narrow influence in only a few situations). The opposite is used to infer positive events in life as caused by external factors, by factors that are temporary/unstable and caused by forces that influence only a narrow or limited domain of one's life. This style will effect how we are motivated at work place.

Attribution theory differs from other theories of motivation because it identifies attribution made by people on the basis of their motivation. It does not only explain individual motivation but also explains the relationship between personal perception and interpersonal behaviour. There are many theorists that used the attribution framework to explain motivation, such as H.H. Kelley, F. Heider, B. Weiner. However, there are certain common assumptions related to attribution that are as follows:

- They try to provide a logical explanation to all situations.
- They attribute actions of individuals to internal or external causes.
- These theories propose that individuals follow a fairly logical approach in making attributions.

F. Heider propagated the first attribution theory and according to him behaviour is determined by both internal forces, such as ability, personality, efforts, mental framework as well as external forces, such as environmental factors and luck. According to this framework, it is the perceived attributions of an individual's behaviour that is more important than the behaviour itself. Whether a particular behaviour is attributed to internal or external sources have implications for motivation. For example, if a person has come late to the office and it is attributed to internal sources then this can be connected to his/her personality. On the other hand, if the attribution is external, then it is assumed that there is nothing wrong internally with the person, it might be because of a traffic jam or other environmental factors.

Another attribution model to explain motivation and behaviour is the locus of control. Locus of control refers to the belief or attribution of the responsibility for results/outcomes in one's life. Internal locus of control refers to the idea that the person himself or herself is responsible for all the outcomes in one's life while

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the external locus of control refers to the belief that environmental factors or chance factors are responsible for events and outcomes in one's life. An employee's perceived locus of control has important implications for determining his/her own performance and satisfaction level. While Heider's framework is used to explain behaviour patterns displayed by others, the locus of control framework explains one's own behaviour. In recent times, attribution style has generated a lot of interest. However, as a model of motivation, it is too narrow to explain the whole gamut of motivation in the work context.

2.4.5 Value Theory of Motivation

Value theory was proposed by John Locke as a theory of job satisfaction; however, its implication is also evident for work motivation. Here, the terms 'satisfaction' and 'motivation' may be used interchangeably. The theory is based on the premise that the things being provided by the organization to employees is not as important as what employees want, desire or value from the organization. A match between what the organization provides and what employees desire results in motivation and satisfaction. One implication of the value theory is that by merely knowing the importance or value that a worker attaches to a particular outcome does not by itself predict how satisfied/motivated the worker will be, however, the importance shall predict the range of potential worker attitudes and behaviour. For example, for an employee, money is the most important value as compared to promotion or work profile, therefore, policies related to pay (variations in pay), are more strongly related to motivation/satisfaction as compared to policies regarding promotions ore job profiles.

According to A. Furham there is empirical evidence for the value theory, but not very conclusive support. However, it has added a new dimension to the existing framework of motivation. For example, the need for pay, fringe benefits, and working conditions, etc., may be the same for two employees, the satisfaction of these needs may provide an equal level of fulfillment, however, the employees motivation/satisfaction will differ to the extent their values vary with regard to these needs.

2.4.6 Comparison and Integration of Different Theories

It is difficult to make a choice between various theories of motivation. This is indeed a very difficult proposition. We will first compare the various theories of motivation and then integrate them.

A. Furnham used the framework of J. Schermerhorn and others to compare the theories of motivation under the following head:

- How many different individuals needs are there? As discussed in the text, there is no consensus among experts on this. As a practicing manager one should be aware of the fact that different individuals have different needs when they come to work.

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- Can one work outcome satisfy more than one need? The answer is yes. It means any reward (for example) can satisfy or block more than one need. For example, salary is a source of performance feedback for the high need achiever. Salary also satisfies one's security as well as biological needs.
- Is there a hierarchy of needs? There may be a hierarchy of needs, however it may differ from the one proposed by Maslow. The hierarchy of needs may not be as rigid as suggested by Maslow, but may be more in line with Alderfer's ERG theory. Furthermore, it is useful to distinguish between lower and higher order needs.
- How important are the various needs? The cultural context would be very important in determining what needs are important in a particular society. For example, in India the relationship or affiliation need is more important than the need for achievement or power, which may be more important in other parts of the world.
- What is the manager's responsibility? As it is evident that there are so many complexities involved in motivation, the manager must be sensitive and well aware of these complexities. This would make it possible for managers to create a work environment/culture where the needs/motives of the employees are fulfilled.

Robbins, Judge, Sanghi provided a model to integrate the various theories of motivation. According to them, the basic model on which the entire framework is built is the expectancy model proposed by Vroom.

Vroom presented various linkages that operate behaviour (individual effort, individual performance, organizational rewards and personal goals). We are aware that opportunities can either aid or hinder individual effort. Individual efforts flow from person's goals, which operate in tandem with the goal setting theory. The goal setting theory implies that personal goals lead to goal-directed activity, which influences the amount of effort to be put in by employees. According to Locke's value theory if an employee is working on a task, which has the potential to satisfy one's desired value, the amount of effort shall be much more than when this linkage is weak.

The three basic linkages of Vroom's theory are also likely to be moderated/ influenced by a variety of factors. The individual effort and individual performance linkage is moderated by ability as well as the objective performance evaluation system. We all know that effort is always in accordance with the ability of the person and if the performance system is fair and transparent the person can clearly see how his/her effort actually results in performance. Similarly, the performance–reward relationship will be strong if the individual perceives that it is performance (rather than seniority, personal favoritism, etc.,) that is rewarded. Finally, according to Maslow and Herzberg the organizational rewards–personal goals linkage is influenced by dominant needs of the person. What the person gets as reward to his/her contribution to organizational goals must be in sync with what the person wants (need theories) and what the person values (value theory).

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2.4.7 Skills Involved in Motivating Employees

It is important to understand that employees become a part of an organization because of various needs and expectations. Different employees have varied beliefs, attitudes, values, backgrounds and thinking. Diversity in workplace is emerging as a major element in contemporary organizations. Motivating employees of diverse background, gender, age groups, ethnicity, etc., is the real challenge for practicing managers. Therefore, managers need to be flexible as well as sensitive, only then will it be possible to motivate employees.

Employee motives are intangible and hidden, they can only be presumed. The reasons for good performance vary across different employees and may be attributed to different motives. Thus, tracing the real motive becomes different and motivational training difficulties a complex task. Hence, managers must have the knack of understanding these differences and using them in a sensitive and transparent manner in order to make all employees feel valuable to the organization.

Employee motivation becomes challenging, especially in the changing context of organizational structure. Not all employees are full time employees, some are part time workers, consultants/free agents, such as doctors, free lancers, etc. These are the challenges, which require a new kind of organizational framework.

An employee has diverse needs and expectations at a certain point of time. These needs and expectations transform with changes in status, role, etc. For example, after becoming husband/father a manager's 'need for security' will become more important than when he was single. Also, need may be incongruent with each other. For example, employees who spend extra time at work for meeting their needs of accomplishment might discover that this curtails their social needs.

As organizations have become diverse, needs and expectations may vary among them. Therefore, managers must be sensitive and flexible while devising motivational strategies.

Motivation is a state of mind. High motivation leads to high morale and greater productivity. A motivated employee gives his/her best to the organization. He/she usually stays loyal and committed to the organization.

Effective motivation at workplace

A sound motivation system in an organization should have the following features:

- Link rewards directly to performance
- Compliment employees
- Ensure transparency
- Work on Personal Development Plan (PDP)
- Participate and network

Self-motivation at work

Self-motivation is a power that drives us ahead. It encourages continuous learning and success, irrespective of the context. Self-motivation is a primary means of realizing our goals and progressing on it. It is related to originality in setting dynamic goals for ourselves, and the faith that we possess in the required skills and competencies for achieving challenging goals. We often feel the need for self-motivation.

Some of the techniques of self-motivation are as follows:

- Communicate and talk to get motivated
- Remain optimistic
- Discover your interest area
- Self-acknowledgement
- Monitor and record your success
- Uplift energy level
- Assist, support and motivate others
- Encourage learning
- Break your bigger goals into smaller goals

2.4.8 Management by Objectives (MBO)

Management by objectives is an overall philosophy of management that concentrates on goals and end results. The term 'management by objectives' was coined by Peter Drucker in 1954, who advocated it very strongly and developed it as a system MBO. It refers to the process of setting goals and objectives through the active participation of the management and the workers. MBO is a program consisting of a specific set of goals to be achieved within a pre-determined time period, an open feedback system and an appraisal system to measure the degree to which the goals have been accomplished. Some authors have used the term management by results interchangeably with management by objectives.

MBO is based on the goal setting theory of motivation. In fact, it is the application of the goal theory in organization.

2.4.9 MBO and Motivation

MBO is a system that seeks to align employees' goals with the goals of the organization. This ensures that everyone is clear about what they should be doing, and how it is beneficial to the whole organization. The goals could be a source of motivation if it has following characteristics:

- Be mutually agreed upon
- Be difficult, but achievable (realistic)
- Have a defined time frame
- Be measurable (objective and budgeted)
- Provide means for feedback

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In other words, goals should be SMART, which is an acronym for:

- Specific
- Measurable
- Attainable
- Result-oriented and
- Time-related

MBO functions on the principle which ensures that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims. It can be explained as a four-step process in which:

1. Managers and employees jointly set objectives for the employee
2. Managers develop action plans
3. Managers and employees periodically review the employee's performance
4. The manager makes a performance appraisal and rewards the employee according to the results

For MBO program to be successful, few important considerations should be undertaken, which are as follows:

- The commitment of the top management
- It must be applied across the entire organization
- Objectives must cascade, i.e., objectives are structured in a unified hierarchy, becoming more specific at lower levels of the organization

Strengths of MBO

Following are the strengths of MBO:

- It can improve performance at all levels
- It emphasizes on getting results
- It motivates employees to perform better

Limitations of MBO

Following are the limitations of MBO:

- It can take too much time and energy
- MBO requires considerable training of managers
- It will not work in rigid, authoritarian organizations
- Specific objectives can distract from strategic goals
- MBO can be misused by zealous or punitive managers
- Not as effective in dynamic environments that require constant resetting of goals
- Overemphasis on individual accomplishment may create problems with teamwork

2.4.10 Behaviour Modification

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Behaviour modification—often referred to as B-mod—is the therapy technique based on B.F. Skinner's operant conditioning. It has been applied in all sorts of psychological problems— addictions, neuroses, shyness, autism, even schizophrenia—and works particularly well with children. In recent times, behaviour modification has been used in the organizational context, which is known as organizational behaviour modification (OB-M). OB-M is advocated by F. Luthans, R.M. Hodgetts and S.A. Rosenkrantz.

OB-M refers to organizational improvement methods on the basis of which employees contribute towards continual improvement of the organization's objectives. It is based on the learning theory and is directed towards changing individual behaviour rather than group behaviour. Desired individual behaviour can be reinforced by incentives, such as money, social approval and responsibility. Thus, the behaviour of organizational participants can be turned towards a positive direction resulting in desired results and productive efforts. OB-M has been increasingly applied to a variety of organizations including business firms.

Behaviour modification is based on Thorndike's Law of Effect. It posits that behaviour, which leads to a positive result will be repeated and vice versa. B.F. Skinner, the pioneer of OB-Mod has advocated the maximum use of positive reinforcement and opposed use of negative reinforcement. Following are the various steps of any OB-Mod:

1. Identifying the problem-related behaviour. For example, if the problem area is falling attendance, managers can assess the implications of falling attendance on the organization as a whole
2. Measuring of the baseline behaviour. For example, gauging the percentage of absenteeism
3. Identifying the triggers or possible causes that result in the behaviour. For example, in case of absenteeism, introduction of a new pay scheme can be seen as a reason for the falling attendance
4. Devising an intervention strategy and removing doubts on new pay scales or promotion policies by managers. This can be achieved by actively involving employees in devising the pay scales or the promotion policy of the organization
5. Introducing positive and negative reinforcement strategies to make employees learn or remove anxieties associated with the new pay structure or promotion policies
6. Evaluating the impact of the intervention
7. Checking whether the problem has been solved

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Figure 2.4 presents a schematic presentation of the steps involved in OB-Mod.

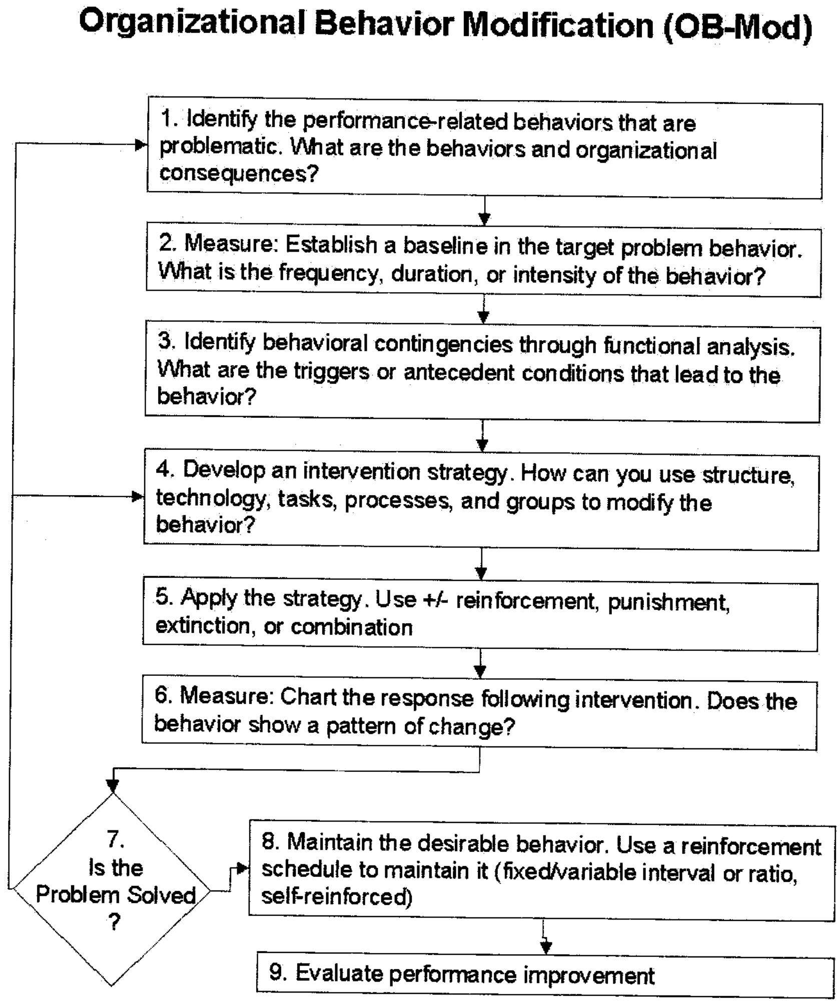

Fig 2.4 Steps Involved in OB-Mod

The following are certain guidelines for applying behaviour modification in organizations:

- Identify exact behaviour to be modified.
- Apply positive reinforcements as far as possible.
- Apply punishment only in unusual circumstances/cases and for specific behaviour.
- Ignore minor undesirable behaviour to allow its extinction.
- Use shaping procedures (reinforcement schedules) to develop the correct behaviour.
- Minimize the time between the correct response and the reinforcement.
- Apply variable ratio reinforcement schedules where possible.
- Provide reinforcement relatively frequently.

Benefits of OB-Mod

The following are the benefits of OB-Mod:

- Employee productivity can be increased by adopting the OB-Mod.
- Any kind of behavioural problems, such as absenteeism, tardiness, etc., can be controlled with proper use of reinforcement as well as punishment.
- It can aid in safety and accident prevention. OB-Mod can be used to develop safe behaviour in the workplace, for example, encouraging the use of helmets and glasses while welding or some other kind of dangerous activity. Similarly, accident prevention can also be done by adopting suitable reinforcement strategies.

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Limitations of OB-Mod

The following are the limitations of OB-Mod:

- Organizational behaviour is too complex to identify a single cause for a particular behaviour. For example, absenteeism of different employees at different occasions may be caused by various factors.
- Human behaviour is a caused by various internal and external factors. In cases where external factors are not responsible for individual actions, it is difficult to control and gauge behaviour.

2.4.11 Employee Involvement Programs

Every organization needs to work effectively in order to succeed. Employee involvement programs ensure that goals are consistently being met in an effective and efficient manner. They may focus on the performance of the entire organization, a specific department, processes to build a product or service, etc. In today's global environment, it is becoming increasingly vital to incorporate employees in the decision-making process. Moreover, diversified workforce is the reality of modern organizations and brings with it varied ideas, which may be tapped to achieve competitive advantage.

One of the greatest underlying factors in the success or failure of any organization is the power of its people, and how well that power is focussed towards meeting the organization's objectives. Employee involvement is a process of empowering employees to participate in managerial decision-making and various organizational activities. Every employee is regarded as a unique human being and each employee is involved in helping the organization meet its goals. Each employee's input is acknowledged and valued by the management. Employee empowerment is a broader concept, which in addition to involving employees in running the business, consists of recognizing problems or obstacles that are identified and solved by employees. Empowerment means that all employees feel that they have the responsibility and authority to participate in decision-making and problem-solving at their appropriate levels.

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Employee involvement is a long-term commitment. In employee involvement, employees virtually own the company and have a sense of personal responsibility for its performance. The best way to obtain a genuine commitment from people is to involve them in the project from the beginning. Organizations that involve their employees not only inform employees about the activities and policies but also actively seek their contribution in the decision-making process. Giving employees a sense of ownership of the company can have remarkable effects on the employees' commitment to the company and the type of activities they will undertake. The involvement of workers means involving them in the goals of the company and obtaining commitment and loyalty.

In order to implement employee involvement and empowerment, organization needs to adopt the following:

(i) Giving employees responsibility
(ii) Training employees to accept responsibility
(iii) Communicating and giving feedback
(iv) Giving rewards and recognition

By adopting all the above four strategies, organizations reflect that they are ready to develop and nurture its workforce by providing them proper training, giving them proper feedback and finally rewarding and recognizing employee efforts.

Benefits of employee involvement

Employee involvement is beneficial for organizations as well as for employees and results in the following:

- Increased employees morale
- Improvement of reputation
- Reduction in operating costs especially in recruitment and crisis management

Research shows that employee involvement programs show development of employee competencies in the following areas:

- Planning and implementation
- Teamwork
- Listening skills
- Communication
- Customer focus

Thus, employee involvement programs focus on upgrading employee skills and knowledge to improve job efficiency and customer service. Well designed and well implemented employee involvement programs change the fundamental relationship between individuals and the organization. Companies are choosing to empower people as it is mutually beneficial for organizations as well as the workforce.

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Methods of employee involvement

Employee involvement activities include the following:

- Suggestion system
- Work teams
- Quality circles
- Total quality schemes
- Kaizen (Continuous improvement)
- Periodic discussion with supervisors

All these methods aim to involve employees in various organizational activities. The basic idea remains the same, i.e., to involve employees in order to empower them, which ultimately leads to the development of organizational ownership.

CHECK YOUR PROGRESS

11. List the three early theories of motivation.
12. State the limitations of the two-factor theory.
13. Who proposed theory X and Y?
14. List the contemporary theories of motivation.
15. What is behaviour modification?

2.5 SUMMARY

- According to Gordon Allport, 'Personality is the dynamic organization within the individual of those psychophysical systems that determine his unique adjustments to his environment'. In other words, we can define the term personality as the total functions of an individual who interacts with his environment.
- According to J.C. Nunnally, personality measurement aims at studying the social traits, motives, personal conception and adjustment.
- Work related behaviour can result from both environmental as well individual factors. Environmental factors include attributes like interpersonal, group and social influences while individual factors include cognitive abilities, experiences, personality styles and motivation.
- Emotional intelligence is the ability of an individual to imagine oneself in another's situation. Also, there has been extensive research showing that intelligence, especially general intelligence is a good predictor of both job performance and work proficiency. An intelligence test is believed to be a good technique of selecting employees.
- Classic personality theory deals with personality traits, such as extraversion and Machiavellism and relates them to work related behaviour. The main

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idea behind this theory is to measure personality as the independent variable and understand its role in work related behaviour.

- Classic occupational psychology/organizational behaviour stresses on work related behaviour, which is conceived either at the individual, group or organizational level and examining its personality correlates
- Development of work-specific individual differences measure is mainly aimed at measuring personality and predicting only work specific behaviour.
- Longitudinal studies have been considered to be essential in examining the development and effect of personality attributes and how they change in time. The concept of cause and effect can thoroughly examined through longitudinal studies.
- Biographical or case study research studies the life of a person in order to find out which factor in the person's biography predicts job success.
- Among the trait theories, the most comprehensive approach was provided by Hans Eysenck, which has given rise to some of the most well-known personality inventories, such as Maudsley Personality Inventory (MPI), Eysenck Personality Inventory (EPI) and the Eysenck Personality Questionnaire (EPQ). This theory has three major factors which relate to social behaviour, i.e., extraversion, neuroticism, and psychoticism.
- Type A kind of personality is found to be extremely competitive, high achieving, aggressive, impatient and restless.
- Type A personalities as compared to the Type B believe themselves to be more ambitious, cold, complaining, cruel, dishonest, dominating, enthusiastic, jealous, impatient, selfish, etc. Type A may have lower self esteem and rate themselves more highly on negative traits and less on positive traits as compared to Type B.
- Work values refer to the values attached to work. It indicates the centrality of work in comparison to other life roles such as family, community, religion, etc. Work value refers to the degree of general importance that working has in the life of an individual at a given point of time.
- Attitudes are learned, as human beings we learn various other responses. At any given moment an attitude may be inactive, but when the appropriate circumstances arise, attitudes make individuals react in a favourable, unfavourable or indifferent manner.
- Attitude measurements help to change attitudes by changing the conditions leading to the same. As we are aware that all attitudes are learned, negative attitudes can be changed by creating positive and healthy work conditions.
- That job satisfaction is an individual's affective reaction, usually positive, towards the content of the job and also the context in which the job is being done. There are various job components/facets that have direct bearing on job satisfaction. These facets/components include pay, promotion, benefits,

supervisors, co-workers, work conditions, communication, safety, productivity, and the work itself.

- The early theories of motivation constitute three major theories, which are as follows:
  (iv) Maslow's hierarchy of needs theory
  (v) Herzberg Two factor theory
  (vi) Theory X and Theory Y
- Reinforcement theory, which was originally developed as a theory of learning was proposed by B.F. Skinner and his associates. This theory is based on the underlying concept that behaviour in itself is as important as what follows behaviour.
- The expectancy theory was proposed by V.H. Vroom. It has its roots in the cognitive aspects of Psychology. Also, some of its assumptions have been taken from the classical economic theory. The theory focusses on cognitive forces, i.e., what is perceived, inferred is more important than what is actual.
- Value theory was proposed by John Locke as a theory of job satisfaction; however, its implication is also evident for work motivation. Here, the terms 'satisfaction' and 'motivation' may be used interchangeably.
- The term 'management by objectives' was coined by Peter Drucker in 1954, who advocated it very strongly and developed it as a system MBO. It refers to the process of setting goals and objectives through the active participation of the management and the workers.
- OB-Mod refers to organizational improvement methods on the basis of which employees contribute towards continual improvement of the organization's objectives. It is based on the learning theory and is directed towards changing individual behaviour rather than group behaviour.
- Employee involvement programs focus on upgrading employee skills and knowledge to improve job efficiency and customer service. Well designed and well implemented employee involvement programs change the fundamental relationship between individuals and the organization.

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2.6 KEY TERMS

- **Values:** Broad preferences concerning courses of action or outcomes
- **Power/distance (PD):** Inequality or equality that exists and is accepted by the members of the society
- **Individualism (IDV):** The extent to which people are connected or disconnected with other people in the community
- **Uncertainty/Avoidance Index (UAI):** The degree of tolerance a society has for risk-taking or uncertainty

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- **Long-Term orientation (LTO):** This refers to how much of the society values are long standing as opposed to short-term traditions and values
- **Indoctrination:** The willful and intentional action of a person to get someone to accept their beliefs without question or without seeking the truth
- **Operant conditioning:** The development of a particular kind of attitude or extinction of a particular kind of attitude as a result of reinforcement or punishment
- **Perceived rganizational support (POS):** The degree to which employees feel the organization cares about their well-being

2.7 ANSWERS TO 'CHECK YOUR PROGRESS'

1. The term personality may be defined as the total functions of an individual who interacts with his environment.
2. There are three most common tools for the measurement of personality. They are as follows:
   (i) Personality inventories and questionnaires
   (ii) Observational method/situational test
   (iii) Projective techniques
3. Emotional intelligence is the ability of an individual to imagine oneself in another's situation.
4. This theory of personality deals with personality traits such as extraversion and machiavellism and relates them to work related behaviour. The main idea behind this theory is to measure personality as the independent variable and understand its role in work related behaviour.
5. The following are three advantages of personality tests:
   (i) The numerical information obtained in tests is useful in the long run, which is more specific and easier to analyse and recollect.
   (ii) Since the records are maintained one can simply go back to the previous records and keep track of the personnel.
   (iii) The results obtained from the tests provide specific results, which give a clearer picture.
6. According to research conducted by J. Brockner, people with high self-esteem in comparison to those with low self-esteem, portray the following characteristics:
   - They work harder in response to negative feedback
   - They hardly imitate the managerial style of their superiors
   - They are also less likely to be affected by stressors, like role ambiguity or conflicts

- They are more likely to be productive in quality circles

7. Values can be explained as, one's personal convictions about what one should strive for in life and how one should behave.

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8. B. Peterson defines indoctrination as the willful and intentional action of a person to get someone to accept their beliefs without question or without seeking the truth. Indoctrinators may provide reasons for their belief but they do this in such a way that encourages others to ignore opposing beliefs.
9. Attitude consists of three components. It should be:
   (i) Cognitive
   (ii) Affective
   (iii) Conation/Behavioural
10. Operant conditioning implies development of a particular kind of attitude or extinction of a particular kind of attitude as a result of reinforcement or punishment.
11. The early theories of motivation constitute three major theories that are as follows:
    (i) Maslow's hierarchy of needs theory
    (ii) Herzberg Two factor theory
    (iii) Theory X and Theory Y
12. The following are the limitations of the approach:
    (i) There is nothing new in this theory as it is a normal human tendency to associate success to one self and failure to contextual factors
    (ii) Not all of us are motivated by motivators, Herzberg neglected this aspect of human life
    (iii) This theory was based on a specific sample of people and could not be replicated.
13. Douglas McGregor proposed theory X and theory Y as two contrasting models based on different assumptions about human beings, which could be used for motivating, guiding and controlling behaviour.
14. The following are the contemporary/modern theories of motivation:
    - ERG theory
    - McClelland's theory of needs
    - Goal setting theory
    - Reinforcement theory
    - Equity theory of motivation
    - Expectancy theory of motivation
15. Behaviour modification—often referred to as B-mod—is the therapy technique based on B.F. Skinner's operant conditioning. It has been applied in all sorts of psychological problems— addictions, neuroses, shyness, autism, even schizophrenia—and works particularly well with children.

2.8 QUESTIONS AND EXERCISES

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Short-Answer Questions

1. Name the major attributes that affect personality.
2. Give some drawbacks of personality testing at work.
3. What are the sources of values?
4. Define the meaning of attitude, its sources and types.
5. List the theories of job satisfaction.
6. How do we measure attitude? What are the skills involved in measuring attitude?

Long-Answer Questions

1. Describe the six approaches of personality.
2. Explain the role of culture in shaping one's personality.
3. Describe the three most important theories of motivation.
4. Discuss the types of skills that are required for motivating workers.
5. Write a note on OB-Mod.
6. Explain various employee involvement programs.

2.9 FURTHER READING

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UNIT 3 GROUP DYNAMICS

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Structure

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3.0 INTRODUCTION

In this unit you will learn about group dynamics. You will also learn about the various types of groups along with their benefits and drawbacks. Further, you will know about the concept of teamwork and group diversity highlighting the diversity of workplace as well as discriminations. The meaning of communication, the communication model and communication across culture has also been explained in detail. Also, you will be introduced to leadership as well as its various approaches and theories. This unit also elaborates on the relationship between leadership, power and politics at workplace.

3.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Explain the meaning of a group and explain its types
- Describe the characteristics of an effective workgroup
- Elaborate on teamwork and group diversity
- Analyse the various aspects of communication in organizations
- Understand the different facets of leadership

3.2 GROUP: MEANING

Group dynamics is concerned with the interaction between group members in a social situation. The concept of group dynamics was first established by Kurt Lewin in 1930s. He viewed the concept from the perspective of the internal nature of groups, why they form, how they form, their structure, how they function, their effect on other group members and other groups in the organization.

A group may be defined as a collection of two or more people who interact with each other and are influenced by each other in one way or the other. Individuals forming a group form the group members and are the primary constituents of a group.

In order to understand a group, let us take an example. Every day, we see people all around, so if we see people standing in a queue at a ticket counter, can we say that they form a group? Now let us take the example of teachers of a college/university sitting together in the staffroom. Of these two examples, which of the two could be called a group? Well of course, the latter because it fulfills certain criteria of a group. These include the following:

- The members of the group interact with each other
- The members believe in collective accomplishment of their goals
- There is interdependence among the members

- They also perceive themselves to be a part of the group
- They have common goals

Why do people join groups?
People join groups for the following reasons:
Security: Groups induce a sense of unity and feelings of security.
Status: In a group there are much higher chances of being known.
Self esteem: People feel worthy in a group and groups are also a form of conveying one's own status.
Affiliation: By interacting with the group members, our need of socialization is also accomplished.
Power: In a group the chances to accomplish tasks are better as one has support from members.
Goal achievement: In a group the members can combine various skills in order to accomplish their goals.

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3.2.1 Group Development

The need for socialization is what differentiates human beings from animals. Throughout history, humans have settled in small and large groups to satisfy their need for safety and security. Even today, we are aware of the fact that forming a group lightens our burdens and increases productivity. In addition to this, in a group people specialize in different skills that add variety and leads to better results. In the society, we have peers, colleagues, classmates, etc. Being a member of a group is valuable to us. Through group relationships we satisfy many needs, such as companionship, status and power. We also develop social roles and relationships.

Development of groups takes time and depends on various factors, such as the size, frequency of interaction and so on. One of the well known models on group development is Bruce Tuckman's model of group development which has five stages:

(i) **Forming:** At this stage people come together. At this stage there is uncertainty and hesitation amongst group members and the extrovert members of the group quickly assume the leadership roles.

(ii) **Storming:** At this stage people try to maintain their position in the group, there can be disagreement but eventually roles are allocated. This is the most uncomfortable phase of group development.

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(iii) **Norming:** At this stage as memberships are formed, the group tries to find an issue they stand for, the kind of behaviour should be acceptable.

(iv) **Performing:** At this stage after the formation of group is complete, the group members carry out activities they intended to perform.

(v) **Adjourning:** Tuckman and M.A. Jensen added this fifth stage to the original model. In some cases, particularly when groups are formed for a very short duration, the adjourning phase is relatively ordinary. This implies that the group members leave the group and move on.

Figure 3.1 illustrates Tuckman's model of group development.

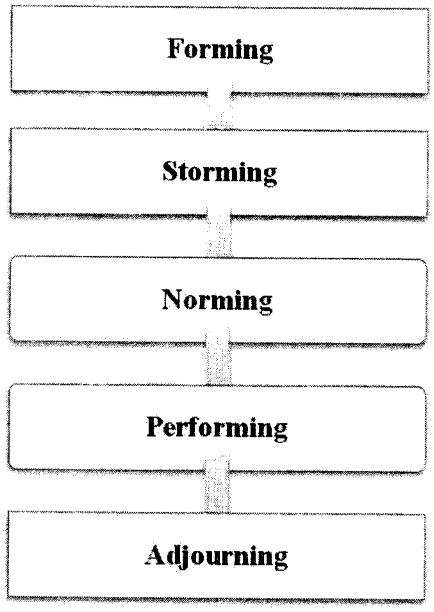

***Fig 3.1** Tuckman's Model of Group Development*

3.2.2 Formal and Informal Groups

In any organization we can see many types of groups ranging from the security staff to the management staff. Everyone is a part of some kind of group based on the nature of their work. However, on the other hand there are also groups formed by members who simply form a group on the basis of their interest and commonality. Groups can be primarily classified as formal or informal.

Formal groups can be defined as those groups that are formed and authorized by the management in order to achieve the goals of the organization. The goals of formal groups are determined according to the need of the organization. In formal groups, the behaviour of group members is predetermined and directed towards the achievement of the goals of the organization. Some of the examples of formal groups include airline crew, hotel staff, teaching staff, etc. Such groups are formed depending on the skills required, knowledge, and experience.

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Informal groups are more casual and based on interpersonal relationship, i.e., people with whom other employees get on well. Informal groups are not under any managerial control. In the work environment informal groups are formed naturally due to the need of social contacts, but they are not related to the overall function of the organization. Informal group satisfies social and psychological needs and also acts as a huge motivator. Some of the examples of informal groups include colleagues, friends, peers, etc. Such groups are found in every workplace. For instance, people from different departments of the organization may spend time together cutting across the formal line of the organization. Figure 3.2 illustrates the classification of groups.

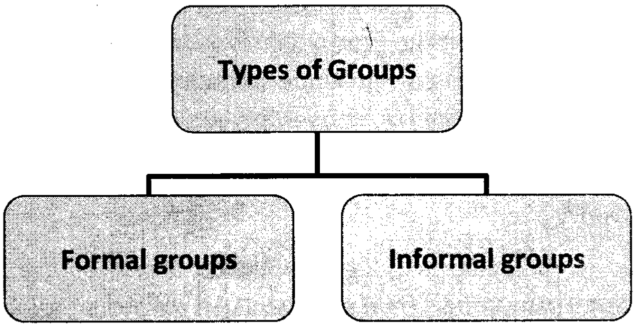

Fig 3.2 *Classification of Groups*

3.2.3 Group Characteristics

There are various characteristics or dimensions of a group which allow us to understand the group dynamics. These are as follows:

(i) Norms

Group norms are a set of beliefs, feelings, and attitude commonly shared by group members. These are also referred to as rules of standards of behaviour that apply to group members. They are prescriptions of behaviour accepted and determined by the group. Every group has its own set of rules or norms, which it expects from its members, such as things which they must do and not do. Norms also determine the kind of behaviour expected from group members. However, depending on the types and kinds of groups, each group has its own set of specific norms.

(ii) Status

Status refers to the official position enjoyed by an individual in an organization. It refers to the importance that is given to others. People who belong to the higher level of the organization and who have brought recognition to the organization by devoting their time to the organization, enjoy a higher status. Therefore, they have more control over their subordinates. Those who are experts enjoy more authority in group decision-making as compared to those who are relatively less experienced. All members in a group do not enjoy equal status, which is dependent on factors like,

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- Nature
- Demographic characteristics
- Educational level, experience
- Expertise
- Personal attributes

(iii) Cohesion

Cohesiveness defines the degree of closeness that the members feel with the group. It identifies the strength of the members' desires to remain in the group and the degree of commitment to the group. Cohesiveness of the group is reflected by the level of unity displayed by the group members and obedience to group norms. Cohesiveness of a group can produce miracles in the organization if group objectives and organizational objectives are corresponding to each other. If they differ then group cohesiveness can be disastrous for the organization.

(iv) Conformity

When an individual belongs to a group, he/she abides by group norms and the group decision against one's own judgment. An individual's need for affiliation is satisfied when an individual is fully accepted in the group by group members. In conflicting situations an individual goes by the decisions made by the group. Conformity with group norms and group decision provide an individual enough emotional strength to cope with organization stress.

Characteristics of a group
• Members engage in frequent interaction • Each individual defines himself/herself as a member • Members share common norms and mutual interest • Members identify with each other and share values • Members share a feeling of collective responsibility • Members act in a unified way towards the organization

3.2.4 Team Work

Nowadays, we can see in every workplace that teams are becoming fundamental in organizing work in the contemporary business world. Team work can be identified as a group of individuals who contribute and work together in a task for which their collective effort is greater than their individual inputs. Today, teamwork has become an inevitable part of the working culture, and most

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companies realize that, teamwork is important because individuals with different specialties are placed in a team to perform a common goal. Webster's New World Dictionary defines teamwork as, 'a joint action by a group of people, in which each person subordinates his or her individual interests and opinions to the unity and efficiency of the group.' Teamwork is most effective when all the individuals involved are contributing to the achievement of the organizational goals, harmony and mutual understanding.

Characteristics of a team
• Members of teams are highly interdependent. • Work is divided in a team to each member according to expertise, so the members of a team are responsible for performing several functions. • Skills, knowledge, expertise, and information are often distributed unequally among the members of a team. • Due to differences in their backgrounds, training and abilities, members are not interchangeable.

3.2.5 Group Diversity

Group diversity has become an important aspect of organizational behaviour as more and more people from different background have started joining the same workforce. Diversity has become a part of our daily business life. We come across diversity in every aspect of our lives. We can see diversity even in the work place. There are various viewpoints suggesting that diversity is unfavourable. However, in the long run the benefits of diversity to work life and for an organization's productivity are many. In a diverse group we can see individuals with varied personalities and abilities, having different experiences, contributing to the collective efforts of a group because their diverse experiences and knowledge help to make better decisions leading to better approaches to their organizational goals. The chances of excelling are very high in such diverse groups. This is because they have a lot of knowledge and resources, which can be effectively utilized for better performance. Since, a group comprises of varied people with different perspectives, members can discuss issues and reach the best solution. Such groups have the advantage for communicating and managing clients with varied backgrounds.

3.2.6 Individuals, Teams and Occupational Success

The management of people would be much easier if everyone were the same. However, people are different due to their ability, intelligence, personality, background and culture. Further, gender, race and disability are additional factors to be taken into account when reflecting on individual differences. Importantly, the needs and wants of individuals will also differ, often fundamentally and this affects their motivation. Individual differences may be a result of people's background, which will include the environment and culture in which they have been brought up and now exist. This includes the socio-cultural environment of people; their roles and relationships as well as the opportunities and constraints that enable or inhibit them to express and develop their personality.

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According to Walter Mischel (1968), some of the differences in personal characteristics are based on the following:

- **Competencies:** Abilities and skills
- **Constructs:** The conceptual framework, which governs how people perceive
- **Expectations:** The things people have learned to expect from themselves and others
- **Values:** The issues that people believe to be important
- **Self-regulatory plans:** The goals people set for themselves and the plans they make to achieve them

Teams are a special set of groups. A team may be defined as a group whose members have complimentary skills and are committed to a common purpose or a set of common goals, for which they are hold themselves mutually accountable. The members of a team are highly interdependent; they are formed in such a way that they are responsible for performing certain responsibilities. Due to their different backgrounds, their responsibilities are unequally distributed among them. Team building is considered as an essential part of organizational behaviour because teams open up a wider range of experience and abilities. Team building reduces worker discrimination in highly professional work settings because each member has his/her own specific specialty. A team is responsible for making its own decisions. Teams are preferred when a job requires different skills that no individual can perform single handedly. A work team has the potential for improved quality and productivity.

3.2.7 Benefits and Drawbacks of Working in Groups

People come to a group because of various reasons, such as attraction, similarities, likes and dislikes. However, a group does have its advantages that are as follows:

- A group has many resources at its disposal to accomplish its goal, including the skills, knowledge and experience of the members
- A group can have greater division of labour, so the members can focus on particular tasks at a time
- As group members focus on particular tasks they generally become skilled at performing them
- Group members are motivated and committed to the group's goals
- In a group information can be easily shared and discussed

Despite the various advantages of groups, a group also has many disadvantages that are as follows:

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- In a group, an individual has to follow the rules established by the group
- In a group all tasks have to be performed according to the requirements of the group
- The credit for all the achievements of a group is given to the group collectively and not to individual members, despite the fact that some members may have made little or no contribution towards the group's success
- Due to division of labour some members of a group may be responsible for performing more tasks than others
- Certain tasks may require contributions from individual members rather than the whole group

3.2.8 Inter-Group Behaviour

By inter-group relations we mean the relationship that occurs between two or more social groups. Contrarily, the term 'intragroup' refers to the relationship within a group. Inter-group relations are dependent on factors like cooperation, conflict and competition. Individuals join groups and sometime move from one group to other in order to acquire better status or security. For a group to function well and contribute to organizational effectiveness the number of different groups within and outside the organization must function in tandem. For example, in order to hire a new recruit there is a need to collaborate the groups responsible for recruitment activities in the organization.

Therefore, intergroup behaviour may be defined as the collaboration and sharing of information between groups responsible for the task in hand. Thus, for the establishment and achievement of organizational goals there is a need for interaction and interdependence of various groups and its members.

3.2.9 Women at Work

Nowadays, a large percentage of women are joining the workforce. Women are moving out of traditional boundaries and have overcome the strict conventions of the past. Today, a number of women enjoy top positions across various fields. Popular examples of successful professionals include Indra Nooyi (Chief Executive Officer, PepsiCo), Chanda Kochhar (Managing Director, ICICI Bank), Kiran Mazumdar Shaw (Managing Director, BioCon Ltd.), Pratibha Patel (President of India) and Hillary Clinton (US Secretary of State). All these women have held a significant position in their respective fields. Their success can be attributed to factors like rise of literacy and the increasing demand for women workforce in organizations.

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Due to globalization and societal changes, it is no longer a taboo for women to work in the formal employment sector. The gender roles are being redefined as both men and women, especially in the urban centers are efficiently managing family life and successful careers. Some organizations are even encouraging people to form marital alliances across the same organization in order to ensure greater commitment. These developments are now taking place even in the more traditional societies like India and China. Although new forms of work arrangements, such as flexi-time and telecommuting are evolving, which help women to manage various roles effectively, there are various issues that act as barriers to their progress. The term 'glass ceiling' refers to a point after which a qualified person cannot move ahead within the hierarchy of an organization due to gender discrimination. Not all organizations are ready to develop family-friendly policies for employees, especially women. However, recently the Government of India introduced 'Early Child Care Leave' for its women work force. However, this facility is not available in all organizations.

It is important to provide a work place, where it is possible for qualified women to balance the demands of career, children and family. Therefore, employers have to adopt a sensitive and flexible approach and adjust their policies accordingly. The following is some data pertaining to women work force in US and India.

Changes in Women's Work Participation in the US

In 1950 about one in every three women participated in the labour force. By 1998, nearly three of every five women of the working age were in the labour force. Among women of the age of 16 and above, the labour force participation rate was 33.9 per cent in 1950, rising to 59.8 per cent in 1998.

- 63.3 per cent of women between the ages of 16 and 24 worked in 1998 versus 43.9 per cent in 1950.
- 76.3 per cent of women between the ages of 25 and 34 worked in 1998 versus 34.0 per cent in 1950.
- 77.1 per cent of women between the ages of 35 and 44 worked in 1998 versus 39.1 per cent in 1950.
- 76.2 per cent of women between the ages of 45 and 54 worked in 1998 versus 37.9 per cent in 1950.
- 51.2 per cent of women between the ages of 55 and 64 worked in 1998 versus 27 per cent in 1950.
- 8.6 per cent of women over the age of 65 worked in 1998 in contrast to 9.7 per cent in 1950.

Source: U.S. Department of Labor

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A Review on Women's Employment in India

- As per Census 2001, the work participation rate (all ages) for women in India is 25.63. (Ref: Data highlights Census B1&B2 tables).
- At all India level, female main workers constitute 23.28 per cent of the total main workers and they constitute 14.68 per cent of the total female population. (Ref: Census 2001 results Table B1).
- Female marginal workers constitute 60.92 per cent the total marginal workers and they constitute 10.95 per cent of the total female population. (Ref: Census 2001 results Table B1).
- Female non workers constitute 58.94 per cent the total non workers and they constitute 74.37 per cent per cent of the total female population. (Ref: Census 2001 results Table B1).
- At all India level, the proportion unemployed (ie proportion of non-workers seeking / available for work to total population) for females, males and persons are 4.8, 4.01 and 4.39 respectively. (Ref: Data highlights Census B1&B2 tables).
- Women's employment in the Organized Sector in India as on 31st March 2005, is 50.16 lakhs (29.21 lakhs in Public Sector and 20.95 lakhs in Private Sector) (Ref:Quarterly employment Review March-05, Directorate General of Employment and Training, M/o Labour &Employment).
- Women's employment in the Organized Sector in India as on 31st March 2005 is 18.96 per cent of the total employment in the Organized Sector.
- Share (percent participation) of women in wage employment in the non-agricultural sector at All India level is 20.23 (Rural - 21.39, Urban -19). (Ref: NSSO report no. 515: Employment Unemployment Situation in India 2004-05).

3.2.10 Diversity and Discrimination at Work

Never before have organizations been so diverse and heterogeneous. Many factors contribute to diversity at work place, such as globalization, migration of people from one place to another, affirmative action (encouraging/ special provision given to minorities, women and people from backward regions), education, global outsourcing, etc. Diversity not only involves how people perceive themselves, but how they perceive others. It is these perceptions, which affect social interactions. Individuals differ on a number of dimensions. Thus, diversity can be used advantageously in order to effectively control organizational behaviour.

In the present work environment, we can see a lot of diversity in the workplace. Keeping this in mind, there is a serious need for individuals and groups to accept these changes, and maintain equilibrium with the diverse workforce. Likewise, due to the advancement of information technology (IT) and the dominance of the workforce by increasing number of BPOs, we can also find a number of people working at odd hours. All these require adjustments on the part of organizations, which need to adapt according to the changing times.

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Due to the diversity of a workplace, discrimination at workplace is inevitable. People from different backgrounds join an organization and face various forms of discrimination including sexual and racial discrimination. There may also be instances when people with disabilities are discriminated against. The need for adjustment and an awareness of such differences is essential for the fulfillment of organizational as well as group roles. Awareness and sensitivity to the feelings of the others, who may be vulnerable to discrimination is the need of the hour. Organizations are being encouraged to use diversity as an advantage. They can make use of the variety of perspectives and skills that come with a widely varied workforce to better serve a widely varied set of customers. An organization's success and competitiveness depends upon its ability to embrace diversity and realize the benefits. Therefore, valuing diversity as a fact of life, rather than reluctantly accepting affirmative action for identified minority groups seems to be the key to a better future.

Benefits of Diversity Management

- *Increased adaptability*
  Employees from diverse backgrounds bring individual talents and experiences in suggesting ideas that are flexible in adapting to fluctuating markets and customer demands.

- *Broader service range*
  A diverse collection of skills and experiences allows a company to provide service to customers on a global basis.

- *Variety of viewpoints*
  Varying points of view provides a larger pool of ideas and experiences.

- *More effective execution*
  Companies that encourage workplace diversity inspire all employees to perform their best.

CHECK YOUR PROGRESS

1. How do you define a group?
2. What are the different stages of group development?
3. Name the two types of groups.
4. What do you understand by diversity?

3.3 COMMUNICATION IN ORGANIZATION

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Communication is an essential element for any group's or organization's effectiveness. It is the most vital element of any organization. Without communication an organization would only be an assembly of people, material and processes, which are inoperative. Organizational effectiveness depends upon the quality of communication. Communication is the thread that holds all the units, sub units, processes, systems and culture together. If communication stops, the organization will cease to exist. Communication is vital for the very existence of an organization. As an organization grows, the role of communication becomes more critical.

Communication may be defined as the process by which a person, group or organization transmits some type of information to another person, group or organization, i.e., from the sender the message is delivered to the receiver. In short, it may be understood as the transference and understanding of meaning.

3.3.1 Communication Model

The communication model consists of certain steps that flow in a pattern. The communication process has been explained by S.P. Robbins. In every communication there is a purpose, which is expressed in the form of a message to be conveyed. This message passes between the sender and the receiver in steps as illustrated in the Figure 3.3. Firstly, the message is *encoded* and transferred through a medium towards the receiver who must *decode* the message in order to understand the message sent by the sender. This forms the transfer of meaningful information from one person to another.
1. Sender 2.Encoding 3.Message 4.Medium 5.Decoding 6.Receiver 7.Noise 8.Feedback.

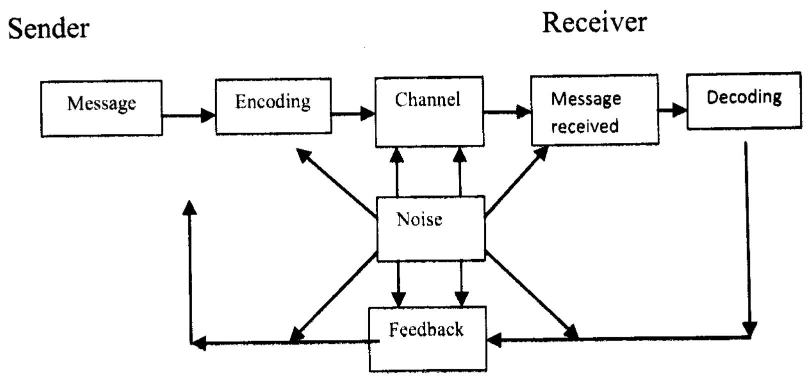

***Fig 3.3** The Communication Process*

In the process of communication, the *sender* initiates a message by *encoding* a thought. For example, the manager wants to inform everyone about the introduction of new technology, so it must be encoded. Different information requires a different form of encoding. Thus, when we speak the speech becomes the message and when we write, the writing becomes the message. Likewise,

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when we gesture, the movement of our body and the expression of our faces becomes the message. This is followed by the *channel* which is the medium through which the message travels. A channel is selected by the sender, who will decide whether to use a formal or informal channel depending on the situation. Formal messages, such as meeting notices or policies, are established and managed by the organization and are related to the professional activities of the organization and its members. Informal channels are unstructured and emerge as a response to individual choices and requirements, like casual talk and chats among the members of an organization.

The message then reaches to the *receiver*, who is the destination of the message. For example, receivers may include all the employees to whom the manager wants to inform about a meeting. However, before the message can be received, the symbols and signs in which the messages have been encoded by the sender must be translated into an understandable form by the receiver. This step is known as the *decoding* of the message, in which the message is found to be fully received and understood. This stage may be overshadowed by the presence of *noise,* which represents communication barriers that disturb or distort the clarity of messages. The final link in the communication model is the *feedback* loop. This involves a response on how successful has the transferring and sending of the messages been. It also reflects whether the message has been understood as intended. Feedback determines whether the entire message has been properly understood. After all these steps have been carried out, the communication process is complete. The entire communication process is critical for the successful interpretation of information.

3.3.2 Barriers and Sources of Distortion

When a communication is made by a sender, it must be received correctly by the receiver. The message must be interpreted by the receiver as has been intended by the sender. There are various problems like the message does not reach the receiver, problems of encoding and decoding, faulty selection of channel, wrong language or misinterpretation of the message. Some of the barriers to communication are as follows:

- **Time:** While sending a message a person must evaluate the timing of the message. Inadequacy of timing and last minute communication is likely to put too much pressure on the receiver. Therefore, the message must be sent in an appropriate time.
- **Choice of channel:** Message can be sent in verbal or non-verbal mode of communication. Therefore, an appropriate mode of communication channel must be utilized for better communication.
- **Inadequate information:** Too much or little information in the communication can alter the message that is originally intended to be communicated. Thus, it is very important to ensure that the correct amount of information is sent in the correct manner.

- **Filtration:** Filtration is a process in which the sender deliberately wants to withhold information from reaching the receiver. Filtration takes place when subordinates send information to superiors based on what they want to reveal.
- **Cultural barriers:** Cultural differences can adversely affect communication effectiveness. Due to liberalization, multinational players are operating in India. It is therefore necessary to understand ethnic backgrounds and cultures of various employees working in the organization.

3.3.3 Direction and Network of Communication

There are different networks of communication depending on who controls the communication.

Direction of communication

Communication flows in two different ways, i.e., vertically and laterally. Vertically the process of communication can be downward and upward.

(i) **Downward:** This involves the flow of communication from a higher level of a group to a lower level. The communication pattern used by the managers in an organization is one such example. It is often used by group/team leaders and managers to assign goals and to provide job instruction and also to inform employees about various organizational matters. Thus, an official letter or an email sent to the employees about a new policy of the organization is an example of downward communication.

(ii) **Upward:** Upward communications flows from a lower to a higher level in the group or organization. It is generally used for providing feedback or for informing employees about the progress towards goals or to communicate about current problems. This process of communication helps to keep the managers and the subordinates informed about the various issues of the employees. In this way the managers can get ideas for the improvement of the organization.

Lateral communication

This is the type of communication that takes place among members of the same levels of work groups, like among the colleagues belonging to same department of the organization. This type of communication is necessary in the organization as there is always a need for coordination among managers and employees of the same rank.

Network of communication

In a centrally controlled organization, communication revolves around a key person. It is through that communication flows down to the supervisors and subordinates. Communication can be chain, inverted Y and wheel type.

The *chain* type of communication is used where information flows upward and downward in a hierarchical manner. There is no lateral communication. This type of communication is best suited for organizations where reporting is strict and

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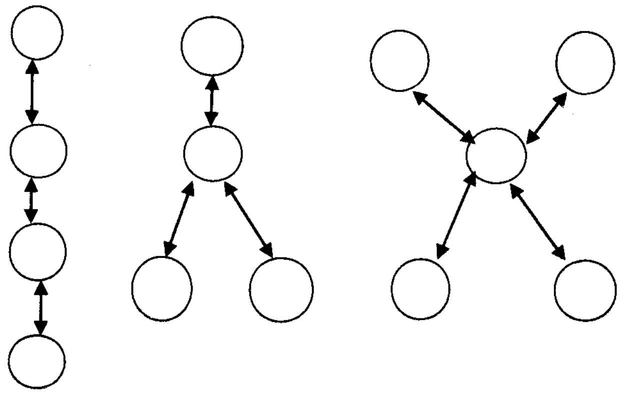
jobs are well defined. A lot of written communication takes place in the form of orders, instructions, etc.

The *inverted Y* type of communication represents one person having two subordinates. They report to the designated boss.

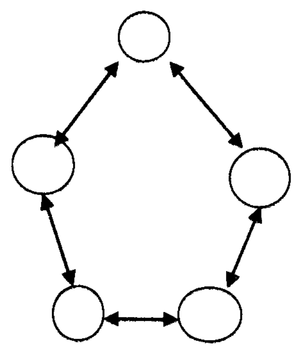
The *wheel* type of communication represents the manager in the center having control over two superior officers. The wheel type of communication is very commonly used in most organizations as it good for solving problems. However, this type communication displays lack of flexibility and results in low job satisfaction.

The *circle* type of communication is lateral. In this form of communication there is no leader but a person may assume leadership. Also, members experience a greater level of satisfaction in this form of communication. This type of communication is prevalent in decentralized organizations. The centralization of an organization adversely affects its employee satisfaction. Decentralized networks are suitable for organizations in which jobs are complex and members have to interact with various departments. When the tasks are comparatively simple and of routine nature, centralized communication (Chain, Y, and Wheel) is recommended.

Figure 3.4 illustrates the different types of communication.



(a) Chain Type of Communication (b) Inverted Y Type of Communication (c) Wheel Type of Communication



(d) Circle Type of Communication

***Fig 3.4** Types of Communication*

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3.3.4 Cross-Cultural Communication Skills involved in Communicating and Listening

The advent of a global economy has transformed the very nature of our workplace. The work place has become global, heterogeneous and diverse. It is not usual to find people of different age, gender, ethnicity, nationalities, speaking different languages, different preferences, and value system working together in a team/ organization connected to each other through the Internet at different geographical locations. We are all aware of the fact that effective communication is basic requirement for any organization. Therefore, there is a need to communicate effectively with diverse people (in many ways), so that the organizational objectives are met. Earlier people used to work in the same location, therefore communication was direct and any misconceptions could to be resolved soon. However, in the contemporary world, people work in diverse locations and interact with the help of technology without any direct contact, making communication all the more complicated. It is obvious that there can be a huge risk in the misinterpretation of what one means to convey. Management of effective communication is always a challenging task because cross cultural factors increase the chances of communication problems.

One of the barriers in cross-cultural communication is the confusion in the meaning of words or gestures. Different cultures have different interpretations of particular words or gestures. In some cultures, communication is formal and in others it is informal. Depending on their socio-cultural ethnicities, people have different words for the same object. Some cultures are more context sensitive, such as China, Korea and India while North America and Switzerland are low on this aspect. For instance, people from countries like China, Korea, Japan, India and Vietnam heavily depend on the non-verbal cues when communicating with others. On the other hand people from Europe and North America basically rely on spoken words to convey the meaning.

A better understanding of all these cultural barriers and differences can give an insight into cross-cultural communication. Therefore, when communicating with people of different cultures one should have some understanding of the cultural variations. Also, it is essential for managers to portray sensitivity and acknowledge these differences. The following guidelines as suggested by S.P. Robbins, T.A. Judge and S. Sanghi may be used to make cross-cultural communication more effective:

- Assume differences until similarity is proven in cross-cultural interaction.
- Emphasize on description rather than interpretation or evaluation. The idea behind this is to delay giving value judgment until we have sufficient time to observe and interpret the situation from the differing perspectives of all the cultures involved.
- It is important to practice empathy. Before communicating it is very effective to put yourself in the position of the recipient to get his/her framework/perspective.

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- Treat your interpretation as a working hypothesis. Before making any final communication get it checked/verified by people of home country/ manager from a third country so that your interpretation is on the target.

CHECK YOUR PROGRESS

5. What is communication?
6. How does communication flow?

3.4 DECISION-MAKING

Decision-making is an important aspect of any leader and organization. At every step in the organization, some decisions have to be made. Decision-making is inevitable to the organization all goals and tasks require some kind of decisions-making. Decisions involve studying various alternatives and selecting the best alternative to the problem. A good decision always helps the components of the organization, such as the individuals, groups, and the organization to achieve their goals and perform well. On the other hand, a bad decision or an inappropriate decision will obstruct the achievement of goals and also lower the performance. Decisions could either be routine in nature or may have a premeditated outcome. So, it is solely the judgment of the individual to arrive at a particular solution. The decision-making process is quick and is primarily based on the ability, nature, skill and experience of the individual concerned.

3.4.1 Personal Decision Style

Individuals portray their own style of decision-making on the basis of personal orientation. Individual decision-making can be effective as well as affective. Making a decision is the most important part of an individual's life, and decision-making is a crucial part of professional life. A small decision can have a huge impact on the organization as a whole. Due to the advent of the information technology (IT) revolution, a manager has plenty of information on products, market trends, customer preferences and availability of various resources that are required for the management of an organization. Managers also require using various statistica l tools before arriving at a decision. A decision must be rational and based on the available facts and the future expectations of the user.

3.4.2 Rationality

As rational human beings, we all have the tendency to maximize gain, i.e., to choose an option from various possible alternatives that appears to be the best at a particular point of time. For example, when buying a cell phone, we first research about the brand, cost, features, appearance, style, applications, comfort, quality, durability, etc. For some of us the brand is the most important criteria, for many others the features or the price may be priorities. Depending on what is important

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for us we look for all possible alternatives, research and eventually reach a decision. Therefore, rationality simply refers to the success of goal attainment, in the best possible manner. Any rational decision involves the following steps:

- *Definition of the problem.* It is always important to understand the problems before any rational decision is being taken.
- *Identification of criteria.* One must be aware of all the possible course of options that are available.
- *Assignment of accurate weightage to criteria according to preferences.* The advantages as well as the disadvantages of the options should be well studied according to one's choices and needs.
- *Knowledge of the alternatives and assessment of each alternative based on the criteria.* It is always better to have viable options and alternative plan of actions.
- *Choosing of the alternative with the highest value.* The options with the best and highest chance of suitability and choice should be considered in order to make a rational decision.

3.4.3 Behavioural Economics and Money Decisions

The rational decision-making model is sometimes referred to as the rational-economic model. The origins of this model can be traced to the classic theories of economic behaviour. This is a traditional approach, which has been proposed to understand decision-making. According to this model, managers are rational human beings who make consistent, value maximization choices for the improvement and achievement of organizational goals. The system of values consistent with this assumption assesses outcomes based on their current or prospective monetary worth. Values of this type are used in business situations whenever managers weigh alternatives in terms of profitability or loss. They then choose one of the alternatives and implement that option as the preferred solution or decision. This choice is made by assessing the available options and alternatives that are expected to give the maximum benefits in comparison to the other available alternatives. The expected worth of a particular alternative consists of the sum of the expected values of the costs and benefits of all outcomes associated with that alternative.

Research conducted by Nobel Prize-winning scientist Daniel Kahneman and his colleague Amos Tversky indicates that, in general, people have a slight preference for sure outcomes as opposed to risky ones. However, their research also shows that people have a very adverse reaction towards loss. This loss-aversion bias affects people's decision-making even more strongly than their preference for non-risky situations. When given a choice between a sure gain and a risky gain, most people will prefer the former and avoid the risk. When given a choice between a sure loss and a risky loss, however, most people will avoid the sure loss and take a chance on the latter.

3.4.4 Factors Affecting Decisions

There are various factors that influence decisions. The following are the factors that affect decisions:

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- **Information:** Adequate information must be made available to the decision maker. What is important is the amount, quality and the format in which the information is made available to the decision maker. Inadequate information is as dangerous as too much of information.
- **Bias:** Every individual's decision is highly affected by attitudes and beliefs. An individual has preconceived ideas about an issue and accepts what he wants to, and ignores information which is not acceptable by him.
- **Time:** A problem is identified and a solution is sought within a specified time. As the complexity or impact of external variables affect a problem a longer time period may be required. However, in today's fast-paced world it is important to keep in mind the available time frame when making a decision. A rigid time schedule may be necessary when making a decision. There are managers who can take effective decisions even under time constraints.
- **Taking risks:** A manager's ability to take risks is dependent on personal characteristics, organizational culture where risk is rewarded and not penalized for failed decisions, intelligence level and the expectations of the decision maker. People with high expectations are generally highly optimistic and take decisions even with minimum information.

3.4.5 Individual vs Group Decision-Making

In an individual decision-making style the decision is taken by the head of the organization. This style is adopted in many military organizations where people rely on the decision taken by the leader. Here some people are primarily concerned with achieving success at any cost, others are more concerned about the effects of their decisions on others. Further, some individuals tend to be more logical and analytical in their approach to problems, whereas others are intuitive and creative.

When it comes to decision-making, people are less than perfect in making decisions. People make wrong decisions quite often. People have limited capacities to process information accurately and thoroughly. Individuals often focus on irrelevant information when making decisions. We also fail to make use of the complete information that may be available. There is also a possibility of an individual depending too much on heuristics, certain biases and personal sensitivity pertaining to particular issues.

An organization comprises of groups and teams, most of the decision-making in organizations is done by groups. It is a matter of debate whether individual or group decision-making is better. However, in group decision-making the knowledge/expertise/ varied skills of different people can be used, which is not possible in case of individual decision-making. Decision-making in groups can only be effective when the group members are of different age, gender, race, and ethnic backgrounds. The more diverse the group members the better opportunity a group has to consider different perspectives and make a better decision.

Even though diverse work groups can improve decision-making, there is also a high risk that they can give rise to many problems. In some group, it is possible that members might have different perspectives on some issues but are not ready to accept the position of other members. Therefore, many organizations are trying to respond to this challenge through various techniques like diversity training programme. The aim of this technique/s is to help the members understand each other and acquire an awareness of each other's diversities so that they can effectively make better decisions despite their differences. Figure 3.5 illustrates the advantages and disadvantages of group decision-making.

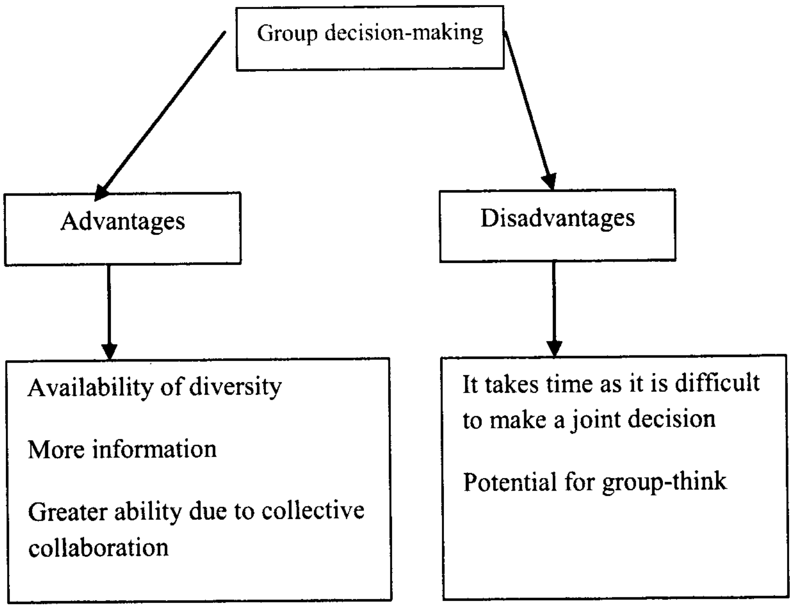

Fig 3.5 *Advantages and Disadvantages of Group Decision-Making*

3.4.6 Brainstorming

An effective approach for solving creative problems commonly used by groups is brainstorming. The technique of brainstorming is participative in nature and participants are encouraged to come up with as many ideas as possible without being criticized by group members. Therefore, it is more like an idea generation process in order to reach creative solutions to problems. A usual brainstorming session will consist of the following steps:

(i) All the members of the group collaborate and a member describes the problem requiring attention.

(ii) Without any hesitation or critical evaluation, members are encouraged to share their own opinions freely with the rest of the group members. Different suggestions may be proposed by the members of the group.

(iii) Whether the ideas are relevant or not, members are encouraged to come up with as many ideas as they can and consider the available suggestions.

(iv) The whole process and the ideas are recorded by a member while they are being presented.

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There are four main rules that the group members are expected to follow:

(i) Avoid criticizing the ideas presented by others.

(ii) Share even those suggestions that may appear the least relevant.

(iii) Offer as many comments as possible.

(iv) Generate new and better ideas than those that have already been presented by others.

The process of brainstorming usually leads to the generation of a wide range of alternatives and the best alternative is selected. However, research evidence is not in favour of brainstorming. A major disadvantage of this technique is production blocking. Production blocking refers to a tendency of a person to block other group members during a group discussion. Thus, production blocking impedes the sharing of ideas. However, an effective alternative to neutralize the effects of production blocking in order to utilize the effectiveness of individual potential known as electronic brainstorming has been developed. In this process group members use their own personal computers and record their ideas/views while at the same time they have access to alternatives generated by other group members on their computer screens. In this way they share their views individually in connected networks through electronic systems. This technique could be an effective means of overcoming some of the deficiencies that might occur when brainstorming groups meet face to face.

3.4.7 Techniques to Improve Decision-Making

There are certain advantages that can be gained from using individual decision-making techniques and some that can be attributed to group decision-making techniques. A decision-making technique that combines the best features of groups and individuals, while minimizing the disadvantages would be the best choice. Several techniques designed to realize the best of both have been used widely in organizations. These include techniques that involve structuring the effectiveness of group decisions by training decision-makers in different ways to avoid unwanted results. So while training individuals in making better decisions, researchers have observed that that people make four types of mistakes when attempting to make creative decisions, and after training they make better decisions. The four types of mistakes are as follows:

1. **Hypervigilance:** This involves searching for quick solutions to problems and switching from one idea to another. This can be avoided by keeping in mind that the best option is to focus on one suggestion and urge people to use their skills and education to perform the task at hand.

2. **Unconflicted adherence:** Many decision-makers make the mistake of focussing on the first idea that comes to their mind without any deep evaluation. Thereby, people are unlikely to see the problems associated with it. Therefore, people can be urged to think about other alternatives and techniques.
3. **Unconflicted change:** People are also sometimes quick to change their minds and adopt the first new idea that comes to their mind. So one can be encouraged to consider the risk and problems of adopting an alternative, and evaluate the strengths and weaknesses.
4. **Defensive avoidance:** Too often people fail to solve problems as they avoid working on the problem at hand. It is not advisable to put away the problem indefinitely. It is important to take responsibility and not ignore the problem.

Delphi technique

This is a technique that is used when the group members do not meet face to face. It is also a form of decision-making, which is found to be very effective. Thus, when a leader has a problem that has to be resolved, suggestions from experts are sought through written communication. This technique does not require a meeting. In this technique, the leader describes the problems in a series of questionnaires and seeks the responses of the group members. Once the filled questionnaires are received by the leaders, they are compiled by the leader, responses are summarized, and some additional review questions are added by the leader and sent back to the group members for their opinion. In this way, the process continues until an agreement is reached.

The main advantage of this technique is that it allows the collection of expert judgment without the need to bring all the experts together, which can be very cost-effective. On the contrary, the main drawback of this technique is that sending letters or email messages, waiting for everyone to respond, translating and disseminating the response and repeating the process until an agreement is reached, usually takes quite a long time. However, despite these facts, the technique has been found to be successful.

Nominal group technique

This is a group decision-making method in which individual members meet face to face to pool their judgments in a systematic but independent fashion. In this method, small groups of individuals present and discuss their ideas or opinions before privately voting on their preferred solution.

According to this technique, the group members sit around a table and the problems to be discussed are described by a group member. The members are given a considerable amount of time usually about half an hour to come up with their ideas or opinions concerning the problems. The members then write them down their ideas on a piece of paper and vote for their preferred choice of solution. Since each member brainstorms privately, this technique avoids the production or

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interference of blocking factors which can occur in a face to face interaction. The advantage of this technique is that it encourages the members to share their ideas whether they are relevant or not. Further, this technique helps to overcome the self-consciousness that can otherwise occur in some brainstorming groups.

This technique has advantages as well as disadvantages. The nominal group technique furnishes useful results in only a few hours. This technique discourages any pressure to conform to the wishes of senior group members. However, the main disadvantage of this technique is that it considers one problem at a time, therefore for a complex problem many such sessions will be required.

3.4.8 Groupthink

In a group situation that involves decision-making, there are times when some members do not agree with the solution but anyway support it, since it is the predominant decision. This situation occurs because individuals do not want to override the decisions taken by the group. People want to follow and stick by group norms instead of presenting a contradictory decision. This situation of faulty decision-taking is known as group think. This happens when the decision is taken without analyzing the data appropriately and what is being emphasized is the infallibility of the group and not the facts and figures related to the decision. The term 'groupthink' was coined by Irving Janis. Some of the symptoms of groupthink according to Robbins, Judge and Sanghi are as follows:

1. Members in a group usually support group opinions even if there might be strong evidence against them.
2. Groups will usually put on more pressure on those members who directly speak up against group opinion.
3. If some members are confused about some of the opinions they usually remain silent and agree with the dominant opinion.
4. Group members tend to think that if some of them do not share their opinion the others suppose them to be strongly supportive of the dominant opinion.

Groupthink was traced as the cause for two famous space tragedies, i.e., the Challenger and the Columbia crashes. Groupthink is the reality of many organizations.

However, there is various strategies could be used to minimize the potential hazards of groupthink. One possible and practical option is that a manager should encourage the leaders of the group to ask for the opinions of the members rather than trying to give them their opinion. This process will be most useful if the opinions are collected at every stage of the decision-making process. Also, the members of groups should be encouraged to discuss more applicable options.

3.4.9 Group Polarization in Risky Decisions

When in a group, people are more inclined to make risky decisions, which they would not make otherwise. In groups, people make drastic decisions as opposed

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to a decision made alone or independently. For example, Tarun goes to the market to purchase a particular laptop. However, on reaching the store the salesmen convince him to purchase a more expensive laptop. Gradually, the salesmen are successful in their endeavour and Tarun purchases a more expensive model than the one he had originally intended to purchase. However, after making the purchase Tarun begins to regrets his decision.

This shift in decision is known as group polarization, and is a common characteristic of group decision-making. The initial opinion and beliefs of individuals or a group change after various options have been weighed. The three factors that cause group polarization are as follows:

- **Persuasion:** In this process people change their mind after rational arguments are given.
- **Comparison:** People can also change their mind when desirable alternatives are being presented in the arguments. For example, an alternative can be more beneficial than the original decision.
- **Differentiation:** People can also change their mind when arguments are distinct and different to the rest.

Let us take an example of a group of executives who have gathered to discuss welfare reforms for employees. The policy will require more money from the organization's fund. Initially, during the discussion a majority of employees are against the welfare policy due to the large investment involved in the procedure. After a thorough discussion the group is even more against the policy than the initial phase of the discussion. The majority does not support the policy. Thus, it is concluded that the initial idea has been strengthened and the group is now more polarized against the policy than before.

CHECK YOUR PROGRESS

7. What is decision-making?
8. Define the term 'brainstorming'.

3.5 LEADERSHIP

Leaders and leadership are the most common features of all organizations in the world. Leaders are present at every level in the organization and in all spheres of life. A leader is the backbone of all decisions taken by any group or organization. A leader is responsible for taking all the important decisions of the organization and guides the organization through difficult situations.

Therefore, a leader can be defined as someone who has the ability to influence and lead a group towards the achievement of a vision or a set of goals. Leaders are also supposed to inspire and motivate the members of the group in order to

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achieve the group goals. However, leadership is not only about the leader, it is also about the followers (whom the leader leads) and the situation in which leadership takes place. Without any followers, there is no leadership. Similarly, if the leader is unable to understand the context/situation then he/she may be a failure as different situations require different leadership. Therefore, leadership is based on the leader's personality, the followers' personality and needs as well as the situation.

3.5.1 Nature and Types

Leadership is about coping with change. A leader establishes direction by developing a vision of the future and helps them to overcome hurdles. A leader is an important as well as an inevitable member of any organization. His or her personality, characteristics, function style, abilities and skills play an important role in influencing human behaviour. Leadership helps in the process of management, motivation of employees, influencing human behaviour in certain ways and directing changes to be incorporated in an organization. Leadership is a necessity for effective and successful management of an organization's affairs. A good leader performs many important functions and plays an important role in an organization.

According to the types of leadership given by K. Lewin, R. Lippitt and R. White there are three types of leadership that are as follows:

(i) **Autocratic:** In this type of leadership the power is centralized in one person. As the authority lies with one person, nobody is subject to question the authority and decision of this type of leader.

(ii) **Democratic:** As the name suggests, in this type of leadership, the power is delegated and everybody has the right to speak and voice their opinion, thereby it is ruled by the majority.

(iii) **Laissez-Faire:** In this type there is no leader in particular, and people make their own rules based on their own choice. This type of leadership has its own advantages and disadvantages.

3.5.2 A Historical Review of Approaches to Leadership

The following are various historical approaches to leadership.

Behavioural theory

According to this theory, the best way to study and define leadership is in terms of the functions of a leader rather than his/her personality. Thus, it is concerned with a leaders' behaviour rather than his/her traits. This approach involves the following steps:

- Collecting critical incidents of good and bad leadership behaviour by the interview procedure.
- Scaling each incident to determine how good or bad behaviour is judged.
- Developing a checklist that can be used to check off, which of these behaviours have been shown by each leader or supervisor.

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Ohio State studies

This was the most detailed and comprehensive behavioural study of leadership. This study was undertaken at the Ohio State University, USA. in the 1940s. This research began from identifying thousands of dimensions about a leader's behaviour, which finally narrowed down to two contrasting leadership styles which accounted for the leadership behaviour described by employees:

- **Initiating structure:** According to this leadership style, the leader exhibiting initiating behaviour is well-organized and tends to structure the role and responsibilities of each member for the attainment of goals. The leader who is high in initiating structure is one who can give workers their specific roles and expect them to fulfill those responsibilities in time following the defined standard.
- **Consideration:** The leader exhibiting this type of leadership style believes in mutual trust and respect between the leader and the employees. Such leaders are considerate and focus on the well-being and welfare of the employees. A leader who is high in consideration is one who helps employees with personal problems, is easy to communicate with and treats all employees equally.

University of Michigan studies

At the time of the Ohio State Research, another similar research about leadership was undertaken at the University of Michigan, USA. The objective of the research was similar to the ones undertaken by the Ohio State University. This research initiative too resulted in two contrasting leadership patterns:

(i) **Employee oriented:** Leaders exhibiting this leadership style are found to be more inclined towards the needs and well being of employees. These leaders have a great insight on understanding the individual differences of employees. They care about the welfare of workers and focus on their needs and works. This style is similar to the consideration style of the Ohio State studies.

(ii) **Production oriented:** This type of leadership style emphasizes towards the tasks performed by workers and their productivity. Such leaders consider employees as means to achieve the targets of the organization. This style is similar to the initiating structure of the Ohio State studies.

Unlike the Ohio State University research, which found that both initiating structure and consideration were important for effective leadership, the University of Michigan researchers advocated for employee-oriented leadership. According to them, an employee- centered leadership style is associated with higher group productivity and greater job satisfaction.

Contingency theory

Unlike the behavioural theory, this framework assumes that there is nothing called a best/ideal leadership style. The leadership style must be in sync with the need of the followers as well as the situational requirements. The first theory in leadership under this framework was given by F.E. Fiedler. We can thus say that the success of a leadership is dependent on the compatibility of the leader's styles/values with the situation as well as with that of the follower's needs and values.

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Fiedler theory

This theory is the first leadership theory under the contingency framework. This model is about finding a fit between the leadership style/s and the situation. These models involve the following steps:

1. **Identifying leadership style:** Fiedler assumed that the leadership style of a leader is fixed. He identified two basic leadership styles, i.e., relationship-oriented and task- oriented leadership style. The first step is finding the basic leadership style of a leader. Fielder used the Least Preferred Coworker (LPC) questionnaires to identify the basic leadership style. This set of questionnaire contains sixteen contrasting adjectives on which the worker has to give a rating from 1 to 8 about each individual that he has worked with. If the Least Preferred Coworker is described in a relatively positive term, then the relationship-oriented style is the basic style. On the other hand, if the Least Preferred Coworker is seen in relatively unfavourable terms then the basic style is task oriented.
2. **Defining the situation:** Fiedler defined the situation in the terms of the following three factors:
   - (i) **Leader-member relation:** This defines the degree of trust, confidence and respect the subordinates have towards their leaders.
   - (ii) **Task structure:** This determines the degree to which job assignments are well-defined and well-structured.
   - (iii) **Position-power:** This is the degree of authority of the leader over critical issues, such as hiring, firing, salary increments, etc.
3. **Assessing the favourableness of the situation:** The situation is favourable for the leader if there exists a good leader—member relationship; tasks are well-structured and well-defined and have a good position power. On the other hand, if all these three elements are at the lower side then favourableness is low. In between these two extremes, there may be various levels of favourableness for the leaders (out of three situational variables some may be high, some moderate and some low).
4. **Matching leader and situations:** Fiedler has proposed that the proper match of leadership styles with the favourableness of the situation would determine the effectiveness of the leadership, which would eventually help the organization in goal achievement. According to him, task-oriented leaders usually perform better in both those situations which are either high or low on favorableness, while relationship-oriented leaders perform better in moderate situations.

There is partial empirical support for the model. However, there are some problems as well. The idea of fixed leadership style is a problematic proposition. Situational contexts are far too complex and focussing on just three factors is not adequate to understand these complexities. Moreover, the LPC scores are not stable, it may change over time. However, this is the first contingency model, which gives a different direction to leadership research and is a significant contribution in the domain of leadership studies.

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3.5.3 Contemporary Issues in Leadership

Leadership is one of the most thoroughly discussed, debated and practiced concept in the area of Organizational Behaviour. Despite so much interest in the area, the boundary of the concept is still very uncertain, newer dimensions/labels for leadership are coming to fore every day. Warren Bennis in his article, *The End of Leadership* stated the changing paradigms on leadership, he went on to say that leadership cannot exist without the full inclusion, initiative and cooperation of employees. Leadership in the old framework of compliance and control must pave the way for different frameworks where the followers and the context of the leadership needs to be explored. Many contemporary issues, such as trust, collaboration, followership, emotional intelligence, spirituality, etc., have been gaining ground, and effective leaders must take a note of all these issues. In the recent past many exciting notions of leadership, such as servant leadership, e-leadership and ethical leadership emerged to handle the changing realities of modern organizations. Some contemporary issues that leaders must manage are as follows:

Trust: Trust in organization refers to the global evaluation of an organization's trustworthiness as perceived by the employee. Employees continually observe the organizational environment when they consider whether or not to trust their organization. Organizational processes communicate the organization's views of its employees and their roles, and employees will respond to trust relations communicated by the organization. Trust is an essential element in constructive human relationships. It creates togetherness and gives people a feeling of security. Therefore, the leader being the agent of an organization is expected to ensure that the trust of the followers is not breached. Trust among the top management facilitates strategy implementation, making it easier to bring about change. In the organizational context, three types of trust have been identified:

(i) **Deterrence-based trust:** This is primarily based on fear, one violation or inconsistency can destroy the relationship. This form of trust is based on fear of reprisal if the trust is violated. Individuals in this type of a relationship do what they say because they fear of the consequences that may occur from not following through on their obligation.

(ii) **Knowledge-based trust:** This trust is based on the predictability of behaviour that comes from a history of interaction. It exists when one has adequate information about someone, in order to understand them well-enough and accurately predict his or her behaviour.

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(iii) **Identification-based trust:** This is based on mutual understanding of wants and needs. The highest level of trust is achieved when there is an emotional connection between the parties. Trusts exist because the parties understand each other's intention and appreciate the others' wants and desires. This mutual understanding is developed in the point that each can effectively act for the other. The controls are minimal at this level.

- **Leader personalities:** The admiration/idealization of the leader is more in India as compared to some other parts of the country. When YSR Reddy (the former Chief Minister of Andhra Pradesh) died in a crash, many of his supporters/admirers committed suicide, this is just one such case, many such cases have occurred in the recent past. Therefore, most of us believe that the leader possesses some extra qualities. In the organizational context, the leader's personality has always intrigued researchers. R.M. Stogdill carried out the first systematic study to explore the leader's personality and found five characteristics influence leadership. These are, capacity (intelligence, judgment), achievement (knowledge, scholarship), responsibility (dependability, aggressiveness, self control, desire to excel), participation (activity, sociability, cooperation, adaptability) and status (position, popularity). Popular researches on a leader's personality could not become prominent because many researchers after Stogdill established different lists of leadership traits and could not reach a consensus. However, global leaders like Steve Jobs, Jack Welch, Lee Iacocca, Richard Branson, have generated much interest in the personality of leaders. Therefore, the study of leadership made a strong come back in 1990s, which was followed by two strands of research, i.e., transformational and charismatic leadership.

Transformational leader: This is the kind of leadership that inspires the followers to rise above their self interest for the good of the organization. Such leaders are very compassionate about their followers and always want them to stand on their own. They adopt the role of mentors guiding their followers in their work and struggle for achievement. They pay close attention to the concerns and developmental needs of their followers. Further, these leaders help in introducing new approaches to problem-solving. These leaders want their followers to develop their capabilities and contribute in the organization and even beyond the organization.

Transactional leader: Transformational leadership may be contrasted from transactional leadership. Transactional leaders are usually found in most organizations whose task is to ensure that the goals of the organizations are achieved. In exchange of this goal achievement, employees are paid and rewarded. This is based on the normal exchange principle of business. This leadership is about achievement of pre defined organizational goals through observing, monitoring and rewarding employees.

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Robbins, Judge and Sanghi presented the following table to compare transactional and transformational leadership. This table shows how leaders in both the styles function and achieve organizational goals.

Table 3.1 *Characteristics of Transactional and Transformational Leadership*

Transactional Leader:	**Transactional Leader:**
Contingent reward: Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishment. Management by exception (active): Watches and searches for deviations from rules and standards, takes correct action. Management by action (passive): Intervenes only if standards are not met. Laissez-Faire: Abdicates responsibilities, avoids making decisions.	Idealized influence: Provides vision and sense of mission, instills pride, gains respect and trust. Inspirational motivation: Communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways. Intellectual stimulation: Promotes intelligence, rationality and problem-solving. Individualized consideration: Gives personal attention, treats each employee individually, provides advise.

Charismatic leader: This is a form of leadership originally identified by Max Weber, which remained dormant for years, however made a strong comeback in the 1980s. The word charismatic originates from the Greek word 'charisma' meaning gifts. According to this theory of leadership, such leaders have unique qualities in them that make the followers admire them. They are believed to be gifted with special qualities; some examples of a charismatic leader are Indira Gandhi, John F. Kennedy and Bill Clinton. Their primary qualities are that they have vision, willingness to take personal risk to achieve that vision, and sensitivity to the needs of their followers. While interpreting charismatic leadership one should be very careful, because there are many instances when these leaders portray the downside of charismatic leadership. When the vision of the leader is to justify his/her self-interest, they tend have a larger than life persona and they may not act in the best interest of the organization. Hitler has all the attributes of charismatic leadership but he will always be remembered as the cause of World War II that claimed so many lives. Recent researches on charismatic leadership have also broken the myth that these leaders are born with certain extra ordinary qualities as many situational correlates of this leadership have been identified. This implies that these leaders emerge more in certain specific situations. Therefore, it can be concluded that both personality as well as situational factors influence the development of charismatic leadership.

Emotional intelligence: No other concept in the recent past has generated so much expectations, hope, and controversies as the concept of Emotional Intelligence. Emotional Intelligence and EQ were selected as the most useful words or phrases of 1995 by the American Dialect Society. The popularization of EI led to cover stories in popular magazines like *Time* and *USA Today Weekend* on the importance of EI to success in school and at work.

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There are many theoretical models of EI, such as Goleman, Mayer and Salovey, Bar-On, Cooper's Executive EQ, etc. A detailed analysis of these models is beyond the scope of this unit. However, it would be sufficient to say that EI an important leadership quality, which can be groomed and developed for the benefit of all. High EI enables leaders to develop an understanding of the needs and feelings of the employees. EI constitutes of several competencies, such as self awareness, empathy, adaptability and self-confidence. EI can be learned. Honest feedback from colleagues and ongoing guidance can help leaders to acquire EI competencies. A good leader is one who understands the inner world/feelings/ emotions of their subordinates before taking a decision. EI affects the way leaders make decisions. Under high stress, leaders with high EI tend to keep their cool and make better decisions, while leaders with poor EI make poor decisions. There is now sufficient evidence to show that EI has great business imperative and it is essential to provide EI training to all leaders in order to harness its benefit to the fullest.

3.5.4 Leadership and Power

Robbins, Judge and Sanghi defined power as the capacity of 'A' to influence the behaviour of 'B' so that 'B' acts in accordance with 'A's wishes. This definition implies that power is a potential that need not be actualized to be effective and also power reflects dependency relationship. They further elaborated that power may exist but not be used. Therefore, it is a capacity or potential. Power is a function of dependency. The more dependent we are on someone, the more power he/she has over us. We experience power in some form or another, at each instant in life, and often wonder at the way in which circumstances either remain adamantly unchanged or change swiftly, no doubt in both cases, through the application of different kinds of power. A study of power is very essential in the corporate environment. The application of power depends on the attitude of an individual. Power in public life is different than in the corporate world. While the former is situational the latter is object oriented. Proper use of power in organizations is necessary so that the power is not misused and directed towards the attainment of organizational goal.

Contrasting leadership and power

The concepts of leadership and power are closely related to each other, yet differ on the following points:

- **Goal compatibility:** Power does not require goal compatibility merely dependence. Leadership requires some goal compatibility between the goals of the leader and the followers.

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- **Direction of influence:** Leadership usually involves downward influence, i.e, influence of the followers. However, power involves influence in all the three directions, i.e., downward, upward and even lateral.
- **Research emphasis:** Leadership research mostly focusses on identifying leadership styles. On the other hand, power research focusses mostly on power tactics, i.e., the behavioural manifestation of power to extract compliance from the individual, group, etc.

3.5.5 Bases of Power and Power in Action

The sources of power can be divided into two general groups:

Formal power

In this form, power is based on an individual's position within an organization and is also determined by it. This power and authority comes from the ability to reward or from the formal authority bestowed upon the person. Formal power can be categorized as follows:

(i) ***Coercive power:*** This power is based on fear, such as the power to punish or reward. It reflects the extent to which a manager can deny desired rewards or administer punishment to control other people. For example, failure to meet given targets would result in reduction in salary.

(ii) ***Reward power:*** This power source derives from the person's control over resources, for example, power to control human resources, pay and promotion. Greater the perceived value of each rewards the greater the power.

(iii) ***Legitimate power:*** This is the power which is exercised in accordance with organizational rules. This power is exercised with the authority of an organization. Power derives from our cultural system of rights, obligations and duties, whereby position is accepted by people, i.e., right of private property.

Personal power

In this category one does not have to have a formal position in an organization to portray power. This power comes from an individual's unique characteristics. Personal power is categorized as follows:

(i) **Expert power:** This is the power that is derived from knowledge. This is also known as sapient authority, and is based on an acknowledgement of others expertise.

(ii) **Referent power:** This type of power depends on charisma or personal attraction of the individual. Interpersonal skills and emotional support from others are the sources of power for people portraying this type of power.

3.5.6 Skills Involved in Managing Politicking

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In any organization there are managers and individuals in power, who have the authority to enact power. They sometimes display their power in self interest or for guiding the flow of decisions towards themselves. Politics refers to power in action. In a group, power is always present, directly or indirectly, and people's behaviour is influenced by it. Politics involves those activities or behaviours where there is an involvement of power. Both politics and power work together and work on each other influencing the achievement and execution of goals. Power and politics together lead to improvement and development. Politics involves the execution of power in order to get something accomplished as well as those activities that are undertaken to expand the power which is already present.

Different varieties of political tactics may come into play depending upon the various environmental variables and actions necessary. Certain processes of power formation and politics are as follows:

- **Forming affiliation:** One basic and most important process is the formation of coalitions or political affiliation. This can increase individuals' power and give them more political gain which would otherwise be beyond their grasp. By banding together, people can share their collective control over rewards or punishments. They can also combine their expertise, legitimacy, and charisma. For instance, collective bargaining enables union members to obtain wages and conditions far superior to those that they could demand as individuals.
- **Controlling critical resources:** Another way to acquire power is by controlling the supply of certain significant resources. This gives people power over others who require the resources. A warehouse manager, for example, can decide which orders will be filled immediately and which will be delayed. As a political tool, power of this sort can be used to ensure that personal interests are satisfied. Similarly, controlling access to information sources also provides power over those who need that information to reduce uncertainties.
- **Negative politics:** This is a power tactic where one tries to gain political control either by attacking and blaming others for certain failures or by making them scapegoats for those failures or criticizing the achievement of others. This approach of negative politicking involves a direct attack upon the interpersonal sources of power possessed by others in order to weaken current political positions and gain control.

H. Mintzberg has suggested the following strategies to wield political power in organizations:

- **Cultivate right allies:** One must seek alliance with right people who are rising in the corporate ladder. It is necessary to develop friendships with the management. It may also be advisable to form alliance with people who are well-connected.

- **Be positive towards others:** Human beings want to be appreciated and complemented for any work done. When you appreciate other people they will develop a positive outlook towards you and may be helpful when the situation demands.
- **Reciprocity:** It is good to help others. Accordingly, recognize those members of the organization who will be more powerful in future. Help them so that they reciprocate the same when you need their support.
- **Be persuasive:** It is necessary to develop a persuasive technique to get the job done. Forceful agreements when stated eloquently are often highly influencing. It improves your image and provides substantial benefits in future.
- **Image building:** One must build a positive image and create a good impression in the organization. One must therefore be honest, sincere, attentive and social.
- **Control information:** More critical the information and fewer the people who have access to it, stronger the power base. It is therefore necessary to control and disseminate critical information when it is likely to have an impact and serve self- interest.

3.5.7 Followership and Mutual Influence

Unlike leadership, the concept of followership is not extensively researched. All theories of leadership presented above are from the leader's perspective and the followers have been depicted as passive and waiting to be led. However, recent developments in the field have been attempting to highlight the features of followership. In the contemporary work environment, followers recognize their interdependence with leaders and at the same time learn to challenge them whenever they go wrong. According to D. Nelson and J.D. Quick, effective followers are active, responsible, and autonomous in their behaviour and critical in their thinking without being insubordinate or disrespectful. Nelson and Quick have presented the following types of followers:

- **Alienated followers** think independently and critically, yet are very passive in their behaviour. They are emotionally and psychologically distanced from their leaders.
- **Sheep followers** are those who do not think independently or critically and are passive in their behaviour. They simply do as they are told by their leaders.
- **Yes followers** are followers who also do not think independently or critically, yet are very active in their behaviour. They uncritically reinforce the thinking and ideas of their leader with enthusiasm, never questioning or challenging the wisdom of the leader's ideas and proposals.
- **Survivors** are the least disruptive and the lowest risk followers in an organization. They always take the middle ground and their motto is 'better safe than sorry'.

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- **Effective followers** are the most valuable to a leader and the organization as they actively contribute to the organization. They practice self management and self responsibility. They invest in their own competence and professionalism and focus their energy for maximum impact. Finally, they are courageous, honest and credible.
- **Dynamic followers** are responsible, effective in managing the relationship with the boss, and practice self management. The dynamic follower becomes a trusted advisor to the boss by keeping the supervisor well informed and building trust and dependability into a relationship.

3.5.8 Networking

A network may be defined as a set of inter-connected relationships among people inside as well as on the outside of the organization. Within the network one shares information, collaborates and solves problems. Within the network there are also differences of opinion and sometimes conflict. It is from the position of a leader that one influences and responds to a network. A network in common terminology is often regarded as something that people do to keep in touch with people. The ability to network is indeed important, however, it is in everyday work of leading that networking becomes an essential and indispensable skill. Therefore, leadership networking is about building relationships, and making alliances in services of customers, clients, etc.

Networking by a leader is found to be beneficial in many ways such as the following:

- It increases effectiveness by broadening and deepening the communication channel.
- It removes political roadblocks by bridging distances between work groups, teams, etc.
- It also opens new opportunities with other individuals or groups.

3.5.9 Negotiating

Negotiation skills come into play in resolving issues like difference of opinion and demands imposed by workers. Negotiation is the process by which two or more parties come to a common understanding. It is a very important aspect for managing and leading the organization as a whole. Negotiation is a way of mediating toward the differences of parties and come into a term of settlement. Often a situation may require for the third party to mediate. However, sometimes a third party is not necessarily required. This third party is generally known as a mediator. Negotiation is the best way for bringing extreme opinions to an agreement. Leadership experts believe that people in a leadership position possess such kind of negotiation skills, which help them in accomplishing the task of maintaining uniformity and the accomplishment of goals.

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3.5.10 Enabling

Enabling is a form of seeking interest and keeping a keen observation on certain organizational activities. An enabling leader will be passionate and eager to find different ways to actively engage people in working on issues, which are affecting the progress of the organization. The aim of being enabling is to discover ways of motivating everyone towards the attainment of organizational goals. Enabling leaders are continually found to test their own motivation and reflect on how their personality and behaviour have an impact on the behaviour and performance of others.

Enabling leaders are also found to have confidence in their ability and portray a sense of humility, recognizing that they have much to learn. In their approach, trust and respect play a significant role in work. Further, working as a team is preferred because this provides an effective technique for the demonstration of values to every individual involved. The enabling leaders' initiative is to include everyone in a constructive process of teamwork in order to achieve commonly agreed upon goals in which they are mostly self-motivated to contribute their best.

Therefore, enabling leaders need to be skilled at implementing their organizational plans irrespective of the locations and situations. They encourage others in order to get feedback on their actions, however they take all feedback in a positive light. Enabling leaders are aware of the fact that people are conditioned to see things from their own perspective and tend to filter out information that does not fit their belief and expectation. One important thing to be noted is that they are also aware of the need to balance their ego. Enabling leaders are aware that leadership involves a collective sense of duality and flexibility in a team environment.

CHECK YOUR PROGRESS

9. Differentiate between transformational and transactional leader.
10. What is formal power?

3.6 SUMMARY

- A group may be defined as a collection of two or more people who interact with each other and are influenced by each other in one way or the other.
- Development of groups takes time and depends on various factors, such as the size, frequency of interaction and so on. One of the well known models of group development is Bruce Tuckman's model of group development.
- Groups can be primarily classified as formal or informal. Formal groups can be defined as those formed and authorized by the management in order to achieve the goals of the organization. Informal groups are more casual and

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based on interpersonal relationship, i.e., people with whom other employees get on well.

- Team work can be identified as a group of individuals who contribute and work together in a task for which their collective effort is greater than their individual inputs.
- Team building is considered as an essential part of organizational behaviour because teams open up a wider range of experience and abilities. Team building reduces worker discrimination in highly professional work settings because each member has his/her own specific specialty.
- By inter-group relations we mean the relationship that occurs between two or more social groups. Contrarily, the term 'intragroup' refers to the relationship within a group. Inter-group relations are dependent on factors like cooperation, conflict and competition.
- The gender roles are being redefined as both men and women, especially in the urban centers are efficiently managing family life and successful careers. The term 'glass ceiling' refers to a point after which a qualified person cannot move ahead within the hierarchy of an organization due to gender discrimination.
- Due to the diversity of a workplace, discrimination at workplace is inevitable. Organizations are being encouraged to use diversity as an advantage. They can make use of the variety of perspectives and skills that come with a widely varied workforce to better serve a widely varied set of customers.
- Organizational effectiveness depends upon the quality of communication. In every communication there is a purpose, which is expressed in the form of a message to be conveyed.
- Communication flows in two different ways, i.e., vertically and laterally. Vertically the process of communication can be downward and upward. Communication networks can be chain, inverted Y and wheel type.
- Decision-making is an important aspect of any leader and organization Individuals portray their own style of decision-making on the basis of personal orientation. Depending on what is important for us we look for all possible alternatives, research and eventually reach a decision.
- Effective approaches of decision-making include brainstorming, Delphi technique, nominal group technique and groupthink.
- Leadership helps in the process of management, motivation of employees, influencing human behaviour in certain ways and directing changes to be incorporated in an organization. The three types of leadership are autocratic, democratic and laissez-faire.
- According to the behavioural theory, the best way to study and define leadership is in terms of the functions of a leader rather than his/her personality.

- According to the contingency theory there is no best/ideal leadership style. The leadership style must be in sync with the need of the followers as well as the situational requirements.

3.7 KEY TERMS

- **Group:** A collection of two or more people working towards a common goal
- **Formal groups:** Groups that are formed and authorized by the management in order to achieve the goals of an organization
- **Informal groups:** Casual groups that are based on interpersonal relationships, i.e., people with whom other employees get on well.
- **Group norms:** A set of beliefs, feelings, and attitude commonly shared by group members
- **Status:** The official position enjoyed by an individual in an organization
- **Cohesiveness:** the degree of closeness that the members feel with the group
- **Team:** A group whose members have complimentary skills and are committed to a common purpose or a set of common goals
- **Inter-group relations:** The relationship that occurs between two or more social groups.
- **Intragroup:** The relationship that occurs within a group
- **Downward:** The flow of communication from a higher level of a group to a lower level
- **Upward communications:** The flow of communication from a lower to a higher level in a group or organization.
- **Network:** A set of inter-connected relationships among people inside as well as outside an organization.

3.8 ANSWERS TO 'CHECK YOUR PROGRESS'

1. A group may be defined as a collection of two or more people working towards a common goal.
2. Group development takes place in five stages that include forming, norming, storming, performing and adjourning.
3. Formal groups are those groups that are established by the management while informal groups are formed due to personal attachment and interpersonal relationships.

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4. Diversity may be defined as differences that are present among people from varied cultures and backgrounds who are working together in an organization. Diversities can be of race, gender, ethnic group, age, personality, education, background, etc.
5. Communication may be defined as the process by which people transmit some type of information to others.
6. In an organization, the flow of communication can be downward, upward or lateral.
7. Decision-making is the process by which perceived information is used to evaluate and choose among possible options.
8. The technique of brainstorming is participative in nature and the participants are encouraged to come up with as many ideas as possible without being criticized by group members. Therefore, it is more like an idea generation process in order to reach creative solutions to problems.
9. Transformational leaders want their followers to develop their capabilities and contribute in the organization and even beyond the organization.

   Transactional leaders on the other hand focus on the achievement of pre defined organizational goals, through observing, monitoring and rewarding employees.
10. In formal power, power is based on an individual's position within an organization and is also determined by it.

3.9 QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is a team?
2. What are the advantages and disadvantages of working in a group?
3. How are discrimination and diversity related?
4. List the various barriers to communication.
5. State the type of followers according to D. Nelson and J.D. Quick.

Long-Answer Questions

1. Explain Bruce Tuckman's model of group development.
2. Discuss the characteristics of an effective work group.
3. Describe the various techniques of decision-making.
4. Explain the various approaches of leadership.
5. How is power important in leadership? Discuss the skills required in politicking.

3.10 FURTHER READING

NOTES

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UNIT 4 ORGANIZATIONAL DESIGN, CHANGE AND DEVELOPMENT

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Structure

4.0 INTRODUCTION

In this unit you will learn about the meaning of organizational designs and change. You will learn about the various changes taking place in organizations. You will also know about the designs and the techniques for organizational change. You will examine the approaches for change, and the various intervention strategies undertaken. Further, you will learn about organizational development and the meaning of creativity, innovation and lateral thinking.

4.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Understand the meaning of design and change
- Analyse the types of changes and their implementation

- Explain various techniques for organizational development
- Discuss the models of development

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4.2 MEANING OF ORGANIZATIONAL CHANGE

Organizational change refers to any activity or activities that result in a change in the course or processes that affect the manner in which an organization operates. Changes could be conscious and intended or could be introduced internally or externally. Nowadays, changes are an integral part of the organizational environment. Technological developments, competitive environment, globalization, cost controlling and increasing effectiveness together with greater consumer demands all imply that organizations require to continuously develop and renew for survival. Business trends like working for a single organization, throughout one's professional life have become a thing of the past. Business transformations are an integral constituent of work life. An organization that resists transformation can never manage to succeed in the present scenario. Good implementation and planning are the prerequisites for surviving in today's world.

Consequently, management of change is the primary concern for all organizations functioning today. Large scale technological development and globalization effected by liberal policies and free trade have put a lot of burden on organizations for introducing flexibility, responsiveness and efficiency in their structure. Therefore, organizational change can be described as process of evolution, deterioration and modification in an organizational set up.

4.2.1 Cultural Change

Culture is an inherent feature of all organizations. Organizational culture constitutes the environment at work on the basis of the relations developed amongst employees in the organization. It is structured by one's knowledge, skills, capabilities, cultural background, etc. It is the top management that defines organizational culture through actions and leadership and the employees compose an important part of the organizational culture. Organizational culture is not inborn. It has to be established and later developed over a period of time. It enables employees to perform within the framework of the organization's culture. Environment plays a dominant role in developing the culture and so does demographic factors. Organizational culture helps develop professionalism among its employees.

Organizational cultures form for a reason. Culture usually reflects the existing managerial styles. Managers are more inclined to recruit employees who they can relate to and thus, organizational culture is reinforced when new people are hired. Organizational culture evolves with time. Employees usually get used to the existing organizational culture. Thus, for employees to accept a change in the organizational culture, an important event must take place. Change can only be introduced when employees identify the need for change for the betterment of the organization.

However, change is always hard and very difficult to introduce. It requires various techniques and strategies to ensure optimum results.

4.2.2 Process Change

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Process change is essential to change management. Change can originate from any level of an organization. It does not have to come from the top. In order to be successful, every level of an organization should take part in defining what changes are needed and how they will be achieved. There are many organizations, which introduce change to improve productivity. Also, there are various organizations that feel the need for reforms due the forces operating outside the organization including economic, social and political conditions. One of the chief factors that initiate change is the desire to gain a competitive edge. Change management works towards the betterment of Organizations engage in change management activities to improve work techniques currently as well as in the future. The various procedures involved in change management are formulated by the management to make sure that organizational objectives are achieved with minimal losses due to mechanical errors. The top management introduces changes in the prevalent procedures aimed towards improving them, following industry standards or complying with the regulations.

Process changes are necessary to keep pace with the development in technology, automation, information technology, free market environment and availability of trained manpower. The organization must take advantages of these processes. This however needs heavy investment and entails various operational changes but cuts down time and energy. This would bring about a change in the work environment, organizational culture and modify the behaviour pattern of employees.

4.2.3 Structural Change

Organizational structure is related to the foundation of an organization. It provides an overview of the composition and procedures of an organization. It further describes how work is classified and controlled. The structure of an organization shapes the attitude and behavioural traits of its employees. The main areas that operate in organizational designs include work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization. An organizational structure is the overall practice of a business, which is introduced to attain the set goals of the organization. It stresses on employee job description, the type of communication across the enterprise, and the strategically aligned techniques developed with the aim of increasing output. With technological advancements it becomes essential to continuously stay ahead of the competition. The structure of an organization is meant to help the management in achieving its objectives. However, it is apparent that the organizational goals are acquired from an enterprise's business strategies. Thus, it is important that the strategies and structure of an organization work in tandem. Also, the structure should be established on the basis of the strategies. Any big changes introduced by the management related to the business strategies of an organization there is established a need for the structure to be modified in order to accommodate and support this change.

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4.2.4 Models of Change

Following are the various models pertaining to organizational change:

(i) *Lewin's Three-Step Model:* The oldest theory of the general organizational change process is Lewin's Three-Step Model for moving the organization from the present position to a changed position. Lewin used a physical metaphor to explain the process by which social systems change.

Stage 1: Unfreezing

Employees can be motivated and prepared for changes throw disconfirmation or lack of confirmation, creation of guilt or anxiety and guarantee of psychological safety.

Stage 2: Changing through cognitive restructuring

This involves aiding the customer to view, analyse and understand procedures on the basis of fresh viewpoints acquired by the identification of a new guide and analysing the environment to obtain any information of relevance.

Stage 3: Refreezing

This involves aiding the consumer to add the new perspective in their personality. Figure 4.1 illustrates the Lewin's Three-Step Model.

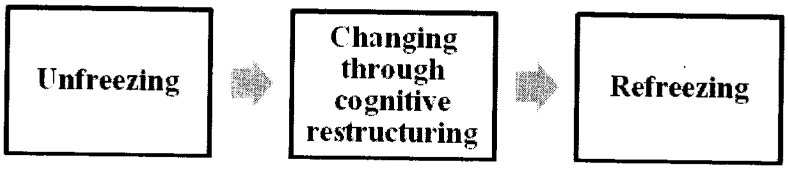

Fig. 4.1 *Lewin's Three-Step Change Model*

(ii) *Action Research Model:* A second general theoretical model of the organizational change process, also attributed to Kurt Lewin, is the Action Research Model. The general idea behind action research is that the process of organizational change is likened to a cyclical research process. Action research also emphasizes that throughout all phases of the research process, there is active collaboration between the researcher and the members of the client system.

As can be seen, the first step in the action research process is problem identification. For any research to be undertaken, or any change to occur, there has to be some recognition of a problem that people care about. In organizations, what qualifies as a problem may vary greatly across different settings. In the most general sense, a problem is found to exist whenever there is a significant difference between the current state of affairs and the desired state of affairs.

The second step in the Action Research Model is development of hypotheses. Obviously, for any particular problem, there could be a multitude of causes. Based on prior the theory and the experience of organizational members, it is often possible to focus heavily on some causes and pay less attention to others.

After hypotheses have been specified, the next step in the action research process is to collect the data needed to engage in hypothesis testing. This is an important step because it distinguishes action research from less scientific forms of inquiry.

Then, after the empirical data has been collected, the very next step in the process of action research is data interpretation. At this juncture the critical question that the action researcher is trying to answer is whether the empirical data support the proposed hypotheses. The biggest problem for the researcher at this point is essentially deciding whether the data support the hypotheses. It is here that inferential statistical methods assist the action researcher in making such decisions.

Thus, according to the Action Research Model, the process of organizational change can be characterized as a continuing cyclical process of hypothesis generation, data collection, data evaluation, and, ultimately, intervention. Figure 4.2 illustrates Lewin's Action Research Model.

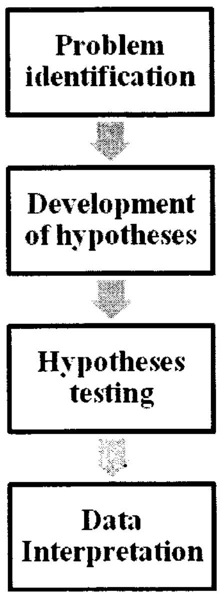

***Fig. 4.2** Lewin's Action Research Model*

(iii) *General Systems Theory:* A third general theoretical base upon which much of organizational development rests is General Systems Theory developed was by Ludwig von Bertalanffy in 1950 but only made its way into organizational psychology in 1966, through the work of Katz and Kahn. The basic idea of general systems is that the organizations import material from the environment, transform that input, and ultimately return it to the environment in some other form. As a result, organizations are constantly in a dynamic interaction with the external environment. More often than not, organizations change in reaction to changes in the external environment.

4.2.5 Organizational Design for Change

The aim of organizational design is the creation of the correct framework that conforms to the needs of the plan that will be executed. Organizational transformation is aimed at the modification of the current framework, which has become faulty with time and fails to fulfill the specifications of the present scenario. Organizational design is a formal method, aimed at integrating the personnel, knowledge and technological framework of an enterprise. Further, organizational design implies to the composition of the management and employees in an organization. The two main types of organizational design include the following:

(i) Hierarchical design: This design constitutes various managerial levels having a number of modes of communication. The structure has a specific system in place that is applicable uniformly in order to control organizational behaviour.

(ii) Flat design: In the flat type of organizational structure, there is no noticeable variation amongst the managerial level and other subordinate levels. This design empowers each employee to contribute towards organizational decisions.

The flat design has a number of advantages. However, it is applicable in small organizations. For bigger organizations, the system transforms from flat to hierarchical.

4.2.6 Systematic Organizational Change

The systems theory implies that various resources constitute an organization like individuals and groups, functions, products and services that form a part of the complete system. Also, in case a part of the system transforms, it affects the whole setup which also undergoes a change. Thus, the different systems or subsystems constituting an organization are minutely interconnected in order to achieve the organizational objectives.

This approach ensures that the decision-makers of an organization get an opportunity to see the impact of these changes on the organization from a wider point of view. Thus, it can be ensured that any decision pertaining to the organization will take into account the entire organizational setup instead of certain situations. Thus, by viewing the influence of change on the organization from a broader perspective, it is possible to aid the organization in locating the actual concerns and deal with them accordingly. Thus, it is important to keep in mind that any change, even if it is introduced in a comprehensive and methodical way has a downside. Instead, identifying the main components of the organization as well as the relationship they have can particularly help only in terms of integrating the objectives of the change across the organization.

4.2.7 Socio-Technical Systems Approach

This technique can be considered the earliest approach that highlighted the significance of the altering of job and activities, which are also called the technical relationships to improve organizational effectiveness. The technique originated from the altering of labour practices in the British coal mining industry. The theory investigates different methods of improving production and morale in organizations through action research. It is based on the theory that an organization constitutes of the relationship involving a nonhuman system and a human system. It further looked at the role of semi-autonomous groups that provide flexibility in organizational existence, which is viewed in the light of social and economic contexts. Aided by an action-based research, this approach attempts to develop organizational forms, serving human as well as technical aspects of an organization. According to theorists together with the social aspects the technical aspects of organizations should be collectively optimized. This theory further highlights the work group interactions more than individual performance. This is based on the assumption that a well-structured work group can result in better incentives, assistance, and social support than individual job design programs. A work group is usually provided with resources and duties in safety, quality control, etc., and through teamwork it identifies and corrects problems.

4.2.8 Experiments with Organizational Change and Intervention

This section explains the experiments concerning organizational change and intervention.

4.2.8.1 Individual level intervention

Sensitivity training (T-Group): This is the most popular technique of intervention; it involves changing behaviour through unstructured group interaction. It helps an individual establish better relation with others. The primary focus of this theory is reducing of interpersonal friction. Although T-group training is carried out as a group activity, it is aimed at the individual rather than the group. The goals of T-group training include enhancement of interpersonal skills and competence, enhanced awareness of the impact of one's behaviour on others, and a greater general understanding of group dynamics.

Management by Objective (MBO): This is another extremely popular tool. It involves a systematic and programmatic goal setting throughout an organization. It is a process by which managers and subordinates work together in identifying goals and setting up objectives and together make plans in order to achieve these objectives. These objectives and goals are consistent with the organizational goals. It is based upon the assumption that involvement leads to commitment and when an employee participates in goal setting as well as setting

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standards for measurements of performance towards that goal, then the employee will be motivated to perform better and in a manner that directly contributes to the achievement of organizational objectives. MBO was introduced by Peter Drucker in his book *The Practice of Management* in 1954.

Job redesign: Another common individual-level organizational development intervention is job redesign. It is a technique that attempts to boost the variety of tasks performed by an employee, directed towards job satisfaction and employee motivation. Job redesign can be a powerful individual-level organizational development intervention because employees typically spend more time on performing their jobs than on any other activity in the workplace. Thus, job redesign can be a very efficient way to change the behaviour of employees.

4.2.8.2 Group level intervention

Group level intervention includes the following.

Team building: Team building is an attempt to assist the work group in becoming adept by learning how to identify, diagnose and solve its own problems. It directly focusses on the identification of problems relating to task performance and lays down concrete plans for their elimination. A team building programme deals with new problems on an ongoing basis. It is an effective technique by which members of an organizational group diagnose how they work together and plan changes that will improve their effectiveness. Thus, the basic aim is to help the group members in examining their own behaviour and developing action plans that foster tasks accomplishment.

4.2.8.3 Socio-technical interventions

Socio-technical interventions include the following.

1. **Systems analysis:** An organization should study both external and internal environment, analyse the socio-economic factors like prevailing standard of living, social demands on employees, aspirations of children and the ability of the individual to fulfill the same. Based on the above factors an organization should design its reward system so that the employee is able to live at a desired level and meet his social obligation. This is important because the systems so evolved would be able to generate enthusiasm and desire to excel in the job that will bring growth to the organization.
2. **Flexible work hours:** Organizations should plan work based on teams. The responsibility to produce is assigned to teams and work groups. The work should be assigned to them based on timings. All the resources should be made available and there should be no interference by the senior members thereby providing them with total autonomy. Flexible work hours are necessary for dual career families. For instance, dual career members, who are now trying to combine their family and work lives, face problems managing their work like family interface.

3. **Job sharing facilities:** Organizations should create job-sharing facilities within the organization and also have tie-ups with other organizations for sharing the job. Job sharing creates additional facility without any monetary burden on the organization and most favourable utilization of resources is achieved. If the facilities are provided for performing the work, employees can meet the dead line of their tasks.
4. **Job evaluation and role analysis techniques:** An individual should be trained in handling more than one job so that when required he could be assigned to a different role. An individual has to play different roles in the organization. He should be self-sufficient so that he can fulfill his obligation. It is also important that an individual should be satisfied on the job he is performing.

4.2.8.4 Structural interventions

Structural interventions include the following.

1. **Change in physical setting:** The objective of physical setting is to reduce physical fatigue of the worker and afford maximum physical convenience while performing the job. This involves layout of the machinery, position of the operator and availability of tools and raw material. This also involves the supervision that is required to be carried out by the superiors.
2. **Formalization:** Formalization refers to the extent to which policies, procedures, rules and regulations exist in the organization. Policies are basic guidelines and principles based on which the organizational objectives are to be fulfilled. They are laid down with great thought and deliberation and are indicative of the culture the organization wants to follow. Policies are mandatory requirements of any system. Policies are general in nature and gives basic guidelines to the manager on how to operate.
3. **Organizational mirroring:** Organizational mirroring is an intervention technique to assess and improve an organization's effectiveness by obtaining feedback from the organization with which it is interacting. When an organization experiences difficulties working with other organizations, it can seek assistance from these organizations.

4.2.9 Successful Change Attempts: Searching for Excellence

For most initiatives in organizational settings to succeed, support from top management personnel is crucial. Lack of top management support is almost a guarantee of failure. Thus, it should come as no surprise that top management support is a key factor in determining whether programs of planned organizational changes are successful. One of the most fundamental reasons why the top management support is so crucial is that top management personnel have a great deal of control over organizational resources. This is important because organizational change and development programmes are very expensive. Not only does an organization typically have to pay the fees of outside consultants, in most cases organizational change and development programmess require a great deal of time.

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Top management support is also crucial because, in most organizations the top management is the level that provides broad strategic direction. The top management's involvement and support are essential in order to give an organizational change effort a proper direction. If an organizational change effort were to be conducted without this involvement, it is quite possible that change might occur, but it might be counterproductive. A final reason that the top management's support is so crucial is that it has symbolic value. Although employees in most organizations may not feel personally connected to members of the top management team, they do look to these individuals for guidance. If an organizational development program is initiated and members of the top management team are indifferent towards it, it signals to employees that the program is unimportant. On the other hand, if top managers enthusiastically support it, it communicates to employees that the organizational effort is important and they should be committed to it.

CHECK YOUR PROGRESS

1. What is organizational change?
2. Define organizational culture.
3. What is the meaning of process change in organization?
4. Define organizational structure.
5. What do you mean by organizational development?

4.3 ORGANIZATIONAL DEVELOPMENT

Organizational Development (OD) is concerned with the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change. Beckhard defines OD as 'an effort, planned organization-wide and managed from the top, to increase organization effectiveness and health through planned interventions in the organizations in the organization's process using behavioural-science knowledge'.

The aim is to adopt a planned and coherent approach to improving organizational effectiveness. OD is concerned with the process not the structure or the systems with the ways things are done. Process refers to the ways in which people act and interact. It is about the role they play on a continual basis to deal with events and situations that involve other people and also to adapt to the changing circumstances. It is also an attempt towards influencing the members of the organization and extends their openness with each other about their individual views towards the organization. It also involves sharing of individual experiences and taking greater responsibility for actions as a member of the organization.

4.3.1 Survey Feedback

A well organized and systematic approach with a relatively long history of good performance is the Survey Feedback Intervention of OD. This technique is derived from a long and sound tradition of attitude measurement and survey research. This is a useful and efficient technique for fostering organizational effectiveness. As it does not involve a high degree of emotional and soul searching on the part of the participants, this technique is devoid of the main limitation of the emotional instability or psychological damage of the participants.

This step involves the following steps:

1. **Collection of data:** Information is gathered through a comprehensive questionnaire. Such a questionnaire consists of company-related multiple choice items. The items focus on issues like employee satisfaction, leadership, decision-making, etc.
2. **Feedback of the information:** Reporting the information and the key findings to employees is another critical step in survey feedback. The results are fed directly to the participants rather than to the top management. Such results must be presented in a non-threatening and constructive manner to the employees.
3. **Developing action plans:** The management should develop an action plan that is both straight forward and workable. Participants are asked about their recommendation.
4. **Follow-up:** The basic purpose of this technique is to assist the organization in diagnosing problems and developing action plans for problem-solving. It also assists group members to improve relationships through discussion of common problems.

This technique is fruitful and can be used in many types of groups. Further, the technique can cut across vertical as well as horizontal dimensions of the organization.

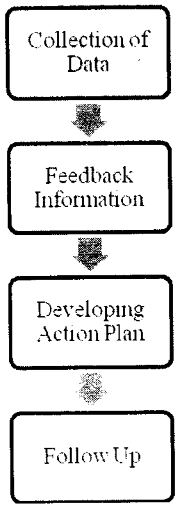

Fig. 4.3 Process of Survey Feedback

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4.3.2 Process Consultation

Edgar Schein, a social psychologist emphasized the role of a consultant in effectively designing the methods to solve the problems faced by a modern organization. Process consultation involves a group of actions directed towards helping clients to recognize, comprehend and take action on the processes that take place in the clients' environment. It focusses on particular fields, such as communication, functional roles of members, group problem-solving and decision-making, group norm, leadership and authority, inter group cooperation and competition.

Process consultation involves the following steps:

1. **Initial contact:** The client comes in contact with the consultant and specifies the problems that cannot be solved by normal organizational procedures.
2. **Define the relationship:** The client and consultant enter into a formal contract. This is also a psychological contract because both parties are involved in the satisfaction of certain expectations.
3. **Select the method of work:** This involves a clear understanding of where and how the consultant will perform the job. The individual employee is made aware of the consultant so that he can help the consultant by furnishing the required information.
4. **Collection of data and diagnosis:** The consultant invests a great deal of time in collecting relevant information. Normally data are gathered by questionnaires, observation, personal interviews, etc., and an in-depth diagnosis is conducted.
5. **Intervention:** Agenda setting, feedback, coaching and structural suggestions are made in the process consultation approach. During this phase the solution designed by the consultant will be translated into action in the organization.
6. **Reducing involvement and termination:** When the goals of OD intervention have been successfully achieved, the consultant leaves the organization by closing the formal contract with the client.

The advantage of this approach is that it focusses on the interpersonal and inter group problems faced by organizations directly. The professional consultant assists employees in facing the problems and resolves the conflicts in a dispassionate way. However, the success of this approach depends on the diagnostic skills of the consultant. If the consultant is looking for the requisite experience and skills the whole exercise may be self-defeating.

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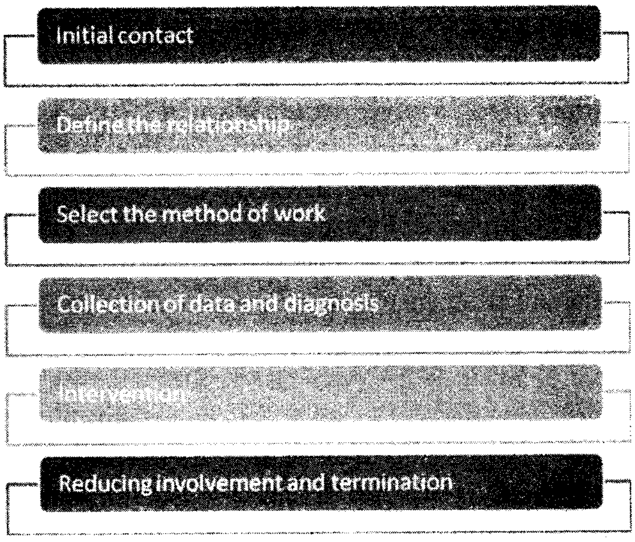

Fig. 4.4 Process Consultation

4.3.3 Action Research Model

The action research model has already been discussed. This model can be applied to process consultation.

As an approach to organizational consulting this model prescribes a positive and collaborative working relationship between the consultant and client, this therefore provides the essential establishment for the organizational change process. There are seven phases of change process in this action research model which are summarized as follow:

1. **Entry:** The consultation processes proceed by developing the relationship between the client and consultant as well as validating the matches between both parties. After the presentation of the client with a practicable business venture, the consultant and the client arrange an initial phone conversation. In this process the consultant gains some insight on the presentation of the problems and the primary concerns of the client.
2. **Contracting:** Contracting determines whether or not to proceed with the consulting relationship and there is a negotiation for any final conditions of the contract. The contracting phase is activated as soon as the client and the consultant agree to work together. It begins after they discuss the actual scope of the project. During a face-to-face interaction with the client, the consultant clears the possible doubts by asking some probable questions in order to better understand the expectations of the client.
3. **Data gathering and diagnosis:** After this contract, both parties proceed to collect the necessary data as well as its analysis. After defining the scope of the project during the contract phase, the consultant and the client begin data collection. Here both parties are involved in an active role in completing this task. The client sponsor provides the necessary organizational data to

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the consultant to help him understand the environment and initiate more data gathering activities.

4. **Feedback:** This involves presentation of the data and its analysis to the client and reviewing any preliminary recommendations. Once the diagnosis process is completed, the consultant actively engages the client and the entire management team in the feedback process. In order for change to be successfully implemented, it is very important to share these findings from the feedback with the client and guide them to determine the next steps. Here, they must initiate the process of change if they ever plan to accept it. The consultant develops a summary report of the findings with conclusions and recommendations suitable for the organization to move forward. Generally speaking, these findings duly support the original disputation which stated that initially there was a lack of collaboration and team identity inside the client's organization.
5. **Planning change:** Since the data has been analysed and the problems have been identified, the specific courses of action appropriate to the client's requirement is developed. The main objective of this phase is to create an action plan which will guide the corresponding phase of the change process. Planning change is not only about the implementation of the solutions being discussed, rather it is an opportunity to investigate the probable solution and determining exactly, how the intervention will progress.
6. **Intervention:** Intervention is about application or implementation of the change technique to the client organization. Intervention is an important phase where the plan is carried out and the suggested solution to the change process is actually implemented within the client organization. It is different from the diagnosis phase where the consultant accepts the responsibility of intervention as the expert. This is rather a one time engagement where the consultant can take the role of a facilitator. It is the responsibility and the objective of the consultant to support the development. However, the client must be held responsible for it. It is the client's organization that must be changed, and only the actual members of this organization can be the experts of their organizational environment. In the process of intervention, the consultant in several sessions facilitates and encourages the learning processes.
7. **Evaluation**: After the implementation of the change process is assessed. The future course of action is determined from the closure of the project, until the new contract development activities. Evaluation is the last part of the whole process. However, evaluation takes place at every phase of the work during this engagement. Here, the consultant and client together evaluate the results of the contracting phase before moving toward data gathering and diagnosis. If the results are not satisfactory, then the individual parties must re-evaluate whether they are ready to move forward with the planned change strategies. Also, the consultant performs a more formal review of

the project. The consultant develops a standard code of behaviour for the measurement of the success of each activity. Also interviews are conducted with each of the managers to draw together their opinions and perceptions. From these gathered responses the consultant combines all the data and presents them to the client for review.

Figure 4.5 illustrates the Action Research Model applied to process consultation.

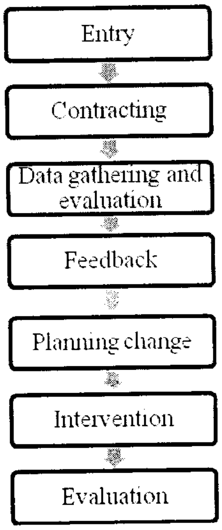

***Fig. 4.5** Action Research Model Applied to Process Consultation*

4.3.4 Person-Focussed Change

Organizational development interventions are typically aimed at individuals, groups, or the organization as a whole. However, the most popular level of intervention is groups, largely because most organizations have realized how important groups are to the success of organizations. Individual-level interventions are also used frequently, although, in many organizations, these are presented simply as training programs rather than as organizational development interventions. In terms of processes the interventions are designed to impact, essentially anything that can impact the performance of individuals, or the organization as a whole, could be the focus of an organizational development intervention.

In the history of organizational development, one of the first organizational development interventions was sensitivity training, also known as T-group training. Although T-group training is carried out as a group activity, it is aimed at the individual rather than the group. This is because the goals of T-group training include enhancement of interpersonal skills as well as competence, enhanced awareness of the impact of one's behaviour on others, and a greater general understanding of group dynamics. Although T-groups were at one time the most popular intervention in organizational development, they are rarely used by organizational development practitioners today. This can be attributed to the fact that the effectiveness of T-groups is doubtful as it is difficult to apply what has

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been learned in the T-group to the workplace. The total honesty and authenticity that are the hallmarks of the T-group movement may not play well in most real-world work settings. Despite the fact that T-groups are rarely used now as an organizational development intervention, it would be a mistake to underestimate its impact on the field of organizational development. Many organizational development interventions that are popular today such as process consultation, team building, etc., are rooted in the T-group.

Another common individual-level organizational development intervention is job redesign. It can also be a powerful individual-level organizational development intervention because employees typically spend more time on performing their jobs than on any other activity in the workplace. Thus, job redesign can be a very efficient way to change the behaviour of employees. The primary limitation of is that it does not typically address more comprehensive issues in the work environment. Another drawback of job redesign is that it is costly. The expense necessary to diagnose and change jobs may be too costly for some organizations, and the system-wide effects of job redesign may be far-reaching.

Another commonly used organizational development intervention that is focussed on individual employees is Management by Objectives (MBO). Although the specifics of MBO programs vary widely among different organizations, certain features are common to most. Most involve some level of joint goal setting between employees and their supervisors. In addition, in most MBO programs, the performance of individual employees is assessed in relation to their progress in accomplishing these objectives. Empirical research has shown that MBO programs have a positive effect on employee performance. Top management support is necessary for MBO programs to be successful.

4.3.5 Value Audit and Effectiveness

Many organizational development programs are conducted without the benefit of any formal evaluation. Fortunately, enough empirical evaluations of organizational development programs have been conducted over the years and they have yielded several summaries, using both qualitative and quantitative methods. The most widely cited qualitative summary of the effectiveness of a number of organizational development interventions was conducted by D.G. Bowers in 1973. The most important finding was that when a number of organizational development interventions were compared, the survey feedback appeared to be the most effective.

In more recent years, researchers have applied meta-analytic methods to the evaluation of organizational development interventions. Quantitative reviews suggest that many organizational development interventions positively impact a number of employee attitudes and behaviours. It is also true, that in all of these meta-analyses, a portion of variance in the effects is left unexplained after accounting for statistical artifacts, such as sampling error, unreliability, range restriction, and so on. This suggests that while organizational development interventions can have positive effects, these effects may vary considerably across organizations.

Organizational development effectiveness aids companies to transform and develop self-evaluation techniques. In order to achieve these goals scientific techniques, procedures and efficient human resources tools are used. OD effectiveness generally constitutes of the following factors:

- Human resource metrics
- Performance and survey assessment research
- Training and e-learning
- Leadership
- Organizational development techniques

All these aspects amalgamate to achieve organizational effectiveness.

Group involvement in each and every aspect of an organization can make it more effective. Technology like the Internet and web-based tools can be used for implementation in distributing the organizational development feedback. Management tools and training tools for all leaders can make the organization more effective. Organizational effectiveness can also affect the overall financial performance of the organization.

Any OD effectiveness depends on the communicative competence and ethics of that company. The relation between OD effectiveness should be very communicative in order to achieve individual and organizational goals. Ethics form the foundation of organizational effectiveness. An organization must respect, be honest and integrate all members equally to achieve effectiveness along with development.

4.3.6 Creativity: Innovation and Lateral Thinking

Creativity is an intellectual way to an approach to problems. It generates a unique and novel way to respond to problems. Individual decisions are made by a person on behalf of a group. In a dynamic and ever changing environment full of unexpected problems, creativity in making a quick and unique decision determines the way people and organizations handle and respond to complex challenges of life. A group plays an important role in enhancing creativity and incorporating it in decision-making. Therefore, making a good utilization of such traditional techniques like brain storming, nominal groups, and the Delphi techniques can greatly help in developing the creative potential of people and the organization.

Stages of creative thinking

Creative thinking is carried out in five stages as under:

(i) **Preparation:** In this stage people engage in active learning and day to day sensing that is required for dealing successfully with a complex environment.

(ii) **Concentration:** Actual problems are defined and framed so that alternatives can be considered for managing them.

(iii) **Incubation:** People look at problems in diverse ways that permit the consideration of unusual alternatives.

(iv) **Illumination:** In this stage people respond to flashes of insight and recognize the problem.

(v) **Verification:** This stage involves logical analysis in order to confirm that good problem-solving decisions have been made.

Fig. 4.6 Stages of Creative Thinking

4.3.6.1 Innovation

Innovation is also another unique way for approaching day to day problems and is more practical and applicable. It is the process of generating novel methods and applying them. It is through innovation that creativity finds its way into daily performance. It is these procedures that add to the improvement of customer services or organizational productivity. Product innovation is the reason behind the beginning of novel or enhanced services in order to cater to customer requirements. Innovation in processes leads to the introduction of advanced work procedures and operations.

Innovation process

New product development can be carried out by innovative ideas. The process of innovation takes the following four steps:

(i) **Idea generation:** This involves generating ideas using spontaneity, creative thinking, ability, and information processing.

(ii) **Initial experimentation:** Experiments are conducted in order to set up an idea's possible worth and relevance in the organizational context.

(iii) **Feasibility determination:** This involves identification of the expected expenses and advantages.

(iv) **Final application:** In this stage the final application is developed and it is determined whether products or services are to be manufactured or whether a new approach to operations is to be implemented.

The final application marks the end of the process. However, if the final stage is incomplete the process of incorporating innovation is yet to end. The mere generation of a novel concept is not sufficient for any organization. Since, concepts and ideas should go by every phase of the innovation process in order to arrive at the last stage before any value can be assigned to it.

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Figure 4.7 illustrates the process of innovation.

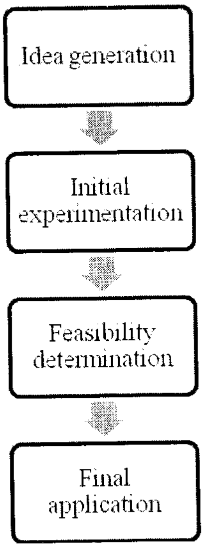

Fig. 4.7 Process of Innovation

4.3.6.2 Lateral thinking

The theory of lateral thinking has been established by Edward DeBono. The Oxford English dictionary states that lateral thinking is, 'a way of thinking that seeks the solution to inflexible problems through untraditional methods or elements which would normally be ignored by logical thinking.' Lateral thinking involves a group of processes that can be employed to enhance creative thinking. The application of lateral thinking processes is a planned approach to disrupt usual, uninterrupted thinking designs, in order to help the change in the pattern, and to increase the variety of potential. Lateral thinking is applicable to standard as well as particular use in all areas (physics, mathematics, political science, social system, education).

The features of lateral thinking by Edward DeBono's are as follows:

1. The characteristics of ideas should be demanding, non-sequential, and non-logical.
2. The procedure of lateral thinking should look for extra alternative, investigating doubtful areas, and does not have to be exact.
3. The procedure of lateral thinking must try to break free from set patterns, labels, and categorizations.
4. The results of lateral thinking are unpredictable and/or probabilistic.

The primary aim of lateral thinking involves overcoming drawbacks by giving a method for reorganization in order to escape from standard designs, for incorporating information in novel methods to establish new concepts. Lateral thinking involves evolving patterns. In a self-maximizing system with a memory the collection of information must always be less than the best possible arrangement. The rearrangement of information into another pattern is insight restructuring. The aim of the rearrangement is to seek a better and more effective pattern. A particular

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way of looking at things may have developed gradually. An idea that was very useful at one time may no longer be so useful today and yet the current idea has developed from that old and outmoded idea. Lateral thinking is also a particular way of using information in order to bring about pattern restructuring.

CHECK YOUR PROGRESS

6. Define creativity.
7. Define innovation.
8. What do you mean by lateral thinking?

4.4 SUMMARY

- Organizational change refers to any activity or activities that result in a change in the course or processes that affect the manner in which an organization operates.
- Technological developments, competitive environment, globalization, cost controlling and increasing effectiveness together with greater consumer demands, all imply that organizations require to continuously develop for survival.
- Organizational culture constitutes the environment at work on the basis of the relations developed amongst employees in the organization. It is structured by one's knowledge, skills, capabilities, cultural background, etc.
- Process changes are necessary to keep pace with the development in technology, automation, information technology, free market environment and availability of trained manpower.
- An organizational structure is the overall practice of a business, which is introduced to attain the set goals of the organization.
- The oldest theory of the general organizational change process is Lewin's Three-Step Model for moving the organization from the present position to a changed position.
- A second general theoretical model of the organizational change process, also attributed to Kurt Lewin, is the Action Research Model. The general idea behind action research is that the process of organizational change is likened to a cyclical research process.
- Organizational design is a formal method, aimed at the integration of personnel, knowledge and technological framework of an enterprise.
- The systems theory implies that various resources constitute an organization like individuals and groups, functions, products and services that form a part of the complete system.

- The socio-technical systems approach investigates different methods of improving production and morale in organizations through action research.
- Sensitivity training (T-Group) is the most popular technique of intervention; it involves changing behaviour through unstructured group interaction.
- Management by Objective (MBO) is a process by which managers and subordinates work together in identifying goals and setting up objectives and together make plans in order to achieve these objectives.
- Job redesign is a technique that attempts to boost the variety of tasks performed by an employee, directed towards job satisfaction and employee motivation.
- Team building directly focusses on the identification of problems relating to task performance and lays down concrete plans for their elimination.
- Organizational Development (OD) is concerned with the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change.
- Survey Feedback is a useful and efficient technique for fostering organizational effectiveness.
- Process consultation involves a group of actions directed towards helping clients to recognize, comprehend and take action on the processes that take place in the clients' environment.
- Creativity is an intellectual way to an approach to problems. It generates a unique and novel way to respond to problems.
- In a dynamic and ever changing environment full of unexpected problems, creativity in making a quick and unique decision determines the way people and organizations handle and respond to complex challenges of life.
- It is through innovation that creativity finds its way into daily performance. It is these procedures that add to the improvement of customer services or organizational productivity.
- The theory of lateral thinking has been established by Edward DeBono. Lateral thinking involves a group of processes that can be employed to enhance creative thinking.

4.5 KEY TERMS

- **Organizational change:** Any activity or activities that result in a change in the processes that affect the manner in which an organization operates
- **Organizational culture:** The environment at work on the basis of the relations developed amongst employees in the organization
- **Organizational structure:** The overall practice of a business, which is introduced to attain the set goals of the organization

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- **Management by Objective (MBO):** A process by which managers and subordinates work together in identifying goals and setting up objectives in order to achieve these objectives
- **Job redesign**: A technique that attempts to boost the variety of tasks performed by an employee, directed towards job satisfaction and employee motivation
- **Organizational mirroring:** An intervention technique to assess and improve an organization's effectiveness by obtaining feedback from the organization with which it is interacting
- **Organizational Development (OD):** The planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change.

4.6 ANSWERS TO 'CHECK YOUR PROGRESS'

1. Organizational change is any action or set of actions resulting in a shift in direction or process that affects the way an organization works.
2. Organizational culture constitutes the environment at work on the basis of the relations developed amongst employees in the organization. It is structured by one's knowledge, skills, capabilities, cultural background, etc.
3. Process change involves the steps and procedures that the top leadership puts into place to ensure effectiveness in operating activities and prevent losses resulting from possible technological malfunctions.
4. Organizational structure refers to an organization's inner framework, and indicates how people and tasks are arranged within it.
5. Organizational Development (OD) is concerned with the planning and implementation of programmes designed to enhance the effectiveness with which an organization functions and responds to change.
6. Creativity is the ability to produce novel and useful ideas.
7. Innovation can be defined as the process for creation of new ideas and putting them into action.
8. Lateral thinking seeks the solution to inflexible problems through unconventional methods, which may be rejected by logical thinking.

4.7 QUESTIONS AND EXERCISES

Short-Answer Questions

1. State the different models of organizational change?
2. How is process change important to change management?
3. List the different stages of Lewin's three-step model.
4. Who developed the General Systems theory?

Long-Answer Questions

1. Discuss organizational change and its types of changes.
2. Explain the role of culture in organizations.
3. Explain the various intervention strategies involved organizational change.
4. Discuss the various strategies of organizational development?

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4.8 FURTHER READING

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UNIT 5 CONFLICT NEGOTIATION AND STRESS IN ORGANIZATIONS

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Structure

5.0 INTRODUCTION

In this unit, you will learn about the meaning of conflict and the sources and techniques for managing it. You will also learn about stress, its sources and techniques of stress management. Further, this unit also explores the meaning of strategic management and organizational change strategies. Enterprise resource planning, downsizing, mergers and acquisitions are significant issues constituting organizational change. This unit will acquaint you with information regarding the various aspects of these changes.

5.1 UNIT OBJECTIVES

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After going through this unit, you will be able to:

- Analyse the techniques of conflict management in organizations
- Discuss the meaning, nature and concept of stress management
- Explore the principles of strategic management
- Understand the different strategies of organizational change
- Elaborate on enterprise resource planning, mergers, acquisitions and downsizing

5.2 CONFLICT NEGOTIATION AND STRESS IN ORGANIZATIONS

Existence of groups inevitably leads to difference of opinion and conflict. A conflict can be defined as a disagreement between two or more individuals or groups over various issues, such as goals, roles and resources.

5.2.1 Conflict: Meaning and Nature

We all know that organizations are composed of groups to achieve the organizational goals. The success of an organization as a whole depends upon the existence of harmonious relations amongst interdependent groups. However, many a time the relationship between or among the groups/teams may not be very cordial. Thus, it can be said that conflict is a basic element of any group and organization. The very nature of an organization guarantees the emergence of conflict. An organization constitutes of groups/teams, which in turn are composed of people with different attitudes, personality, temperament, etc. Therefore, conflict is inherent in all forms of organizations. Naturally, wherever there is interaction there is potential for conflict. A conflict can be considered as an expression of hostility, negative attitudes, antagonism, aggression, rivalry and misunderstanding. Conflict is also associated with situations that involve contradictory or irreconcilable interests between two opposing groups.

Every organization has its set goals and objectives. The organizational goals are further classified as departmental objectives, group goals and individual goals. When an individual interacts with another individual there may be perceptual and communication problems, which cause misunderstanding and lead to individual conflicts. This is also true for groups. Group conflicts indicate the nature of inter-group behaviour in an organization. Inter-group conflict occurs due to group competition and group cohesiveness. This leads to a feeling of 'we' and 'they'. A conflict can arise between employer and employees, management and workers, departments, stakeholders, shareholders, producers and consumers and between various trade unions.

5.2.2 Features of Conflict

The following are various features of conflict:

- A conflict is said to occur when two or more than two parties get involved in the pursuance of mutually exclusive goals, values or events. It based on the assumption that there are incompatible interests among parties.
- A conflict can exist either at a latent or an overt level, but generally speaking, conflict is a term that is limited to overt acts.
- Conflict is different from competition. In conflict one side sees an opportunity to interfere with the other's opportunity to acquire responses or perform activities. In competition both sides try to win, but neither side actively interferes with the others.

5.2.3 Sources/Causes of Conflict

The following are various causes of conflict:

Communicational issues

Communication is an integral part of all organizational activities. Poor communication can result in major conflicts. Misunderstanding or partial information during the process of communication can make the ultimate difference between the success and failure of the task. A failure for which the responsibility becomes difficult to trace can cause conflict between the sender and receiver.

Behavioural issues

These conflicts arise out of human thoughts, feelings, emotions, attitudes, values and perceptions that reflect the basic traits of personality. Thus, certain people's values or perceptions of situations are particularly likely to generate conflict with others. Conflict can arise due to differing viewpoints on various issues.

Structural issues

These issues are due to the structural design of the organization. The larger the organization the more are the chances of conflict. Conflict can also arise between the line and staff. It is assumed that if subordinates are not allowed to participate in the decision-making process it may lead to resentment, which will induce conflict. When resources are scarce and individuals as well as units have to share such resources like capital, facilities, staff assistance, then conflict can arise. Poorly designed or planned workforce structure could also trigger conflict.

5.2.4 Types of Conflict

A conflict can occur in three different forms at individual level, group level and organizational level. They are as follow:

(i) **Intra-personal conflict:** This type of conflict is internal to the individual and probably the most difficult type of conflict to analyse. This happens when the role assigned to the individual does not conform to the values and beliefs held by the individual. In such cases, a person has to choose between equally desirable alternatives or goals.

(ii) **Inter-personal conflict:** Inter-personal conflict involves conflict between two or more individual and is probably the most common form of conflict. This may involve conflict between two managers or disagreement over goals or objectives of the organization. This type of conflict may be due to opposing attitudes, different types of personality or difference of opinions on some issues/problems. Different officers in the organization may have different opinions resulting in conflict.

(iii) **Intra-group conflict:** All formal and informal groups have established certain norms of behaviour and operational standards that all members are expected to adhere to. The individual may want to remain within the group for social needs but may disagree with the group method. For instance, the group may go for a strike for some reason but some members may not agree, which may lead to conflict within the group.

(iv) **Inter-group conflict:** Every group is atleast in partial conflict with other groups. Most of the departments in the organization compete; they differ in goals, work activities, power and prestige. One of the most common and highlighted conflicts is between line and staff. The line managers may resent their dependence on staff for information and recommendations. The staff may resent their inability to directly implement their own decisions and recommendations.

(v) **Intra-organizational conflict:** The origins of conflict in an organization are many. Conflict can occur between employees or departments at the same hierarchical level in an organization. Conflict may also occur between subordinate and superiours.

(vi) **Inter-organizational conflict:** Conflicts also occur between organizations that in some way are dependent on each other. The conflict may be between buyer organization and supplier organizations about quality, quantity and delivery of raw materials. It can occur between unions and organizations regarding their differences of opinions about policies, or between governmental agencies responsible for regulating certain organizations and the organizations that are affected by them. These types of conflicts have to be managed properly for the benefit of both types of organizations.

Figure 5.1 illustrates the types of conflict.

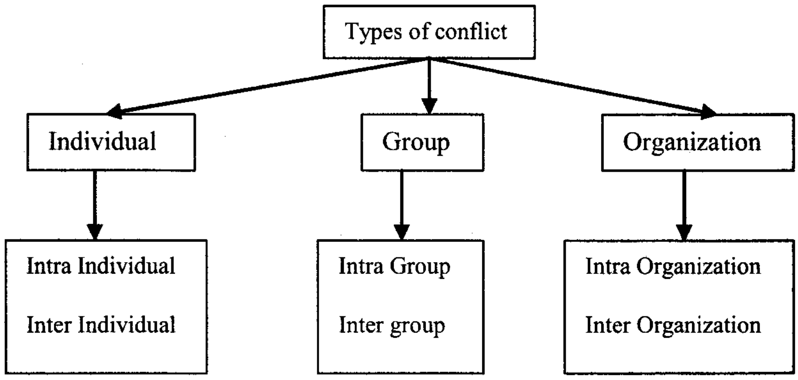

Fig. 5.1 *Types of Conflicts*

5.2.5 Techniques of Conflict Management

Before we discuss techniques of conflict management, we have to keep one thing in mind that a conflict is not necessarily negative. In fact some amount of conflict is needed to keep the organization moving. If there is no conflict in the organization, it is not a good sign. However, if there is too much conflict in the organization, it needs to be resolved. According to S.P. Robbins the best strategy of conflict management involves two processes, i.e., conflict resolution techniques and conflict simulation techniques.

Conflict resolution techniques

Following techniques can be used to resolve conflicts in the organization:

- *Problem solving:* This involves a face to face meeting between the conflicting parties for the purpose of identifying the problem and resolving it through open discussion.
- *Superordinate goals:* This involves creating a shared goal that cannot be attained without the cooperation of each of the conflicting parties.
- *Expansion of resources:* There are times when conflict is caused by scarcity of resources, such as money, promotion, space, etc. Hence, availability of these resources would control conflict in the organization.
- *Smoothing:* This involves highlighting the common interests of the conflicting parties while playing down the differences between the conflicting parties.
- *Compromise:* This is based on the principle that each party must lose something and gain something. Therefore, there is no clear cut winner or loser in the process.
- *Authoritarian command:* Management uses its formal authority to resolve conflict and communicates its decision to the conflicting parties.

Conflict simulation techniques

The following are certain techniques used by the organization to stimulate conflict in those organizations which are characterized by no conflict.

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- *Communication:* Conflict can be stimulated by messages which are ambiguous or threatening for the parties involved or for the entire organization.
- *Bringing in outsiders:* When new members are added to the organization, they bring with themselves different ideas, value systems, frameworks, which may cause disturbances in the existing culture of the organization.
- *Restructuring the organization:* Organizational restructuring, such as acquisition, merger, introduction of new technology and structural change in the organizational processes (for example, new leaders) will disrupt the existing culture and framework.
- *Appointing a devil's advocate:* Appointing somebody who purposely criticizes organizational policies and leaders in order to influence the people in the organization.

In most cases organizations use an eclectic approach, i.e., by using various techniques to manage conflict in the organization.

5.2.6 Negotiation Strategies

Different varieties of conflict-management techniques have been developed in order to resolve conflicts. Generally, all these techniques can be broadly classified into two types, bargaining and negotiation. These are two closely associated processes that are often employed to resolve the differences in interests and concerns that generate conflict. Bargaining is the process of reaching an agreement between the conflicting parties and it consists of offers, counteroffers, and concessions in exchange for some mutually acceptable resolution. On the other hand, negotiation is a process in which each party decides what they have to lose and gain in the exchange process. In deciding which conflicting interests will be satisfied, the parties who are engaged in bargaining and negotiation can choose the degree to which they will emphasize and cater to their own interests.

There are five general approaches for managing existing divergent interests that are characterized by different mixes of assertiveness and cooperativeness:

(i) **Competition:** The competitive style is high on assertiveness and low on cooperativeness. This style is power-oriented and one party's gain is another's loss. One way to accomplish this aim is by resorting to authority in order to satisfy one's own concerns.

(ii) **Avoidance:** This is associated with withdrawal, indifference, evasion, apathy. Parties may detach themselves from the conflict believing that conflict avoidance is more reasonable than an argument.

(iii) **Accommodation:** This implies that parties will be generous and self-sacrificing. This style emphasizes on common interests of the conflicting group.

(iv) **Compromise:** This is a traditional method of negotiation. There is no distinct winner or loser because each party is expected to give up

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something for a concession. It is used in differences in goals, attitudes and values.

(v) **Collaboration:** Parties openly share information, attempt to listen and develop empathy. Through sharing and communication the problem is mutually defined. All parties are seen as playing constructive roles.

5.2.7 Work Stress

Stress is a commonly discussed concept in our daily life, especially in today's competitive business environment. Stress is said to occur when one comes across an opportunity or demand related to what one desires and for which the outcome is perceived to be both uncertain and important. Stress is mostly related to our perception of things. Moreover, we get stressed only about those things which are important to us and where there is uncertainty with regard to outcome. For example, a promotion may be an opportunity for some to prove themselves, however, for others it may be a challenge as it entails more work and responsibility. Anticipated outcome of events are a major source of stress. When the outcomes are not important to us or when outcomes are well decided in advance, they cease to cause stress. We all get stressed at some time in our working life and there are some who are more affected by it than others. Individual differences, such as personality type (Type A or B), optimism, hardiness and social support may make some of us more resistant to stress than others.

Hans Selye, a medical researcher first used the term 'stress', to describe the body's biological response mechanism. He defined stress as 'the nonspecific response of the body to any demand'. He stated that stress is the spice of life, the absence of stress is death. Stress is usually considered to be negative and caused due to negative events or neutral events, which are inferred in a negative manner. However, we have to understand that stress in itself is value neutral and depends on how we infer events. Stress, if exceeding our resources to cope with it becomes negative. Therefore, stress is a major aspect of the organizational climate and pervades all spheres of life. It is important to learn to control or manage negative stress in order to avoid a negative impact. Today many psychologists have emphasized on the role of stress in both posing challenges and creating opportunities. Stress is also a source of inspiration and leads to higher performance. When stress is the gravest, it reduces employee productivity. However, there are times when people may get immune to stress without any negative effects on their performance. This type of immunity is achieved through constant experience and training. However, too much stress can seriously affect our physical and mental wellbeing. The negative impact of stress includes recurrent physical and psychological stress, which can diminish our self esteem, decrease interpersonal and academic effectiveness and create a cycle of self-blame and self-doubt. Therefore, better management of negative stress, maintenance of adequate stress level and introducing positive stress at work can aid in creating a healthy and effective organizational environment.

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5.2.8 Sources of Stress

The following are various sources of stress:

Environmental factors

We are aware that the world has become a global village. Therefore, whatever happens in any part of the world influences everyone. External environmental uncertainty of this kind or of any other kind (global recession recently) forced many organizations to design their structure to cope with these uncertainties. Besides other things, this also influenced the stress levels amongst employees in the organization. Generally, changes in the business cycle create economic uncertainty, which make people increasingly anxious about their job security. Similarly, political uncertainties, political threats and changes also cause stress. Market uncertainty for example, also leads to stress. The recent recession saw many people losing their job in some sectors (IT, finance, aviation, etc.,), which impacted not only employees but their families as well. Stress can be also be caused by technological changes that have taken place because of new innovations, which can make affect job profiles.

Organizational factors

Within organizations there are many factors which can cause stress. Some of the causes of stress in organization include pressure to avoid errors or complete tasks in a limited time period, overwork, a demanding or insensitive superiour, unpleasant coworker, poor working conditions, long working hours, boring and repetitive tasks, lack of challenge, no career movement etc. Organizational factors that cause stress result from faulty job design, poor ergonomics (science that deals with the design of tools/furniture) and poor working conditions. As customer service becomes increasingly important, emotional labour has emerged as a source of stress in some of the sectors like aviation, education, call centre, etc. Issues like role demand, role stagnation, role ambiguity or role conflict can be another source of stress. Role refers to our responsibilities and functions at workplace. There may be times when roles/tasks/responsibilities may not be defined clearly (role ambiguity). There may also be times when employees may stagnate in their roles, performing the same tasks for a long period of time (role stagnation). There may be different people in the organization or outside, which may have conflicting expectations from a person (role conflict) causing stress. Lack of social support from colleagues/family/friends may cause stress directly or may moderate the relationship between stress and other outcomes.

Personal factors

According to research it is found that on an average an individual works for about 40 to 50 hours a week. The remaining hours are spent in the presence of families or friends, which constitute an employee's personal life. Personal factors, such as economic problems, problem related to relationships and personality issues may lead to stress. In some cultures, the family is an integral institution and managers

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put a premium on family and domestic happiness, as these have a lot of impact on job performance. Certain type of personalities (people who are emotionally unstable, poor emotional intelligence, etc.), are more prone to stress. Figure 5.2 illustrates sources of job stress.

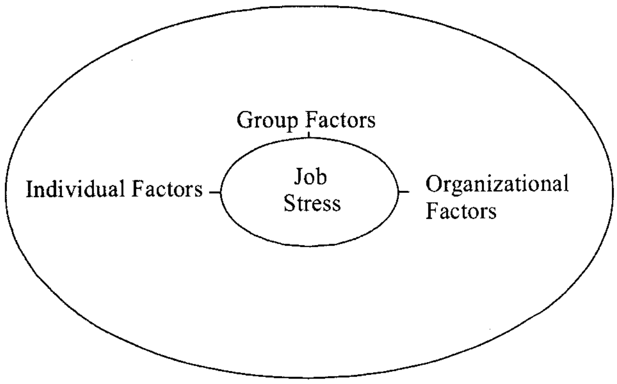

Fig. 5.2 Sources of Job Stress

5.2.9 Managing Stress

From an organizational perspective, management of stress has become a matter of great concern with people experiencing low to moderate levels of stress. At a moderate level, stress might be functional and could lead to higher employee performance. However, when there is a high or low level of stress for a long period of time it can lead to considerable reduction in employee performance and therefore requires corrective action. Stress management strategies could be broadly categorized as follows:

- **Individual approach:** As a rational human being, employees themselves can take responsibility and work towards managing stress appropriately. This approach includes time management techniques, physical exercise, relaxation training and expanding the social support network. Many times stress occurs because of poor time management. Most of us wait till the last day to deposit the school fee, college fee, insurance premium, electricity bill, etc. Thus, proper time management, prioritization of tasks plays an important role in organizational effectiveness. A well-organized employee can accomplish twice as much as a person who is poorly organized. Physical exercises like aerobics, walking, jogging, swimming, etc., have been recommended by physicians to deal with excessive stress levels. Individuals can also teach themselves to reduce tension through relaxation techniques, such as meditation, hypnosis and biofeedback. Further, by expanding his/her social network an employee can get an objective perspective to any situation. Thus, all these factors depend on personal initiatives and there is a large pool of empirical support to show that these interventions control stress.

- **Organizational approach:** Organizations can also take the responsibility to control and mange stress. Many factors that cause stress emanate from the organization. Various organizational initiatives to manage stress may include personnel selection, job placement, training, use of realistic goal setting, redesigning of job, increased employee involvement, improved organizational communication, offering employees sabbaticals and establishment of corporate wellness programs. As mentioned above, people differ in their vulnerability towards stress, some are more prone, and others are more stress resistant. Thus, proper selection and placement decisions should be used to ensure that people are selected and placed according to their vulnerability to stress as some jobs entail more stress than others. Similarly, through training we can increase the self efficacy/self confidence of an individual, which moderates stress. Stress also occurs because of poorly designed goals and tasks. The goal setting theory of motivation advocates that goals should be specific and moderately difficult to ensure motivation of people and decrease stress. Further, stress may occur because of poor job design (boring and repetitive jobs), therefore, jobs should be redesigned so that employees get more responsibilities and more meaningful work, which increases motivation and decreases stress. Increasing formal organizational communication with employees reduces uncertainties by lessening role ambiguity and role conflict. Some employees also need occasional escape from their work so they can be provided sabbaticals ranging from few weeks to several months allowing employees to travel, relax or pursue personal projects. Wellness programs can be offered by the organization focussing on the total physical and mental health of employees.

5.2.10 Skills Involved in Managing Stress, Conflict and Negotiation

Interventions must be aimed at the symptoms of stress. Although not as desirable as eliminating the stressors, eliminating the symptoms is more preferable than taking no action at all. Some interventions focus exclusively on physiological reactions to stress. Physical conditioning, particularly in the form of aerobic exercise, helps make a person more resistant to physiological changes, such as high blood pressure that accompany stress reactions. Most big organizations provide on-site gyms in order to promote health and exercise. Another approach to treating stress symptoms is to employ relaxation techniques. Under severe amount of stress the muscles of the body tend to tighten. Relaxation programs focus on eliminating tension in most of the major muscle groups, including the hand, forearm, back, neck, face, foot, and ankle. Relaxing these muscle groups lowers the blood pressure and reduces other physiological stress manifestations. Hence, many organizations offer employee training in this area. Biofeedback training teaches people to recognize physiological reactions and techniques to improve these responses when under stress. A socially supportive environment can reduce stress and buffer employees from stress caused by aversive working conditions. For this reason, many organizations encourage employees to participate in team sports to increase group cohesiveness and support

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for individual group members through team effort. Other means of coping with stress that cannot be eliminated at the source focus on allowing employees time away from stressful scenarios. Although a person may not feel capable of handling stress or dealing with the dissatisfying aspects of a particular job indefinitely, it is often possible to do so temporarily. Many employers practice job rotation in an effort to give workers a break from stress. Job rotation can do more than simply reduce the stressful aspects of a particular job. It can increase the complexity of work and provide valuable cross-training in jobs, so that any one person eventually comes to understand different tasks.

Another cause of stress is inflexible work timings. In order to help employees cope with conflicting demands of work and family, many organizations offer what have been termed as family-friendly benefits. Generally, all benefits are specifically designed to help employees balance the demands of work and family. This includes flexibility of spending accounts, child care, part-time work options, sabbaticals and on-site day care facilities. Unfortunately, a widely believed misconception about family-friendly benefits is that they are exclusively for women. However, the fact is that they are designed to benefit both men and women especially those with family.

CHECK YOUR PROGRESS

1. Define the term 'conflict'.
2. List two features of a conflict.
3. What is intra-personal conflict?
4. State two conflict simulation techniques.
5. What are the organizational factors that may lead to stress?

5.3 STRATEGIC MANAGEMENT

The structure of an organization is meant to help management achieve its objectives. It is about specifying the organization's mission, vision and objectives, developing policies and plans, which are designed to achieve these objectives, allocating resources to implement these policies and plans. Strategic management is an approach for identifying and making the necessary changes and measuring the organization's performance as it moves toward its vision. It has been defined as a management system that connects the strategic planning and decision-making with the everyday business of operational management. It is the well planned steps that the management must follow for the benefit of the organization. According to Lamb (1984),

> 'Strategic management is an ongoing process that evaluates and controls business, industries in which the company is involved,

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assesses its competitors and set goals and the strategies to meet all existing and potential competitors. The next is to evaluate each strategy annually or quarterly to determine how it has been implemented, whether it has succeeded, or need replacement by a new strategy to meet changed circumstances...'

As we know that objectives are derived from the strategy of the organization. Strategy and structure should be closely linked in order to execute the plans well. Specifically, organizational structure should follow strategy. So if a management wants to make some significant changes in its organization's strategy, it becomes essential that the structure also need to be modified in order to accommodate and support this change. For example, if an organization decides to diversify itself (a strategy decision), it becomes necessary for the organization to change its structure to accommodate and support this strategic decision.

Strategic management techniques can be bottom-up, top-down or collaborative. In the bottom up approach, employees submit proposals to the managers which are then evaluated at various levels in the organization to evaluate its potential, if it is being implemented. However, in most organizations, the top-down approach is more common. In this framework, the CEO along with the strategic planning team decides the overall direction of the company in future, i.e., whether to diversify and go global, or move to rural areas to strengthen the current position.

Thus, strategic management is the art of planning the business at the highest possible level. It is about building a solid underlying structure of the organization that will subsequently be achieved by the combined efforts of every individual in the organization

Strategic management deals with the following:

- **The business objectives:** This refers to the ultimate goal/s of the business. These include the goals the organization is trying to achieve, the enabling forces and the organizational barriers to the goals.
- **Techniques to achieve these objectives:** This refers to the best method to achieve these objectives. This involves clearly defining and articulating the mission, vision, strategic and financial objectives. This will result in the development of a strategic plan, clear cut laid down strategy to actually achieve the goals.
- **The resources required to achieve the goals:** This refers to allocating the right amount of resources to different aspects of the business so that every body has the adequate resources to achieve their respective share of business objectives.

5.3.1 Environmental Uncertainty

An organization's environment encompasses everything outside the organization. Suppliers, customers, and competitors are part of an organization's environment, as are the governmental agencies that regulate its business, the financial institutions and investors that provide it with funding, and the labour market that furnishes employees. General factors, such as economic, geographic, and political conditions that impinge on the firm are part of its environment. Central to this definition is the idea that the term 'environment' refers to things external to the firm. Five specific environmental characteristics influence structural effectiveness, i.e., change, complexity, doubt, receptivity, and diversity.

(i) Environmental change: This concerns the extent to which conditions in an organization's environment change, unpredictably. At one extreme, an environment is considered stable if it does not change at all or if it changes only in a cyclical, predictable way. At the other extreme, an environment is considered dynamic when it changes over time in an unpredictable manner. Environmental change affects the structure of an organization by influencing the predictability of the firm's work and, therefore, the method of coordination used to integrate work activities. Stability allows managers to complete the planning needed to formalize organizational activities. Firms operating in stable environments can use standardization as their primary coordination mechanism while it is difficult to establish formal rules and procedures in dynamic environments.

(ii) Environmental complexity: This is the degree to which an organization's environment is complicated and therefore difficult to understand. A simple environment is composed of relatively few component parts like suppliers and competitors, thus little can affect organizational performance while a complex environment incorporates a large number of separable components. Complexity influences structural effectiveness by affecting the amount of knowledge and information that people must process to understand the environment and cope with its demands.

(iii) Environmental doubt: This reflects a lack of information about environmental factors, activities, and events. It undermines an organization's ability to manage current circumstances and plans for the future. To cope with uncertainty, organizations seek better ways of acquiring information about the environment. This effort often involves the creation of boundary-spanning positions that can strengthen the information linkage between an organization and its environment. A boundary spanner is a member or unit of an organization that interacts with people or firms in the organization's environment. Salespeople who have contact with customers, purchasing departments that deal with suppliers of raw materials, and top managers who in their figurehead roles represent the company to outsiders are all boundary spanners.

(iv) Environmental receptivity: This refers to the degree to which an organization's environment supports the organization's progress towards fulfilling its purpose. In a generous environment, a firm can acquire raw materials, employees, technology, and capital resources needed to perform

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productively. Such an environment enables the firm to find a receptive market for its products. Environmental hostility represents a crisis that must be handled quickly and decisively if the firm is to survive. An organization facing hostility either finds a way to deal with it or ceases to exist. To deal with the crisis of a hostile environment, firms that are normally decentralized in response to environmental complexity may centralize decision-making for a limited period of time. Further, when the threat ends, a firm dealing with a complex environment will perform effectively only if it reinstates decentralized decision-making.

(v) **Environmental diversity:** This refers to the number of distinct environmental sectors or domains served by an organization. A firm in a uniform environment serves a single type of customer, provides a single kind of product, and conducts its business in a single geographic location. In contrast, an organization in a diverse environment produces an assortment of products, serves various types of customers, or has offices or other facilities in several geographic locations. Such an organization conducts business across several domains. Companies in diverse environments face a number of distinct domains and must acquire information to satisfy their particular demands.

5.3.2 Strategic Analysis

Strategic analysis, as the name suggests, implies focussing on the external factors that affect an organization. It is a technique of keeping an eye and monitoring the current happenings and also tracking the possible happenings of the future. It is called 'strategic' because it is analysed at a high level and on a long-term basis.

By strategic analysis one is leaded to a clearer and more relevant goal, resulting towards better quality in decision-making and a more secure future. It is also known as external environmental analysis and is an important step toward strategic planning. Strategic analysis is about finding the connection between all possible factors and making the right decisions. It is based on the fact that one can make better decisions if one can understand external influences that affect future requirements. Therefore, it is vital to examine the consequences of external factors that affect organizational activities.

By the utilization of strategic analysis many organizations have been successful in preparing for future contingencies. Enterprises are also more likely to use grants, donations and loans to the greatest advantage and maximize their organizational potential.

5.3.3 Strategic Formulation and Implementation

The development of a strategic plan typically involves the top management, sometimes with the help of external consultants, who analyze the current and future state of the organization. Strategic formulation and implementation consists of the following processes:

- **Mission, goals and value statement:** The mission statement delineates the organization's reason for existence. It is important to operationalize a mission and ensure buy-in if a mission statement is not to be reduced into mere expression. There are atleast two benefits to be gained from the expression of a value statement. First, a statement of fundamental beliefs can guide a strategic change. Second, organizational behaviour and success are influenced by an employees perception of corporate beliefs, how well it has been articulated and how intensely it has been communicated.
- **Environmental threats and opportunity:** Another important step in development of a strategic plan is the analysis of environmental factors that influences organizational objectives. Environmental threats are the external surroundings that may disturb the organization from achieving its strategic goals. In the similar vein the analysis of environmental opportunities shed light on the facilitators which would help an organization to achieve its objectives. A strategic planning process should help managers develop a complete understanding of all the features of the organization's environment (facilitators/threat/opportunities) and how they can come together to affect the organization.
- **Organizational strengths and weaknesses:** It is certain that the strengths of an organization are its positive internal characteristics that an organization can utilize to achieve its strategic goals. The analysis of strengths and weaknesses naturally focusses on special functions of the organization, such as marketing, finance, production, research and development.
- **Goals and objectives:** After an organization has defined its missions and analysed external opportunities and threats as well as internal strengths and weaknesses, it can realistically establish goals and objectives that will further its mission. The definition of goals has several important benefits to an organization and its employees. Goals are a source of motivation. They describe the purpose of the organization and provide the basis for decisions. Managers and employees must make many decisions in their day to day activities. Goals become the basis for performance measurement.
- **Formulation of strategies:** Only after missions have been defined, environmental threats and opportunities analysed, organizational strengths and weaknesses considered, and goals established can the management undertake strategy formulation. It is the task of the organization to select the most effective game plan or course of action to achieve the organization's goals and objectives. Strategy may be formulated and implemented at the corporate level and for individual business units and functions.

CHECK YOUR PROGRESS

6. State the three types of strategic management techniques.
7. What are the environmental factors that influence structural effectiveness?

5.4 ORGANIZATIONAL CHANGE, STRATEGIES AND ISSUES

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This section explains the various strategies involved in organizational change.

5.4.1 Building Learning Organizations

Major work towards the learning organization was done by Frederick W. Taylor through the introduction of scientific management. However, the term 'learning organization' is usually attributed to seminal work of Chris Argyris and his colleagues, who made the distinction between first-order or single-loop and second-order or double-loop learning.

- **Single-loop learning:** This involves improving the organization's capacity to achieve known objectives. It is associated with routine and behavioural learning. Under single-loop, the organization learns without a significant change in the basic assumptions.
- **Double-loop learning:** This form of learning re-evaluates the nature of the organizational objectives and the values surrounding them. This type of learning involves changing the organization's culture.

Single-loop and double-loop learning organization have made a drastic change in the present times, in which adoptive learning, generally based on change in basic assumptions like cultural, value and structural change was introduced. The system faced several complications. It involved a need for a more important generative learning. Generative learning involves creativity and innovations. Generative process leads to a total reframing of an organization's experiences and learning from that process. Generative learning was propagated by Peter Senge.

5.4.2 Enterprise Resource Planning (ERP)

Enterprise Resource Planning (ERP) is an integration of business management practices and modern technology. Three core components of ERP are business management practices, specific business objectives and IT. ERP is a complete business software solution, which in essence is a massive store house of data. Its basic purpose is to arrange and incorporate the systems of entering data and processes which are related to business. ERP is a massive software architecture that supports the streaming and distribution of information and maintenance of data among geographically scattered business enterprise. It provides the management executives with a comprehensive overview of the complete business execution, which influences their decisions in a productive way. Information in large business organizations is stored on various servers across many functional units, which can be separated by geographical boundaries. Such diverse information can possibly serve individual organizational units but fail to enhance enterprise wide performance, speed and competence.

Today, ERP can use a variety of data related to different functions, such as HR, supply chain, finance, etc., and integrate them into a single unified database. This unified databaset can be managed for all the units from a storehouse. Earlier, different functions, such as human resources, supply chain management, customer relationship management, finance, manufacturing warehouse management and logistics were managed by separate individual software applications. However, today they can all work under a single unit known as ERP. For a software system to be considered ERP, it must provide a business with a wide collection of functionalities supported by features like flexibility, modularity and openness, widespread business processes and global focus. Following are the advantages and disadvantages of ERP:

Advantages of ERP

- It integrates the entire system by connecting all functional areas together.
- It communicates information across various departments and units in different geographical location.
- It improves the efficiency, performance and productivity levels of various business units.
- It aids in forecasting and keeping track of the business.

Disadvantages of ERP

- Customization is not flexible and is limited in several circumstances.
- It can be extremely expensive to implement and operate.
- There is possibility of lack of continuous technical support.
- It may be too rigid for specific organizations that are either new or want to move in a new direction in the near future.

5.4.3 Downsizing

Downsizing refers to voluntary actions of an organization to reduce expenses. This is usually, but not always, accomplished by shrinking the size of the work force. However, the term covers a whole range of activities from employee lay offs, hiring freezes, and also consolidation and mergers of units. Various forces in the contemporary world, such as globalization, competition, technological advances and a shift from product based to service based industry are forcing organizations to cut costs. However, many experts are also of the view that downsizing results because of mismanagement and strategic errors at the top of the organization. Social forces have also been recognized as a cause of downsizing. Theorists have identified three such social forces, i.e., constraining forces, cloning forces and learning forces. Constraining forces place pressure on the managers to do the right thing, such as cutting costs, reducing work force. Cloning forces are the result of imitation or benchmarking. Reacting to uncertainty, managers desire to portray that actions are being taken to control the decline. The third force is called learning force, where downsizing takes place through educational institutions and professional associations. Business schools with an emphasis on cost accounting methods encourage downsizing as a legitimate business activity.

Effects of downsizing

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C.L. Cooper and R.J. Bruke have listed the following patterns that are usually found in organizations, which have undergone downsizing in the recent past:

- Deterioration of organizational communication during downsizing
- Failure of organizational trust
- Anxiety and fear among members of the organization
- Increased resistance to change and increase in rigidity
- Heightened turbulence and uncertainty in the organization
- Survivors of downsizing (who are left in the organization after the downsizing) have reported low job satisfaction, lack of job involvement, no organizational commitment or loyalty.
- In extreme cases, survivors may also experience 'psychic numbing', which is characterized by denial, job insecurity, depression, stress, fatigue, etc.

According to Cooper & Burke, the evidence for the effectiveness of downsizing is not impressive. Many efforts produce results that are dismal, and some consequences which were devastating. The authors have quoted many researches to justify their claim. However, there were some success stories also but they were far less than the failure studies. Therefore, organizations must be very careful when they opt for downsizing.

5.4.4 Mergers and Acquisitions

Corporate restructuring, such as mergers and acquisitions are a common occurrence in today's day and age. Popular examples from the recent times include the acquisition of London's Grosvenor House Hotel by the Sahara group and the acquisition of the South African Coal Mining holdings as well as Canada's CIS Energy by JSW Steels.

Although the terms 'merger' and 'acquisition' are used interchangeably, there is an important difference between them. When a company takes over another and clearly establishes itself as the new owner, the purchase known as an acquisition. From a legal point of view, the target company ceases to exist, the buyer 'swallows' the business and the buyer's stock continues to be traded. In the pure sense of the term, a merger happens when two firms agree to go forward as a single new company rather than remain separately owned and operated. This kind of action is more precisely referred to as a 'merger of equals'. The firms involved in a merger of equals are often the same in size and the stocks of both the companies are surrendered leading to the formation of a new company stock. For example, in the 1999 merger of Glaxo Wellcome and SmithKline Beecham, both firms ceased to exist when they merged, and a new company in the name of Glaxo Smith Kline was created. However, many mergers are 'not of equals'. The larger organization takes control over the smaller company. Deccan Airlines merged with Kingfisher and is known as Kingfisher Airlines. Mergers and acquisitions can be hostile or friendly. This depends on how it is communicated and received by the target company's Board of Directors, employees and stake holders. The main reason for mergers and acquisitions is to create a share holder value more than that of the two companies. In other words, two companies together as one are better than two separate entities. There are various causes due to which companies opt for mergers and acquisitions. Mergers and acquisitions:

- Improve capacity utilization
- Enhance coverage of sales force
- Reduce managerial staff
- Gain cost advantage
- Gain access to new suppliers and distributors
- Gain new technology
- Reduce tax obligation

Success of mergers and acquisitions (M & A)

The results so far are not very encouraging. M. Marks and P. Mirvis state that more than three quarters of corporate combinations (M & A) fail to achieve the anticipated business results. Most produce higher than expected costs and lower than expected profits. These failures are because of several factors including price, lack of strategy for the combination, corporate politics, clashing culture and poor planning. However, not all M & A meet with failure and devastating results. There are many success stories. Marks and Mirvis present a model of M & A, which they divide into three phases, i.e., pre-combination, combination and post combination. The pre-combination phase describes planning and cultural analysis of the combining organizations as well as the emotional and psychological issues that emerge of the anticipated combination. The combination phase emphasizes on the top management's leadership, the role of transition teams, building enthusiasm throughout the work force, reduction of stress, and importance of being sensitive to symptoms of culture clash. The post combination phase involves the integration of structures, policies, and practices, as well as the development and reinforcement of the desired culture. This phase also helps employees adapt to the new organizational realities and works on the development of effective work teams. What emerges from this model is that M & A are not easy, therefore companies must weigh the pros and cons thoroughly before embarking on this journey.

5.4.5 Effectiveness in Public and Private Organizations

Public organizations are those organizations which are owned by governments (Central or state), its employees are appointed by the government and they draw their salary and perks from government funds. When India became independent, India adopted for a socialist and welfare state. The main purpose was to create organizations where employment could be provided to a large number of people. As a result many organizations were created in remote areas with twin purposes,

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i.e., to provide employment and to earn profit, however, the first objective remained dominant for many years. As a result, many organizations could not become economically viable and were declared as 'sick' units which were later sold by the government. For example: Modern Bread, once a public organization, was purchased by Hindustan Lever Ltd. Not all the public organizations had the same fate, there are many successful public organizations, such as IOCL (the only Indian organization in the Fortune 500 companies), ONGC, BPCL, SAIL, etc.

On the other hand, a private organization is one, which is owned by a person, a family, a group of people, etc. TATA, Reliance, Wipro., etc are the examples of private organizations. However, many private companies fail to earn profits for their stakeholders. The examples which redefined the market in their own fields have also failed to survive, for example, Deccan Airlines, Subhiksha chain of super markets, etc.

The indices of effectiveness shall also vary across public and private organizations. In public companies, indices are both soft as well and hard, such as employee satisfaction, responsiveness towards environment or social issues (in the recent CWG 2010, all the sponsors were public organizations) besides generating revenues for the company. On the other hand, private organizations are more driven towards earning profits for their stakeholders.

On a more theoretical level, there are four elements of organizational effectiveness largely based on four frameworks of the organization as stated by R.E. Quinn and J. Rohrbaugh, they are as follows:

- The Human Relations model
- The Open Systems model
- The Rational Goal model, and
- The Internal System model

A detailed discussion on this is beyond the scope of this unit, although the first three are already discussed in Unit 1. Quinn and Rohrabaugh identified three dimensions of values on which the four models of effectiveness may differ, also in terms of the effectiveness of organizations. They are as follows:

- Organization structure, which distinguishes between organizational flexibility/adaptability and control/stability
- Organizational focus, which distinguishes between an internal and an external orientation
- The means-ends continuum, which distinguishes between an emphasis on outcome objectives or the means by which these objectives are to be achieved, such as processes and/or important causal attributes

These seemingly opposite values, for example, the need to be stable in order to avoid chaos but simultaneously a need to be flexible/adaptable to the changing demands. Organizational effectiveness depends upon the ability of an organization, and its managers, to strike the right balance among these critical attributes, as required by the organization's objectives.

Taking cue from the above three values, public and private organizations can be compared. Most of the public organizations are characterized by control/ stability as compared to flexibility, which is the hall mark of private organizations. The means-ends continuum, (for example, in private organizations) is characterized by a focus on ends rather than on the means. In the contemporary world, the difference between private and public organization is shrinking as public organizations too need to create values in order to sustain in the long run.

5.4.6 Behavioural Aspect of Managing Across Culture

Today, organizations are growing beyond national boundaries, and in many instances they grow toward multinationalization, such that a home office in one country manages operations in several others. In some instances they move towards globalization, where organizational units located in different countries conduct business autonomously. With this growth come differences in nationality and culture within organizational boundaries that can have significant effects on organizational behaviour. Thus, there is a risk in these differences, which could complicate the responsibilities of contemporary managers because management practices and norms are different in every country and require changes for adjustment. Therefore, in these circumstances managers must take international differences in a serious manner because derivation of competitive advantage from cultural diversity will lead to success in global markets.

An important model to understand behavioural aspects across culture is that of G. Hofstede. He stated that most of the differences among various cultures can be captured with the help of four dimensions, i.e., uncertainty avoidance, masculinity—femininity, individualism—collectivism, and power—distance. These four dimensions could aid in comparing, formulating policies and managing people universally. We have already discussed same of these factors in Unit 2. These are described as follows:

(i) **Uncertainty avoidance:** This refers to the degree to which people are comfortable with any uncertain and unsuspecting situation. In this analysis, people with low uncertainty avoidance feel comfortable even though they are unsure about current activities or possible future events. According to Hofstede, the level of uncertainty avoidance in Denmark (23) is about half of that in the United States (46) and Canada (48). Managers working in cultures with stronger uncertainty avoidance must learn not only to accept, but also to participate in the development of seemingly unnecessary rules and apparently meaningless planning to help other organization members cope with uncertainty.

(ii) **Masculinity—femininity:** According to Hofstede masculinity refers to the degree to which a culture is founded on values that emphasize upon independence, aggressiveness, dominance, and physical strength as compared to dependence, relationship, care and concern.

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Female managers working in cultures characterized by more cultural masculinity than in their own culture face the prospect of receiving less respect at work than they feel they deserve. To cope with this, a female manager may want to seek out male mentors in senior management to secure her place in the organization. Further, male managers in national cultures marked by more cultural femininity than their own must control their aggressive tendencies and learn to treat members of both sexes with equal dignity and respect.

(iii) **Individualism—collectivism:** This dimension is about how much a culture promotes 'I' versus 'We'. In an individualistic culture there is focus on one self, one's needs and aspirations irrespective of others. However, in a collective culture, there is focus on groups, their needs and their aspirations.

Managers who must work in national cultures that are more individualistic than their own must first learn to cope with the sense of rootlessness that comes from the absence of close-knit group relationships. At work, they must develop an understanding of the importance of rewarding individuals equitably and adjust to the idea that organizational membership is temporary. Managers working in cultures that are more collectivistic than their own must adjust to demands for self-sacrifice in support of group well-being. They must also learn to accept equal sharing in lieu of equity and exchange at work.

(iv) **Power—distance:** This reflects the degree to which the members of a society accept differences in power and status among themselves. People who have a strong feeling of political equality show a preference for participatory decision-making, and tend to distrust autocratic and a hierarchical type of governance.

Managers who work in cultures that portray a lower level of power—distance may initially feel discomfort stemming from the unfamiliar decentralization of authority and a perceived loss of control. They must learn to be less autocratic and more participatory in their work with others. Managers that lean towards higher levels of power—distance must accept the role that centralization and hierarchies play in maintaining what is deemed to be an acceptable level of control. They must adopt a more authoritarian and autocratic style of management.

CHECK YOUR PROGRESS

8. What is single-loop learning?
9. What is enterprise resource planning?
10. List two effects of downsizing as stated by C.L. Cooper and R.J. Bruke.

5.5 SUMMARY

- The nature of an organization guarantees the emergence of conflict. An organization constitutes of groups/teams, which in turn are composed of people with different attitudes, personality, temperament, etc. Therefore conflict is inherent in all forms of organizations.
- Conflict can be considered as an expression of hostility, negative attitudes, antagonism, aggression, rivalry and misunderstanding.
- Communication is an integral part of all organizational activities. Poor communication can result in major conflicts. Certain people's values or perceptions of situations are particularly likely to generate conflict with others. Conflict can arise due to differing viewpoints on various issues.
- According to S.P. Robbins the best strategy of conflict management involves two processes, i.e., conflict resolution techniques and conflict simulation techniques.
- Stress is said to occur when one comes across an opportunity or demand, related to what one desires and for which the outcome is perceived to be both, uncertain and important. Stress is mostly related to our perception of things.
- Generally, changes in the business cycle create economic uncertainty, which make people increasingly anxious about their job security. Similarly, political uncertainties, political threats and changes also cause stress.
- Organizational factors that cause stress result from faulty job design, poor ergonomics (science that deals with the design of tools/furniture) and poor working conditions.
- From an organizational perspective, management of stress has become a matter of great concern with people experiencing low to moderate levels of stress. At a moderate level, stress might be functional and could lead to higher employee performance. However, when there is a high or low level of stress for a long period of time it can lead to considerable reduction in employee performance
- Strategic management is an approach for identifying and making necessary changes and measuring the organization's performance as it moves toward its vision. It has been defined as a management system that connects the strategic planning and decision-making with the everyday business of operational management.
- Environmental change affects the structure of an organization by influencing the predictability of the firm's work and, therefore, the method of coordination used to integrate work activities. Stability allows managers to complete the planning needed to formalize organizational activities.

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- Strategic analysis is about finding the connection between all possible factors and making the right decisions. It is based on the fact that one can make better decisions if one can understand external influences that affect future requirements.
- ERP is a complete business software solution, which in essence, is a massive store house of data. Its basic purpose is to arrange and incorporate the systems of entering data and processes which are related to business.
- ERP can relate data to different functions, such as HR, supply chain, finance, etc. and integrate them into a single unified database.
- Downsizing refers to voluntary actions of an organization to reduce expenses. This is usually, but not always, accomplished by shrinking the size of the work force.
- The main reason for mergers and acquisitions is to create a share holder value more than that of the parties involved.
- Public organizations are those organizations which are owned by governments (central or state), its employees are appointed by the government and they draw their salary and perks from government funds. Organizational effectiveness depends upon the ability of an organization, and its managers, to strike the right balance among these critical attributes, as required by the organization's objectives.
- An important model to understand behavioural aspects across culture is that of G. Hofstede. He stated that most of the differences among various cultures can be captured with the help of four dimensions, i.e., uncertainty avoidance, masculinity—femininity, individualism—collectivism and power—distance.

5.6 KEY TERMS

- **Conflict:** A disagreement between two or more individuals or groups over various issues, such as goals, roles and resources
- **Bargaining:** The process of reaching an agreement between the conflicting parties that constitutes offers, counteroffers and concessions, in exchange for some mutually acceptable resolution
- **Family-friendly benefits:** A form of employee welfare scheme that is specifically designed to help employees balance the demands of work and family
- **Strategic management:** An approach for identifying and making the necessary changes for measuring the organization's performance as it moves toward its vision
- **Downsizing:** Voluntary actions of an organization to reduce expenses

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- **Acquisition:** An act in which a company takes over another and clearly establishes itself as the new owner
- **Merger:** An act in which two firms agree to go forward as a single new company rather than remain separately owned and operated

5.7 ANSWERS TO 'CHECK YOUR PROGRESS'

1. A conflict can be considered as an expression of hostility, negative attitudes, antagonism, aggression, rivalry and misunderstanding. Conflict is also associated with situations that involve contradictory or irreconcilable interests between two opposing groups.
2. The following are various features of conflict:
   - A conflict is said to occur when two or more than two parties get involved in the pursuance of mutually exclusive goals, values or events. It based on the assumption that there are incompatible interests among parties.
   - A conflict can exist either at a latent or an overt level, but generally speaking, conflict is a term that is limited to overt acts.
3. This type of conflict is internal to the individual and probably the most difficult type of conflict to analyse. This happens when the role assigned to the individual does not conform to the values and beliefs held by the individual.
4. The following are two techniques of conflict simulation:
   (i) *Communication:* Conflict can be stimulated by messages which are ambiguous or threatening for the parties involved or for the entire organization.
   (ii) *Bringing in outsiders:* When new members are added to the organization, they bring with themselves, different ideas, value systems, frameworks, which may cause disturbances in the existing culture of the organization.
5. Within organizations there are many factors which can cause stress. Some of the causes of stress in organizations include pressure to avoid errors or complete tasks in a limited time period, overwork, a demanding or insensitive superiour, unpleasant coworker, poor working conditions, long working hours, boring and repetitive tasks, lack of challenge, no career movement, etc. Organizational factors that cause stress result, from faulty job design, poor ergonomics (science that deals with the design of tools/furniture) and poor working conditions.
6. Strategic management techniques can be bottom-up, top-down or collaborative.
7. Five specific environmental characteristics influence structural effectiveness, i.e., change, complexity, doubt, receptivity and diversity.

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8. Single-loop learning involves improving the organization's capacity to achieve known objectives. It is associated with routine and behavioural learning. Under single-loop, the organization learns without significant change in basic assumptions.
9. Enterprise Resource Planning (ERP) is an integration of business management practices and modern technology. Three core components of ERP are business management practices, specific business objectives and IT. ERP is a complete business software solution, which in essence is a massive store house of data. Its basic purpose is to arrange and incorporate the systems of entering data and processes which are related to business.
10. C.L. Cooper and R.J. Bruke have listed the following patterns that are usually found in organizations, which have undergone downsizing in the recent past:
    - Deterioration of organizational communication during downsizing
    - Failure of organizational trust

5.8 QUESTIONS AND EXERCISES

Short-Answer Questions

1. State the techniques to manage conflict in an organization.
2. List the various types of conflicts.
3. State strategies of five negotiation.
4. What is stress? State its sources?
5. Differentiate between mergers and acquisitions.

Long-Answer Questions

1. Explain the various sources of conflict.
2. Write a note on strategic management.
3. Describe the various processes involved in strategic formulation and implementation.
4. Discuss the advantages and disadvantages of ERP.
5. An important model to understand behavioural aspects across culture is presented by G. Hofstede. Elaborate.

5.9 FURTHER READING

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