Directorate of Distance Education

UNIVERSITY OF JAMMU
JAMMU

SELF INSTRUCTIONAL MATERIAL
FOR

B.COM SEMESTER-V

Course No. BCG-503	**Lesson No. 1 to 12**	**Unit - I to IV**

Course Co-ordinator
Rohini Gupta Suri

CONTEMPORARY MANAGEMENT

Course Contributors :   **Content Editing :**

COURSE CONTENTS

UNIT-I : Lesson 1 to 3

Approaches to management; Contingency approach to management; Quantitative approach to management; Behavioral approach to management and modern approach to management. Globalization of management, changing profile of business environment, Managerial functions in global business.

UNIT-II : Lesson 4 to 6

Concept, strategies, framework and tools of Knowledge Management; KM practices; six sigma- Concept, steps involved in launching six sigma and benefits derived.

UNIT-III : Lesson 7 to 9

Concept of change, nature of change, factors affecting change; Human response to changeCauses for resistance to change, overcoming resistance to change, conditions favoring change management.

UNIT-IV: Lesson 10 to 12

Concept and features of conflict, changing scenario of conflict, functional and dysfunctional conflict, stages of conflict, types of conflicts, styles of conflict resolution. Meaning and nature of stress, techniques to manage stress.

~~~

UNIVERSITY OF JAMMU
B. COM. FIFTH SEMESTER
CONTEMPORARY MANAGEMENT

C. No. BCG-503   Internal assessment = 20

 Max Marks = 100   External Exam. = 80

OBJECTIVE: The basic objective of this course is to provide knowledge about contemporary issues in the business management & organization.

UNIT-I : APPROACHES TO MANAGEMENT AND GLOBALISATION

 Approaches to management; Contingency approach to management; Quantitative approach to management; Behavioral approach to management and modern approach to management. Globalization of management, changing profile of business environment, Managerial functions in global business.

UNIT-II : KNOWLEDGE MANAGEMENT

Concept, strategies, framework and tools of Knowledge Management; KM practices; six sigma- Concept, steps involved in launching six sigma and benefits derived.

UNIT-III : MANAGEMENT OF CHANGE

Concept of change, nature of change, factors affecting change; Human response to changeCauses for resistance to change, overcoming resistance to change, conditions favoring change management.

UNIT-IV: MANAGEMENT OF CONFLICT AND STRESS MANAGEMENT

 Concept and features of conflict, changing scenario of conflict, functional and dysfunctional conflict, stages of conflict, types of conflicts, styles of conflict resolution. Meaning and nature of stress, techniques to manage stress.

 SKILL DEVELOPMENT (GUIDELINES FOR CLASS ROOM TEACHING AND INTERNAL ASSESSMENT)

Create clear understanding of various approaches to management amongst the studentsv Create clear understanding of tools of k- management. Expose students to various type of conflicts that get created in an organization. Teach the student various ways to handle stress. Create deep understanding of all concepts specified in the syllabus.

BOOKS RECOMMENDED

1.   Rao, P. Subha : Management & Organisational Behaviour, Himalaya Publishing House, New Delhi

2.   Rao, V.S. P & Krishna, V. Harri : Management-Text and Cases, Excel Book Pub., New Delhi

3.   Singh, P. Kour, R. and : Principles of Management, Kalyani Singh, H Publishers, New Delhi.

4.   Prasad, L.M : Management –Theory and Practice, Sultan Chand, New Delhi

5.   Koontz : Principles of Management, Tata McGraw Hill,

6.   Chandan, J.S : Management Concepts and Strategies, Vikas Publications, New Delhi

7.   Gupta, S.K. and Joshy, R : Human Resource Management, Kalyani Publishers, New Delhi.

8.   Robbins & Coulter : Management, Prentice Hall of India, 8th Edition.

9.   Robbins S.P & Decenzo David A. Awad Elias M, Ghaziri Hassan M. : Introduction of Management Science: Essential Concepts and Applications, Pearson Education.

10.   Awad Elias M, Ghaziri Hassan M Knowledge Management, Pub. Pearson Education, New Delhi.

NOTE FOR PAPER SETTER

Equal weightage shall be given to all the units of the syllabus. The external Paper shall be of the two sections viz, A & B of three hours duration. Section-A: This section shall contain four short answer questions selecting one from each unit. Each question shall carry 5 marks .A candidate shall be required to attempt all the four questions. Total weightage to this section shall be of 20 marks. Section-B: This section shall contain eight long answer questions of 15 marks each. Two questions with internal choice shall be set from each unit. A candidate shall have to attempt any four questions selecting one from each unit. Total weightage to this section shall be of 60 marks.

~~~

MODEL QUESTION PAPER
CONTEMPORARY MANAGEMENT

Max Marks : 80   Time allowed: 3 hrs

Section –A (20 Marks)

Attempt all the questions. Each question carries five marks.

1.   Explain briefly contingency approach to management?

2.   Briefly explain the nature of knowledge management?

3.   Is resistance to change a Red flag (Bad)?

4.   Distinguish between eustress and distress?

Section-B (60 Marks)

Attempt any four questions selecting one question from each unit. Each question carries 15 marks.

1.   Explain the behavioural approach to management?

                    Or

        Explain changing role of manager in globalised business environment?

2.   What is knowledge management? Discuss various strategies of knowledge management?

                    Or

        What is six sigma? Explain the benefits derived from six sigma methodology?

3.   What do you understand by management of change? Explain the causes of change?

                    Or

        Give detailed account of employee's resistance to change?

4.   Are organisational conflicts dysfunctional? Discuss fully?

                    Or

        Outline the organisational approach to reduce stress?

~~~

APPROACHES TO MANAGEMENT AND GLOBALISATION

STRUCTURE

1.1 INTRODUCTION

This chapter takes a look at the impact that management theory and how the basic functions and practice of management as well as the role of the manager and approaches to management have contributed to the practice of emergency management. Current views of management theory stress the changing nature of the external environment and the need to understand and address these external forces for change. The contribution and role of systems theory and contingency theory to the emergency management process is stressed. Although some might view that we do not manage disasters, there is an overlap between the contribution of management theory and emergency management. Management theory stresses the need for effective planning to ensure that organizational goals are obtained. Moreover, understanding the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects, the political framework, the legal aspects and the technological aspects etc.

1.2 OBJECTIVES

After going through this chapter you will be able to:

      Understand different approaches of management.

      Have an insight into globalization of management.

Discuss about changing profile of business environment.

Understand various functions of global business.

1.3 MODERN MANAGEMENT THEORIES

1.3.1 THE MODERN PERIOD (1960 TO PRESENT)

After 1960, management thought has been turning somewhat away from the extreme human relations ideas particularly regarding the direct relation between morale and productivity. Present management thinking wishes equal emphasis on man and machine.

The modern business ideologists have recognized the social responsibilities of business activities and thinking on similar lines. During the period, the principles of management reached a stage of refinement and perfection. The formation of big companies resulted in the separation of ownership and management.

This change in ownership pattern inevitably brought in 'salaried and professional managers' in place of 'owner managers'. The giving of control to the hired management resulted in the wider use of scientific methods of management. But at the same time the professional management has become socially responsible to various sections of society such as customers, shareholders, suppliers, employees, trade unions and other Government agencies.

Under modern management thought three streams of thinking have beers noticed since 1960:

1.   Quantitative or Mathematical Approach

2.   Systems Approach.

3.   Contingency Approach.

1.3.2 QUANTITATIVE APPROACH TO MANAGEMENT

Mathematics has made inroads into all disciplines. It has been universally recognised as an important tool of analysis and a language for precise expression of concept and relationship.

Evolving from the Decision Theory School, the Mathematical School gives a quantitative basis for decision-making and considers management as a system of mathematical models and processes. This school is also sometimes called, 'Operations Research' or 'Management Science School'. The main feature of this school is the use of mixed teams of scientists from several disciplines. It uses scientific techniques for providing quantitative base for managerial decisions. The exponents of this school view management as a system of logical process.

It can be expressed in terms of mathematical symbols and relationships or models. Different mathematical and quantitative techniques or tools, such as linear programming, simulation and queuing, are being increasingly used in almost all the areas of management for studying a wide range of problems.

The exponents of this school believe that all the phases of management can be expressed in quantitative terms for analysis. However, it is to be noted that mathematical models do help in the systematic analysis of problems, but models are no substitute for sound judgement.

Moreover, mathematics quantitative techniques provide tools for analysis but they cannot be treated an independent system of management thought. A lot of mathematics is used in the field of physical sciences and engineering but mathematics has never been considered as separate school even in these fields.

The contributions of mathematicians in the field of management are significant. This has contributed impressively in developing orderly thinking amongst managers. It has given exactness to the management discipline. Its contributions and usefulness could hardly be over-emphasized. However, it can only be treated as a tool in managerial practice.

Limitations

There is no doubt that this approach helps in defining and solving complex problems resulting in orderly thinking. But the critics of this approach regard it as too narrow since it is concerned merely with the development of mathematical models and solutions for certain managerial problems.

This approach suffers from the following drawbacks:

i.   This approach does not give any weightage to human element which plays a dominant role in all organizations.

ii.   In actual life executives have to take decisions quickly without waiting for full information to develop models.

iii.   The various mathematical tools help in decision making. But decision-making is one part of managerial activities. Management has many other functions than decision-making.

iv.   This approach supposes that all variables to decision-making are measurable and inter-dependent. This assumption is not realistic.

v.   Sometimes, the information available in the business for developing mathematical models are not up to date and may lead to wrong decision-making.

Harold Knootz. Also observes that "it is too hard to see mathematics as a separate approach to management theory. Mathematics is a tool rather than a school."

1.3.3   SYSTEMS APPROACH

In the 1960, an approach to management appeared which tried to unify the prior schools of thought. This approach is commonly known as 'Systems Approach'. Its early contributors include Ludwing Von Bertalanffy, Lawrence J. Henderson, W.G. Scott, Deniel Katz, Robert L. Kahn, W. Buckley and J.D. Thompson.

They viewed organization as an organic and open system, which is composed of interacting and interdependent parts, called subsystems. The system approach is to look upon management as a system or as "an organized whole" made up of sub-systems integrated into a unity or orderly totality.

System approach is based on the generalization that everything is inter-related and inter-dependent. A system is composed of related and dependent

element which, when in interaction, forms a unitary whole. A system is simply an assemblage or combination of things or parts forming a complex whole.

One of its most important characteristic is that it is composed of hierarchy of sub-systems. That is the parts forming the major systems and so on. For example, the world can be considered to be a system in which various national economies are sub-systems.

In turn, each national economy is composed of its various industries, each industry is composed of firms; and of course, a firm can be considered a system composed of sub-systems such as production, marketing, finance, accounting and so on.

The basic features of systems approach are as under:

i. A system consists of interacting elements. It is set of inter related and inter-dependent parts arranged in a manner that produces a unified whole.

ii. The various sub-systems should be studied in their inter- relationships rather, than in isolation from each other.

iii. An organizational system has a boundary that determines which parts are internal and which are external.

iv. A system does not exist in a vacuum. It receives information, material and energy from other systems as inputs. These inputs undergo a transformation process within the system and leave the system as output to other systems.

v. An organization is a dynamic system as it is responsive to its environment. It is vulnerable to change in its environment.

In the systems approach, attention is paid towards the overall effectiveness of the system rather than the effectiveness of the sub-systems. The interdependence of the sub-systems is taken into account. The idea of systems can be applied at an organizational level. In applying system concepts, organizations are taken into account and not only the objectives and performances of different departments (sub-systems).

The systems approach is considered both general and specialized systems. The general systems approach to management is mainly concerned with formal organizations and the concepts are related to the technique of sociology, psychology and philosophy. The specific management system includes the analysis of organizational structure, information, planning and control mechanism and job design, etc.

As discussed earlier, system approach has immense possibilities, "A system view point may provide the impetus to unify management theory. By definitions, it could treat the various approaches such as the process of quantitative and behavioural ones as sub-systems in an overall theory of management. Thus, the systems approach may succeed where the process approach has failed to lead management out of the theory of jungle. "

Systems theory is useful to management because it aims at achieving the objectives and it views organization as an open system. Chester Barnard was the first person to utilise the systems approach in the field of management. He feels that the executive must steer through by keeping a balance between conflicting forces and events. A high order of responsible leadership makes the executives effective. H. Simon viewed organization as a complex system of decision making process.

Evaluation of System Approach

The systems approach assists in studying the functions of complex organizations and has been utilized as the base for the new kinds of organizations like project management organization. It is possible to bring out the inter-relations in various functions like planning, organizing, directing and controlling. This approach has an edge over the other approaches because it is very close to reality.

This approach is called abstract and vague. It cannot be easily applied to large and complex organizations. Moreover, it does not provide any tool and technique for managers.

1.3.4 CONTINGENCY OR SITUATIONAL APPROACH

The contingency approach is the latest approach to the existing management approaches. During the 1970's, contingency theory was developed by J.W. Lorsch and P.R. Lawrence, who were critical of other approaches presupposing one best way to manage. Management problems are different under different situations and require to be tackled as per the demand of the situation.

One best way of doing may be useful for repetitive things but not for managerial problems. The contingency theory aims at integrating theory with practice in systems framework. The behaviour of an organization is said to be contingent on forces of environment. "Hence, a contingency approach is an approach, where behaviour of one sub-unit is dependent on its environment and relationship to other units or sub-units that have some control over the sequences desired by that sub- unit."

Thus behaviour within an organization is contingent on environment, and if a manager wants to change the behaviour of any part of the organization, he must try to change the situation influencing it. Tosi and Hammer tell that organization system is not a matter of managerial choice, but contingent upon its external environment.

Contingency approach is an improvement over the systems approach. The interactions between the sub-systems of an organization have long been recognised by the systems approach. Contingency approach also recognizes that organizational system is the product of the interaction of the sub systems and the environment. Besides, it seeks to identify exact nature of inter-actions and inter-relationships.

This approach calls for an identification of the internal and external variables that critically influence managerial revolution and organizational performance. According to this, internal and external environment of the organization is made up of the organizational sub-systems. Thus, the contingency approach provides a pragmatic method of analyzing organizational sub-systems and tries to integrate these with the environment.

Contingency views are ultimately directed towards suggesting organizational designs situations. Therefore, this approach is also called situational approach. This approach helps us to evolve practical answers to the problems remanding solutions.

Kast and Rosenzweig give a broader view of the contingency approach. They say, "The contingency view seeks to understand the inter-relationships within and among sub-systems as well as between the organization and its environment and to define patterns of relationships or configurations of variables contingency views are ultimately directed toward suggesting organization designs and managerial actions most appropriate for specific situations.

Features of Contingency Approach

1. Firstly, the contingency approach does not accept the universality of management theory. It stresses that there is no one best way of doing things. Management is situation, and managers should explain objectives, design organizations and prepare strategies, policies and plans according to prevailing circumstances.

2. Secondly, managerial policies and practices to be effective, must adjust to changes in environment.

3. Thirdly, it should improve diagnostic skills so as to anticipate and ready for environmental changes.

4. Fourthly, managers should have sufficient human relations skill to accommodate and stabilise change.

Finally, it should apply the contingency model in designing the organization, developing its information and communication system, following proper leadership styles and preparing suitable objectives, policies, strategies, programmes and practices. Thus, contingency approach looks to hold a great deal of promise for the future development of management theory and practice.

Evaluation

This approach takes a realistic view in management and organization. It discards the universal validity of principles. Executives are advised to be situation oriented and not stereo-typed. So executives become innovative and creative.

On the other hands, this approach does not have theoretical base. An executive is expected to know all the alternative courses of action before taking action in a situation which is not always feasible.

1.3.5   SYSTEM APPROACH VS. CONTINGENCY APPROACH

Systems Approach:

1.   The emphasis is on interdependence and interaction among sub-systems.

2.   The focus is on the internal environment and sub-systems of the organization.

3.   It treats all organisations alike and the background of the organization is not taken into account.

4.   The organization interacts with the environment and adjusts as per the changes.

5.   It provides a theoretical model of understanding the organization and its sub-systems.

6.   It is silent on the validity of classical principles of management.

Contingency Approach:

1.   It emphasizes the impact of environment on organizational design and managerial style.

2.   The focus is on external environment of the organization.

3.   Each organization is taken as unique entity. Different organisations have different nature and face different situations.

4.   The impact of the environment on organization structure and managerial style is the major concern of contingency approach.

5. It suggests practical solutions to organizational problems.

6. It rejects the blind application of classical principles of management.

1.4 SCHOOLS OF MANAGEMENT THOUGHT

With the beginning of this century, the discipline (subject) of management has assumed greater significance. Not only had the practitioners/businessmen, but also the academicians begun to show extraordinary interest in this subject.

This resulted in the development of a number of approaches to its study. The different approaches developed by various thinkers have led to a kind of confusion as to what management is, what management theory and science are, and how it should be studied? Harold Koontz has correctly called the situation as "the management theory jungle".

Harold Koontz therefore, has tried to cross through jungle and to classify the various approaches into schools of management theory. His work has been supplemented by scholars such as John F. Mee, Joseph A. Litterer, W.W. Cooper and others.

Based on the writings of these and other thinkers we have made an attempt to classify management thought in five schools of management theory:

1. The Operational (Management Process) School.

2. The Empirical School.

3. The Human Relations or Human Behaviour School.

4. The Social Systems School.

5. The Decision Theory School.

These schools of thought are discussed below:

1.4.1 THE OPERATIONAL (MANAGEMENT PROCESS) SCHOOL

The exponents of this school concede that the primary function of management is to get things done with and through people as individuals and as members of work groups. That is why; this school is known as Operational School.

It views management as a universally applicable body of knowledge and theory applicable to all types and levels of organizations.

This school aims at finding out the main functions of the managers and to classify them into basic principles of management practice. This school attempts to analyse intellectually the nature, purpose, structure and the underlying process of each of the functions of management. The essence of this approach, therefore, lies in the analysis of the process of management.

This school of management thought was propounded by the noted French management thinker and practitioner, Henry Fayol. A contemporary of Taylor, Fayol for the first time attempted a systematic analysis of the overall management process. His ideas on management have been referred as the Administrative Management Theory, which later evolved into the Management Process School.

This approach is also known as the "Traditional Approach", "Universalist Approach", and "The Classicist Approach."

Harold Koontz says that this approach bases its analysis on the following fundamental beliefs:

i.   Management is an operational process which can be divided into various functions.

ii.   Experience can furnish grounds for distillation of theory and principles. It can also help to improve the practice.

iii.   The principles of management can be tested through research and experiment to find their validity and improve their applicability.

iv.   Management is an art but like medicine or engineering, it relies on its principles.

v.   Management principles shall never become untrue even if a practitioner ignores them in a given situation.

vi.   Manager's job may be affected by varied environmental factors. But the management science need not cover all the fields of knowledge in order to serve as a foundation of management practice.

Criticism

This school has been criticized on the grounds that

a.   It is losing its validity for want of any significant contribution after Henry Fayol's contribution at the end of the 19th century;

b.   The so called universal principles of management have, on various occasions, failed to stand the test of empirical scrutiny ;

c.   Since organizations function under dynamic conditions, searching for universal principles may not always prove to be a full-proof exercise.

Conclusion

Despite all this criticism this School has certainly provided a concept on framework which can be beneficially utilized to identify the essentials of management.

1.4.2   THE EMPIRICAL SCHOOL

It is also named as the management by customs school. The pioneers who have contributed to this school of thought maintain that management is a study of the past experience of managers. The important contributors associated with this school are Earnest Dale, the researchers from Harvard Business School and the Management Associations in different countries, more notably the American Management Association.

According to them, Management is the study of experience ; the managerial experience can be gainfully utilized by passing it over to the practioneers, students, etc. and also for drawing generalizations on management activities ; the success and the failure of management in the process of decision making can provide a fruitful guidance to the manager in a similar situation that may arise in future, i.e., case studies in management prove useful in training future managers and any theoretical research shall be based on practical experience.

Thus the empirical schools of thought depends heavily on the precedents connected with the managerial situations handled by the managers and their own experience on the ground that research and thought evolved in the course of study is sure to help in ready verifications of principles.

Since this approach lays emphasis on case studies of management, it is also known as "Case Study Approach". By analyzing cases, certain generalizations can be drawn and can be applied as useful guides for future thought or action.

Defects of Empirical Approach

The orientation of this approach towards past is regarded as its main defect. Critics feel that a manager has to work under dynamic conditions and that history does not repeat itself. There may be a great contrast between the situations of the past and those of the present.

Harold Koontz opines that "Management unlike law is not a science based on precedents and situations in the future exactly comparable to the past are exceedingly unlikely to occur. There is positive danger in relying too much on past experience and on undistilled history of managerial problem solving for the simple reason that the technique or approach found right in the past may not fit into a situation of the future".

Management is not an exact science based on precedents. Further, past situations may not occur in the same pattern and the techniques evolved to solve the problems of the past may prove irrelevant to the situations of the Future.

Moreover, learning of management through experience is a time consuming process and top-level executives have neither patience nor time to learn about the management in this fashion. Finally, this approach altogether discards the theoretical aspects of management.

1.4.3 THE HUMAN BEHAVIOR SCHOOL

Elton Mayo, the director of the "Hawthorne Studies" is the proponent of this school of thought.

Human behaviour school considers the behaviour of human beings as the focal point of the management action. It does not view management strictly as a technical process. Based on its objectives and scientific research of individual behaviour and motivation, it was established that the relationship between morale and productivity had been over-simplified by human relationlists.

The Behaviour Science approach to management laid more stress on the application of the methods and findings of general social psychology and sociology for understanding the organizational behaviour. Behaviour Science Movement is regarded as a further refinement of human relations movement. It covered much wider aspects in interpersonal roles and relationships.

With its major emphasis on human relations, informal groups, communication, employee motivation and leadership styles, the behaviour approach to management has drawn attention to a wide range of socio-psychological phenomena like the dynamics of organizational behaviour, group dynamics, organizational conflict, change and techniques of organizational development.

This approach is, therefore, also known as "Human Relations Approach" or "Behavioural Science Approach". As this approach views the manager as a "Leader" and treats all "Lead" activities as managerial activities, it is also called as "Leadership Approach."

The following are the important aspects of the behavioural science approach:

i.   **Employee Motivation:** This includes a determination of the factors that lead to high productivity and high morale.

ii.   **Organization as a social system:** It includes studies of role, status symbol as well as the functions of informal groups.

iii. **Leadership:** This school also underlines the role of personal leadership in management. The scope of this school includes study of human relations and how the manager can grasp their implications, study of manager as a leader and the way he should lead and study of group dynamics and

interpersonal relationships. It involves the study of successful and unsuccessful managerial behaviour.

iv.   **Communication:** It includes the study of factors relating to achieving understanding among persons in an organization as a consideration of the best structuring and use of the channels of contract in an organization.

v.   **Employee Development:** It is concerned with the continued upgrading of employee skills and managerial skills.

This new thinking in management started with the development of need hierarchy by Abraham Maslow in 1940, followed by the works of Frederick Herzberg, Douglas McGregor and Kemis Likert. Research during this period has provided sufficient evidence that human element is the key factor in the success or failure of an organization.

Job enlargement, participation of employees in decision-making process and development of an organizational climate more conducive to the satisfaction of human needs, less reliance on the use of formal authority, and changes in the traditional methods of supervision and control are the tools suggested by the contributors of this era for increasing the productivity of the human beings.

Defects of Human Behaviour Approach

Like other approaches, the human behaviour approach also has its own defects. This approach leans heavily on individual psychology. It goes too far in insisting that people need to be made happy so that the organization can function effectively.

The study of human interactions is of course, very important and its usefulness cannot be disputed. But the field of human behaviour alone cannot cover the whole field of management.

1.4.4   THE SOCIAL SYSTEM SCHOOL

The generalization of this school of thought is heavily oriented to sociological concepts. This school believes that the theory of management rests on the

23

understanding of the interaction of social groups. This school is closely related to the Human Behaviour School of management. "This includes those researches that look upon management as a social system that is system of cultural inter-relationships.

Sometimes, as in the case of March and Simon, the system is limited to formal organization, using the term 'Organization' as equivalent to enterprise rather than the authority activity concept used most often in management. In other cases, the approach is not to distinguish the formal organization but rather to encompass any kind of system of human relationship."

Chester Barnard is considered as the father of social system school. He examined the inter-relationships within the organization. He developed his concept of Formal Organization. It is regarded to be a major contribution in the field of management. He visualized management as a co-operative system where persons are able to communicate with each other and who are willing to contribute effectively towards a conscious common goal.

He started with the individual, moved to co-operative organized endeavor, and ended with the executive functions. His publication 'The functions of the Executive' (1938) is a significant work. The other exponents of this school of thought are Max Weber, Maslow, Argyris, March and Simon, Hertzberg and Likert.

The main thrust of the social system is to study different aspects of social systems. For the contributors of this school:

i.   Organization is essentially a cultural system composed of groups of people who work in co-operation.

ii.   Complete co-operation among the members as well as the groups is very necessary for achieving the goals of the organization.

iii. All the efforts of the management should aim at the establishment of harmony between the goals of the organization and goals of the groups and the individual members, and

iv.   The existence of relationship between internal as well as external environments and change can be easily identified.

Criticism

Even though this school has made valuable contribution in the field of management still, critics feel that:

i.   Sociology is one of the important tools required to understand the

organization as a social entity and the different types of cultural pressures and conditions under which this social system has to work.

ii.   It cannot do justice to many other aspects of the working of an organization including the technological factors and the factors connected with the psychological behaviour of the people which is, in turn, connected with the organization, whether they are individuals or groups.

As observed by Koontz, this approach is, broader than management and in practice it tends to overlook many important concepts and techniques of management.

1.4.5   THE DECISION THEORY SCHOOL

The exponents of this school led by Simon concentrate their attention fully on decision-making. They are of the view that all the managerial functions boil down to one point that is decision-making; Decisions are taken through rational choice among different alternatives within the given constraints. The school's stress is on the study of alternatives through right assessment of different variables.

"This group concentrates on rational approach to decision … the selection from among possible alternatives of a course of action or of an idea. The approach of this school may be to deal with the decision itself or with the persons or organizational group making the decision or with an analysis of the decision process.

Some alternatives are regarded to be fairly large to the economic rationale of decision, while others regard anything which happens in an enterprise the subject of their analysis, and still others expand decision theory to cover the psychological and sociological aspects and environment of decisions and decision makers."

The exponents of these schools go for beyond decision making and they cover almost the entire range of human activities in an organization as well as the macro conditions within which the organization functions.

They have expanded their area of theory building from the decision making process to the study of the decision maker. The decision theorists start with the small area of decision making and then look at the entire field of management through this keyhole.

This school is heavily oriented to model building and different mathematical tools and techniques. A wide range of mathematical and rational research tools and techniques have been used for taking decisions with regard to the great variety of problems that management faces, such as work study, work flow, inventory control, incentives, marketing, communication, planning and information system etc.

The methods of decision making also have undergone radical changes from the past. Several new concepts and approaches have been developed in the field of decision making. For example, the concept of sub-optimization, marginal decisions and "muddling throw are some of the major developments in the field of decision making. Slowly and gradually the superficial methods of decision making are giving way to real situation-oriented approaches to management.

The advocates of this school contemplate that the future development of management discipline will revolve round the decision-making. Thus, in their view, the entire field of management is covered by this school.

General Review of Management of Schools

From the foregoing description of various schools of management thought, it is quite clear that some of schools overlap each other. Management is no longer the restricted domain of managers and entrepreneurs. Different disciplines have contributed to the growth of managerial thought. As a result of these diverse contributions, management has grown as a discipline. Some of the approaches take only partial view of the area of management and see the managerial problems through colored glasses. This is owing to the fact that the exponents of particular

schools have a tendency to stress the concepts as developed in their parent disciplines.

This exclusiveness has blurred their vision and they take part or parts to be the whole. They do not attempt to see that management is an inter-disciplinary subject which draws heavily on the knowledge developed in different disciplines.

Inspite of this fact management has established itself as an independent discipline. Managerial problems cannot be viewed only from one exclusive angle which the advocates of different schools have attempted to do.

Various approaches to management theory and exclusiveness of theories have created confusion. Different intellectual cults have developed. Prof. Koontz has called this phenomenon as, "The Management Theory Jungle." He has suggested for taking fresh look on different schools of thought in management and finding the possibility of evolving a unified theory of management.

In his opinion "the different approaches of management were not different schools of management, but are a kind on intellectual division of level in studying the problems of managing." With a view to disintegrating the management theory jungle, it is essential that the area of management should be clearly defined.

It should have a specific area of study. A proper distinction should be made between the subject-matter of management and the tools of analysis of different subjects, which are not a part of management discipline. The contributions of other disciplines should not make management a part of those disciplines. Management should be integrated with other disciplines but it should not lose its specific identity.

1.5 MEANING OF GLOBALIZATION

Globalization is the free movement of goods, services and people across the world in a seamless and integrated manner. Globalization can be thought of to be the result of the opening up of the global economy and the concomitant increase in trade between nations. In other words, when countries that were hitherto closed to trade and foreign investment open up their economies and go global, the result is an increasing interconnectedness and

integration of the economies of the world. globalization can also mean that countries liberalize their import protocols and welcome foreign investment into sectors that are the mainstays of its economy. What this means is that countries become magnets for attracting global capital by opening up their economies to multinational corporations.

Further, globalization also means that countries liberalize their visa rules and procedures so as to permit the free flow of people from country to country. Moreover, globalization results in freeing up the unproductive sectors to investment and the productive sectors to export related activities resulting in a win-win situation for the economies of the world.

1.6   REASONS FOR GLOBALIZATION

Globalization is not a new phenomena. The world economy has become increasingly interdependent for a long time. However, in recent decades the process of globalization has accelerated; this is due to a variety of factors that are stated below:

1.   **Containerization:** The costs of ocean shipping have come down, due to containerization, bulk shipping, and other efficiencies. The lower cost of shipping products around the global economy helps to bring prices in the country of manufacture closer to prices in the export market, and makes markets more contestable in an international sense.

2.   **Technological change:** Reducing the cost of transmitting and communicating information – sometimes known as "the death of distance" – a key factor behind trade in knowledge products using web technology.

3.   **Economies of scale:** Many economists believe that there has been an increase in the minimum efficient scale (MES) associated with particular industries. If the MES is rising, a domestic market may be regarded as too small to satisfy the selling needs of these industries.

4.   **Opening up of global financial markets:** This has included the removal of capital controls in many countries facilitating foreign direct investment.

5.   **Differences in tax systems:** The desire of corporations to benefit from lower unit labour costs and other favourable factor endowments abroad and develop and exploit fresh comparative advantages in production has encouraged countries to adjust their tax systems to attract foreign direct investment (FDI).

28

6.   **Less protectionism:** Old forms of non-tariff protection such as import licensing and foreign exchange controls have gradually been dismantled. Borders have opened and average tariff levels have fallen – that said in the last few years there has been a rise in protectionism as countries have struggled to achieve growth after the global financial crisis.

Globalization no longer necessarily requires a business to own or have a physical presence in terms of either owning production plants or land in other countries, or even exports and imports. Many businesses use licensing and franchising to help expand their overseas operations.

1.7   MODES OF GLOBALIZATION

The following measures have been followed for globalization of Indian economy**:**

1.   **Increased Foreign Investments:** Under the new economic reforms limits of foreign capital investment has been increased. In many cases 100% direct investment has been allowed without any restrictions. Expert trading houses have been allowed capital investment upto 100%. Foreign Exchange Management Act (FEMA) is enforced in this regard.

2.   **Lesser Tariffs and Duties:** For getting international benefits, custom duties and tariffs on importds and exports are gradually decreasing.

3.   **Increase in Exports:** Globalization shall help in the promotion of exports. Exporters have been provided special facilities and concessions for increasing the exports.

4.   **Freedom to Repatriate:** Before the new economic policy, foreign investment in India was allowed on non-repatriation bases i.e. foreign investors were not allowed to take their income on foreign investment back to their country without the prior permission of Reserve Bank of India. Now this rule has been relaxed and foreign investors are free to repatriate their investment as well as income on investment, thereby attracting more investors to India.

1.8   STRATEGIES FOR GLOBALIZATION

The next important question is how do the companies go global? Globalization does not take place overnight .It proceeds through several stages. There are several strategies of globalization. Different strategies can be adopted by the companies for different markets. Some of these strategies are discussed in brief as under:

1.   **Exporting:** Exporting is the most traditional way of entering into foreign market. Initially, a domestic business unit starts its international business by exporting to one nation. Gradually, it expands its exports to various nations. Exporting is very useful when a country has surplus production capacity i.e., its domestic consumption is less than its production capacity.

2.   **Licensing and Franchising:** In licensing business unit of one country (Licensor) allows the business unit of other country (Licensee) to use its technical know-how (patents, trademarks, copyrights, etc.). For this, licensor charges royalty from license for a stipulated period of time. In most of the nations, the rate of royalty ranges from 5 per cent to 8 per cent of sales. Licensing agreements enable the licensor to make maximum utilization of its intellectual property. Licensee, too, can avail the benefits of modern technology by entering into licensing agreement. Under franchising, business unit of one nation (Franchiser) grants right to do business in a particular manner to the business unit of other nation (Franchisee). This right can be with regard to selling the goods under the brand name of franchiser. In some cases, the key components are provided by franchiser to franchisee. In another form of franchising, the manufacturer may appoint dealers in other nations. For example, soft drink manufacturers like Pepsi and Coca-Cola provide the key part of their product, Le. syrup to their franchisee in other nations. The franchisees have their own bottling plants where they make soft drinks but they sell the same under the brand name of franchiser.

3.   **Contract Manufacturing:** In this agreement, business unit of one nation enters into agreement with manufacturers of other nations to allow them to manufacture the goods at their own, but right to market these goods is retained by the parent foreign enterprise. Under such agreement, the parent foreign enterprise Foreign Market Entry Strategies Exporting (from home country/third country) can expand

30

its business to other nations without setting up its own manufacturing plant in other nations. If the parent enterprise feels that marketing in a particular nation is not much profitable, it can have easy exit from that nation as it has not set up its own production plant in other nation.

4.   **Joint Ventures:** It is a common strategy for getting an entry into foreign market. In joint venture, foreign partner makes an arrangement with local unit of other country in which ownership and management are shared by local unit and foreign partner. Local unit has thorough knowledge of domestic conditions and it has its local set-up and infrastructure like manufacturing unit, distribution network, service centers, etc.

5.   **Management Contracting**: In this arrangement, parent enterprise of one nation sets up management agencies. Through these management agencies, business units of other nations are managed without any stake in ownership/capital. It means the parent enterprise simply provides its managerial expertise to business units of other nations. For this, some fees in the form of percentage of profit or lump sum fee is charged by parent enterprise.

6.   **Wholly Owned Subsidiaries:** Some companies open wholly owned manufacturing units in other nations. These subsidiary companies are wholly owned by their parent company. MNCs prefer this route for globalization when they want to have complete control over manufacturing activities in other nations. Instead of entering into joint ventures, licensing, franchising, exporting, etc., they set up their own subsidiary units in different nations. MNCs have full ownership and control over these subsidiary units. For example, LG Electronics has set up LG India as its wholly owned manufacturing subsidiary unit.

7.   **Assembly Contracts:** In this strategy of entering into foreign markets, foreign partner provides key components and parts which are assembled in another nation. Usually business unit of developed nation provides key components, while these are assembled in developing nation. These contracts are entered into so as to avail the benefit of cheap labour available in developing nations. The products so assembled are marketed under the brand name of foreign parent company.

8. **Cross-border Mergers and Acquisitions:** Such mergers and acquisitions take place between business units of different nations. In merger, business units usually operating at same level, having same type of business join hands to avoid competition and to enhance their long-term competitive strength.

9. **Third Country Route Location:** This strategy of taking entry into foreign markets is used to take advantage of friendly relations between two nations. In this case, one country does not make direct investment in other nation; rather investment is made in third nation. Through this third nation, the investment is routed to destination country.

10. **Strategic Alliance:** Strategic alliance is entered between two business units for achieving a specific goal e.g., setting up common research and development unit for developing new technology, providing training to employees of both units.

11. **Turnkey Projects:** In turnkey project agreements, business unit of one nation agrees to construct entire plant for the business unit of other country. The business unit which agrees to construct a plant is known as licensor and the business unit to whom the completed project is handed over after completion is known as licensee. When initial construction phase of the project is more complex than the routine operational part, then turnkey projects are common.

There are a number of foreign market entry strategies for going global. The choice of the most suitable alternative is based on the relevant factors related to the company and the environments of the domestic and foreign markets. Global marketers have to make a multitude of decisions regarding the entry mode which may include the target product/ market, the goals of the target markets the mode of entry, the time of entry , a marketing-mix plan , a control system to check the performance in the entered markets.

1.9   GLOBALIZATION AND INDIAN ECONOMY

Before the announcement of new Economic policy in1991. India's international business had been confined mostly to exports. Indian companies had not made any significant foreign investments although India's policy had been one of encouraging foreign

investments by Indian companies, subject to certain conditions. The main deterrents to the foreign investment were the domestic policy and domestic economic scene. The Government policy restricted the area of operation and growth, which in turn seriously constrained the Indian companies to make investment into the foreign companies. The economy and the domestic market was so protected that it had become the seller's market.

Thus, it was in the interest of the Indian companies to ignore the foreign markets. The new Economic policy is expected to encourage the globalization of Indian business. The following measures have been adopted by the Government of India even since 1991 to promote globalization in the country.

1.10   MEASURES TO PROMOTE GLOBALIZATION

1.   **Import Liberalization:** For liberalizing foreign trade, import controls through licensing were abolished. With this almost all items of capital goods, raw materials, intermediate goods can be freely imported subject only to payment of customs duties. For some time quantitative restric-tions on consumer goods remained but with effect from 1995 all quantitative restrictions, even on imports of consumer goods, have been lifted.

To liberalize imports peak customs duties which in some cases were as high as over 300 per cent were lowered in stages to 150 per cent in July 1991, to 85 per cent in Feb. 1993, 50 per cent in 2002. The average import duty was further reduced to 31 per cent in 2003 and to 20 percent in Jan. 2004, to 15 per cent in 2005 and further to 12.5% in 2006.

Import duties on capital goods have been reduced even below 20 per cent for certain categories. This phased reduction in exceptionally high customs duties and a phased removal of quantitative restrictions on imports has substantially reduced anti- export bias in the earlier trade and balance of payment policies.

2.   **Imports of Gold and Silver:** Imports of Gold and Silver have been considerably liberalized. This reduced the incentive for smuggling. In Jan. 2004 imports of gold were made free from any commission charged for it.

3.   **Market-Determined Exchange Rate:** An important measure in external sector was to devalue the rupee in July 1991 and after about 2 years in 1993 exchange

rate was changed from basket based pegged exchange rate system to market-determined exchange rate. With this the exchange rate of the rupee today is determined by demand and supply conditions in the foreign exchange markets.

4.   **Convertibility of Rupee:** Another important reform for globalizing the Indian economy was the convertibility of rupee on balance of payments on current account. This implies the importers can get their required quantity of foreign exchange by converting their rupee resources into dollars from the foreign exchange market. The exporters do not have to surrender their foreign exchange (US dollar or EU Euro) earned abroad to RBI but can now sell them in the foreign exchange markets.

5.   **Liberalization of Foreign Investment:** The new economic policy adopted since 1991 considerably liberalized the scope of foreign investment, both direct and portfolio. Earlier investment by foreign companies required prior approval of the government and was restricted to 40 per cent equity participation and was also subjected to the conditions of technology transfer to India. Besides, foreign investment was permitted in priority areas only. Foreign portfolio investment was allowed mainly into a limited number of public sectors bond issues.

The new economic policy of 1991 provided for automatic approval of foreign direct investment, that is, no prior permission from the government is required up to 51 per cent of the total equity capital of the firms in 34 priority indus-tries. In 1996, the government raised this ceiling limit for automatic approval from 51 per cent to 74 per cent for foreign equity participation.

Criteria for approval of foreign investment greater than 51 per cent equity participation prior to 1996 (and greater than 74 per cent after 1996) in priority industries and foreign equity participation in non priority industries which was approved on case to case basis was quite liberalized to attract more foreign investment.

Besides, it is worth mentioning that elimination of industrial licensing restrictions, opening up to the private sector of a number of industries previously reserved for the public sector which increased the growth of domestic corporate sector also served to promote foreign private investment.

1.11   ADVANTAGES OF GLOBALIZATION

1.   Encourages producers and consumers to benefit from deeper division of labour and economies of scale.

2.   Competitive markets reduce monopoly profits and incentivize businesses to seek cost-reducing innovations.

3.   Enhanced growth has led to higher per capita incomes – and helped many of poorest countries to achieve faster economic growth and reduce extreme poverty measured as incomes < $1.90 per day (PPP adjusted).

4.   Advantages from the freer movement of labour between countries.

5.   Gains from the sharing of ideas / skills / technologies across national borders.

6.   Opening up of capital markets allows developing countries to borrow money to over a domestic savings gap.

7.   Increased awareness among consumers of challenges from climate change and wealth/income inequality.

8.   Competitive pressures of globalization may prompt improved governance and better labour protection.

1.12   DISADVANTAGES OF GLOBALIZATION

1.   **Inequality:** Globalizations has been linked to rising inequalities in income and wealth. Evidence for this is the growing rural–urban divide in countries such as China, India and Brazil. This leads to political and social tensions and financial instability that will constrain growth. Many of the world's poorest people do not have access to basic technologies and public goods. They are excluded from the benefits.

2.   **Inflation:** Strong demand for food and energy has caused a steep rise in commodity prices. Food price inflation (known as agflation) has placed millions of the world's poorest people at great risk.

3. **Vulnerability to external economic shocks:** National economies are more connected and interdependent; this increases the risk of contagion i.e. an external event somewhere else in the world coming back to affect you has risen / making a country more vulnerable to macro-economic problems elsewhere.

4. **Threats to the Global Commons:** Irreversible damage to ecosystems, land degradation, deforestation, loss of bio-diversity and the fears of a permanent shortage of water afflict millions of the worlds most vulnerable.

5. **Race to the bottom:** Nations desperate to attract inward investment may be tempted to lower corporate taxes, allow lax health and safety laws and limit basic welfare safety nets with damaging social consequences.

6. **Trade Imbalances:** Global trade has grown but so too have trade imbalances. Some countries are running big trade surpluses and these imbalances are creating tensions and pressures to introduce protectionist policies such as new forms of import control. Many developing countries fall victim to export dumping by producers in advanced nations (dumping is selling excess output at a price below the unit cost of supply.)

7. **Unemployment:** Concern has been expressed by some that capital investment and jobs in advanced economies will drain away to developing countries as firms switch their production to countries with lower unit labour costs. This can lead to higher levels of structural unemployment.

8. **Standardization:** Some critics of globalization point to a loss of economic and cultural diversity as giant firms and global multinational brands dominate domestic markets in many countries.

9. **Dominant global brands:** Globalization might stifle competition if global businesses with dominant brands and superior technologies take charge of key markets be it telecommunications, motor vehicles and so on.

1.13 CONCEPT OF BUSINESS ENVIRONMENT The nature of Business Environment is simply and better explained by the following approaches:

i. **System Approach:** In original, business is a system by which it produces goods and services for the satisfaction of wants, by using several inputs, such as, raw material, capital, labour etc. from the environment.

ii. **Social Responsibility Approach:** In this approach business should fulfill its responsibility towards several categories of the society such as consumers, stockholders, employees, government etc.

iii. **Creative Approach:** As per this approach, business gives shape to the environment by facing the challenges and availing the opportunities in time. The business brings about changes in the society by giving attention to the needs of the people.

1.14 SIGNIFICANCE OF BUSINESS ENVIRONMENT

Business Environment refers to the "Sum total of conditions which surround man at a given point in space and time. In the past, the environment of man consisted of only the physical aspects of the planet Earth (air, water and land) and the biotic communities. But in due course of time and advancement of society, man extended his environment through his social, economic and political function."

In a globalised economy, the business environment plays an important role in almost all business enterprises. The significance of business environment is explained with the help of the following points:

i. **Help to understand Internal Environment:** It is very much important for business enterprise to understand its internal environment, such as business policy, organization structure etc. In such case an effective management information system will help to predict the business environmental changes.

ii. **Help to Understand Economic System:** The different kinds of economic systems influence the business in different ways. It is essential for a businessman and business firm to know about the role of capitalists, socialist and mixed economy.

iii. **Help to Understand Economic Policy:** Economic policy has its own importance in business environment and it has an important place in business. The business environment helps to understand government policies such as, export-import policy,

price policy; monetary policy, foreign exchange policy, industrial policy etc. have much effect on business.

iv. **Help to Understand Market Conditions:** It is necessary for an enterprise to have the knowledge of market structure and changes taking place in it. The knowledge about increase and decrease in demand, supply, monopolistic practices, government participation in business etc., is necessary for an enterprise.

1.15 COMPONENTS OF BUSINESS ENVIRONMENT

A business organization does not exist in a vacuum. It is in fact dependent on the external and internal environment. Business environment may offer opportunities for the firm or threats to the firm. A business firm is also affected by a number of internal factors, which are forces inside the business organization. While the policy makers and the managers on the top are concerned with the external environment, the middle level and lower level management are more concerned with the internal environment.

The various components of business environment are– (i) Internal Enviornment (ii) External Environment.

1.15.1 INTERNAL ENVIRONMENT

Internal environment includes all those factors which influence business and which are present within the business itself. These factors are usually under the control of business. The study of internal factors is really important for the study of internal environment. These factors are:

i. **Value system:** The value system of an organization means the ethical beliefs that guide the organization in achieving its mission and objectives. It is a widely acknowledged fact that the extent to which the value system is shared by all in the organization is an important factor contributing to its success.

ii. **Mission and objectives:** The business domain of the company, direction of development, business philosophy, business policy etc are guided by the mission and objectives of the company. The objective of all firms is assumed to be maximization of profit. Mission is defined as the overall

38

purpose or reason for its existence which guides and influences its business decision and economic activities.

iii. **Organization structure:** The organizational structure, the composition of the board of directors, the professionalism of management etc. are important factors influencing business decisions. An efficient working of a business organization requires that the organization structure shoFuld be conducive for quick decision-making.

iv. **Corporate culture:** Corporate culture is an important factor for determining the internal environment of any company. In a closed and threatening type of corporate culture the business decisions are taken by top level managers while the middle level and lower level managers have no say in business decision making. This leads to lack of trust and confidence among subordinate officials of the company and secrecy pervades throughout the organization. This results in a sense of alienation among the lower level managers and workers of the company. In an open and participating culture, business decisions are taken by the lower level managers and top management has a high degree of confidence in the subordinates.

v. **Quality of human resources:** Quality of employees that is of human resources of a firm is an important factor of internal environment of a firm. The characteristics of the human resources like skill, quality, capabilities, attitude and commitment of its employees etc could contribute to the strength and weaknesses of an organization. Some organisations find it difficult to carry out restructuring or modernization plans because of resistance by its employees.

vi. **Labour unions:** Labour unions collectively bargains with the managers for better wages and better working conditions of the different categories of workers etc. For the smooth working of business firm good relations between management and labour unions is required.

vii. **Physical resources and technological capabilities:** Physical resources such as plant and equipment and technological capabilities of a firm determine its competitive strength which is an important factor for determining its efficiency and unit cost of production. Research and development capabilities of a company determine its ability to introduce innovations which enhances productivity of workers.

1.15.2 EXTERNAL ENVIRONMENT

External environment includes all those factors which influence business and exist outside the business. Business has no control over these factors. The information about these factors is important for the study of the external environment.

Some of these factors are those with which a particular company has very close relationship. However, there are some other factors which influence the entire business community.

I. **Micro environment:** Micro environment means that environment which includes those factors with which business is closely related. These factors influence every industrial unit differently. These factors are as under:

i. **Customers:** Customers of an industrial unit can be of different types. They include household, government, industry, commercial enterprises, etc. The number of different types of customers highly influences a firm. For example, suppose a firm supplies goods only to the government. It means that firm has only one customer. If because of some reason their relations get soured, the supply of goods will stop and in that case the closure of that firm is certain. This clearly indicates that the customers do influence business. Therefore, a firm should make efforts to have different kinds of customers,

ii. **Suppliers:** Like the customers, the suppliers also influence business. If a business has only one supplier and he gets annoyed because of some

reason, the supply of goods can be stopped and the very existence of the business can be threatened or endangered. Hence, efforts should be made to have various suppliers.

iii.   **Competitors:** The competing firms can influence business in a number of ways. They can do so by bringing new and cheap products in the market, by launching some sale promotion scheme or other similar methods.

iv.   **Public:** Public has different constituents like the local public, press or media, etc. The attitude or behaviour of these constituents can affect business units. For example, the local population can oppose some established firm whose business is excessively noisy. Similarly, if the media gives some favourable report about a particular company the price of its share can register an increase on this count.

v.   **Marketing Intermediaries:** The marketing intermediaries play a significant role in developing any business unit. They are those persons who reduce the distance between the producers and agents. For example, a company sells its goods with the help of agents and if because of some reason all the agents get annoyed with the company and refuse to sell its goods, there can be a crisis for the company.

II.   **MACRO ENVIRONMENT**

Dimensions of business environment (or macro environment or general environment) have the following important factors:

1.   **Economic Environment:** Among the various factors of macro environment, the economic environment has a special significance. Economic environment can be divided into three parts. We shall now study their effect on business. They are (i) Economic system, (ii) Economic policies, (iii) Economic conditions.

i.   **Economic System:** It is necessary to know about the economic system prevailing in a country in order to understand the economic environment.

Economic system influences the freedom or openness of business. Economic system is mainly of three kinds:

(a) Socialistic Economic System (b) Capitalistic Economic System (c) Mixed Economic System.

a. **Socialistic Economic System:** Under this system, business is directed and controlled by the government. In other words, individuals have no freedom to run business. The government owns all the means of productions. No individual has the right to have private property. All persons enjoy the benefits of centrally planned economy. All have equal rights. This system of economy is mainly adopted by Russia, China, Hungary and Poland.

b. **Capitalistic Economic System:** Under this system, private ownership of business is given importance. Hence, business gets extended. It is also known as free market economy. Under this, all means of production (such as labour, land, capital, etc.) are owned by private people. What to produce, how to produce and by whom it will be produced-all such considerations are determined by the market forces.

Hence, it can be said that there is a complete freedom of consumption, production, savings, investment, etc. Such type of economic system is prevailing in USA and Canada and in many other countries.

c. **Mixed Economic System:** Under this system, business is owned both by the government and individuals. Under this, several basic industries are run under the control and ownership of the government. As far as the private sector is concerned, it is run by the private persons, but to save the interest of the country government regulates its activities. India is a good example of countries following these concepts of economy.

ii. **Economic Policies:** Economic policies deeply influence the business of a country. The economic policies are laid down to direct the economic activities. Economic activities include import-export, employment, tax structure, industry, public expenditure, public debt, foreign investment etc.

In order to direct all these economic activities, the following economic policies are laid down:

(a)   Export-Import Policy

(b)   Employment Policy

(c)   Taxation Policy

(d)   Industrial Policy

(e)   Public Expenditure Policy

(f)   Public Debt Policy

(g)   Agriculture Policy

(h)   Foreign Investment Policy.

All these policies influence business. For example, under the import-export policy, restrictions on imports will benefit the indigenous industry.

iii.   Economic Conditions: Economic conditions are those conditions which are related with the possibilities of economic development of a country. On the basis of the economic conditions the government starts various programmes for the welfare of the people. These programmes influence business. Businessmen are influenced by these programmes and they start their own programmes like the advertisement policy, discovery of new market, bringing new products in the market, new methods of production, etc. Some of the examples of economic conditions are as under:

a.   Flow of Foreign Capital

b.   Supply of Natural Resources

c.   Level of Economic Development

d.   Rate of Interest

e.   National Income

f.   Industrial Development

g.   Foreign Trade

h.   General Price Level.

The following are the chief examples of the impact of economic environment on business:

a.   When reforms were introduced in the banking sector, the bank loans were allowed on easy terms. It also led to better services. It helped really fast development of business.

b.   The change in the economic environment resulted in the establishment of Leasing Companies, Mutual Funds and Venture Capital Business.

2.   Political Environment: Political environment is the outcome of a combination of various ideologies advocated by different political parties. Factors connected with the activities of the government are included in it, e.g., the type of government (single-party government or multi-party government), the attitude of the government towards different industries, progress in passing different laws. The platforms of the political parties, the tendency of the applicants for different posts, efforts by various groups to get effective support for themselves, etc. Every political party has a different attitude towards business community.

A living example of this can be seen during elections in the shape of fluctuations in the share market. It is quite possible that the mere possibility of a particular political party coming into power can make the prices of share rise sky high. It is true conversely when the possibility of some other political party coming into power may bring the price of shares really nose-diving.

It clearly shows that the attitude of the first political party towards business is positive which gets reflected in the positive effect on the share market. On the other hand, the negative attitude of the second political party towards business is reflected in the nose-diving of prices of shares in the share market merely on the possibility of its coming to power.

The following are some of the examples of the impact of the political environment on business:

i. In 1977, the Janata Government adopted a stringent attitude towards the multinational companies. As a result of this attitude, the multinational companies like the IBM and the Coca-Cola had to ignore India.

ii. The new government encouraged the multinational companies for investment in India. This led to the opening of the doors of the Indian market for the multinational companies. Consequently, the Coca-Cola entered the Indian market once again.

iii. It was only because of the political interest that Hyderabad came to be known as Cyberabad. In other words; it came to be recognised as the centre of Information Technology (IT). As a result, many IT companies came to be established there.

3. **Social Environment:** Business originates and develops in society. Therefore, the effect of various social factors on business is but natural. Social factors include customs, fashions, traditions, wishes, hopes, level of education, population, standard of living of the people, religious values, distribution of income, corruption, family set-up, consumers' consciousness, etc.

All social factors influence business in some way or the other. For example, the production of things should be according to the fashion. Similarly, religious values also influence business. For example, some years ago the manufacturers of Vanaspati Ghee used to import animal fat for manufacturing ghee. On the basis of the strong public protests, the government cancelled the import license of these manufacturers. Similarly, with the news that some popular cold drinks contain pesticide elements, people protested against it and minimized the consumption of these cold drinks.

4. **Legal Regulatory Environment:** Many Acts are passed from time to time in order to control and regulate business activities. The sum total of all these Acts creates legal regulatory environment. Acts are mossy passed to regulate such business activities as sale-purchase, industrial disputes, labour, regulating partnership business, regulating company business, foreign exchange, etc.

In India, the following Acts have been passed in connection with the above business activities:

i.   Sale of Goods Act

ii.   Industrial Disputes Act

iii.   Minimum Wages Act

iv.   Indian Partnership Act

v.   Companies Act

vi.   Trademark Act

vii.   Essential Commodities Act

viii.   Consumer Protection Act

ix.   Standards of Weights and Measures Act. All these Acts influence business decisions.

The following are the examples of the impact of the legal regulatory environment on business:

i.   By removing control on the capital market, a huge amount of capital was collected by issuing various new issues in the primary market.

ii.   With introduction of relaxation in Foreign Direct Investment (FDI) and Foreign Exchange, many multinational companies entered the Indian market. Consequently, there has been a tremendous increase in the foreign exchange reserves in the country.

5. **Technological Environment:** Technological environment includes the discovery of new methods and implements for the production of goods and services. Technological changes make available better methods of production and that makes the optimum use of the raw material possible.

The technological changes offer both the possibilities and threats for business. In case a company understands these things well in time it can achieve its objective, otherwise the very existence of the company is threatened.

For example, it becomes a technological change for the automobile industry to produce vehicles which consume less petrol in view of the ever increasing prices of petrol.

Only that company will be able to survive which can move with the changes taking place in the environment. Therefore, the companies should constantly watch the technological changes so that they are able to exploit the business opportunities.

The following are the examples of impact of technological environment on business:

With the advent of television in the market, the cinema and the radio industry were adversely affected.

i. With the arrival of the Photostat machines in the market, the carbon paper industry suffered a setback.

ii. With the entry of synthetic thread in the market, the cotton cloth industry was badly affected.

iii. The digital watches have almost eliminated the market of the traditional watches.

1.16 ECONOMIC ENVIRONMENT OF INDIA

The **economy of India** is a developing mixed economy. It is the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP).

The country ranks 141st in per capita GDP (nominal) with $1723 and 123rd in per capita GDP (PPP) with $6,616 as of 2016. After 1991 economic liberalization, India achieved 6-7% average GDP growth annually. In FY 2015 and 2017 India's economy became the world's fastest growing major economy surpassing China. The long-term growth prospective of the Indian economy is positive due to its young population, corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. India topped the World Bank's growth outlook for the first time in fiscal year 2015–16, during which the economy grew 7.6%.Growth is expected to have declined slightly to 7.1% for the 2016–17 fiscal year. According to the IMF, India's growth is expected to rebound to 7.2% in the 2017–18 fiscal and 7.7% in 2018–19.

India has one of the fastest growing service sectors in the world with an annual growth rate above 9% since 2001, which contributed to 57% of GDP in 2012–13. India has become a major exporter of IT services, Business Process Outsourcing (BPO) services, and software services with $154 billion revenue in FY 2017. This is the fastest-growing part of the economy. The IT industry continues to be the largest private-sector employer in India. India is the third-largest start-up hub in the world with over 3,100 technology start-ups in 2014–15.The agricultural sectors is the largest employer in India's economy but contributes to a declining share of its GDP (17% in 2013–14). India ranks second worldwide in farm output. The industry sector has held a steady share of its economic contribution (26% of GDP in 2013–14). The Indian automobile industry is one of the largest in the world with an annual production of 21.48 million vehicles (mostly two and three-wheelers) in 2013–14. India had $600 billion worth of retail market in 2015 and one of world's fastest growing e-commerce markets.

1.17   RECENT DEVELOPMENT AND CHANGE IN THE POLICIES OF THE GOVERNMENT ON BUSINESS AND INDUSTRY

The economic environment of business in India has been changing at a fast rate mainly due to the changes in the economic policies of the government. At the time of independence, the Indian economy was basically agrarian with a weak industrial base. To speed up the industrial growth and solve various economic problems, the government took several steps like state ownership on certain categories of industries, economic planning, reduced role of private sector, etc. The Government adopted several control

measures on the functioning of private sector enterprises. All these efforts resulted a mixed response. There was growth in net national product, per capita income and development of capital goods sector and infrastructure. But rate of industrial growth was slow, inflation increased and government faced a serious foreign exchange crisis during eighties. As a result, the government of India introduced a radical change in economic policies in 1991. This policy abolished industrial licensing in most of the cases, allowed private participation in most industries; disinvestment was carried out in many public sector industrial enterprises and opened up the economy considerably. Foreign Investment Promotion Board was set up to channelize foreign capital investment in India. Let us discuss the developments under three heads, viz., Liberalization, Privatization, and Globalization.

1.17.1 LIBERALIZATION

Liberalization refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises. It includes:

i.   abolishing industrial licensing requirement in most of the industries;

ii.   freedom in deciding the scale of business activities;.

iii.   freedom in fixing prices of goods and services;

iv.   simplifying the procedure for imports and exports;

v.   reduction in tax rates; and

vi.   simplified policies to attract foreign capital and technology to India.

Through this liberalization process, Indian Economy has opened up and started interacting with the world in a big way. This has resulted in easy entry of foreign business organisations in India. This has further resulted in stiff competition and efficiency. Ultimately, liberalization has helped us in achieving a high growth rate, easy availability of goods at competitive rates, a healthy and flourishing stock market, high foreign exchange reserve, low inflation rate, strong rupee, good industrial relations, etc.

Measures adopted for liberalization:

The major elements of Liberalization in India includes the following :

49

1.   **De-licensing of industries:** The Industrial Policy 1991 abolished (cancelled), licensing for most industries which helped Indian companies to concentrate on productive activities.

The 6 industries that required licensing are alcohol, cigarettes, industrial explosives, defence product, drugs & pharmaceuticals, hazardous chemicals, etc.

2.   **Liberalization of foreign investment:** The necessity to obtain approval for foreign investment from various government authorities often caused delayed. At present FDI is 100 % in certain sectors such as infrastructure, exports, hotels, tourism, etc. The Liberalization of FDI has resulted in certain benefits such as increased in inflow of foreign capital, Development of skills of Indian personnel due to foreign MNCs training transfer of technology by foreign partners to Indian firms.

3.   **Liberalization of foreign technology imports:** The liberalized import of foreign technology led to technological improvement in Indian industries. This helped in getting automatic permission for foreign technology imports and no permission was required for hiring foreign technicians & foreign technology testing.

4.   **Liberalization of industrial location:** The Industrial Policy 1991 stated that, there is no need to obtain approval from central government for industrial location. This enabled the Indian firms to set up industries at a right location of their choice without much interference from government authority.

5.   **Liberal taxation:** The government of India has introduced liberal reduction in taxation rates on direct tax & indirect tax, customs, excise, service which has greatly benefited the firms operating in India.

Advantages of Liberalization

Liberalization has benefited the Indian economy in many ways. Some of the benefits are mentioned as under:

1.   Increase in the foreign investment.

2.   Increase in the foreign exchange reserve.

3.   Increase in consumption.

4.   Control over price.

5.   Check on corruption.

6.   Reduction in dependence on external commercial borrowings.

Disadvantages of Liberalization

There are several disadvantages associated with liberalization as explained under:

1.   Increase in unemployment.

2.   Loss to domestic units.

3.   Increased dependence on foreign nations

4.   Unbalanced development

5.   Increase the imbalances

1.17.2 PRIVATIZATION

Privatization refers to reducing the role of public sector by involving the private sectors in most activities. Due to the policy reforms announced in 1991, the expansion of public sector has literally come to a halt and the private sector registered fast growth in the post liberalized period. The issues of privatization include reduction in the number of industries reserved for the public sector from 17 to 8 (reduced further to 3 later on) and the introduction of selective competition in the reserved area; disinvestment of shares of selected public sector industrial enterprises in order to raise resources and to encourage wider participation of general public and workers in the ownership in business; improvement in performance through an MOU system by which managements are to be granted greater autonomy but held accountable for specified results. In India, as a result of these steps, the post liberalization phase has witnessed a massive expansion of the private sector business in India. You can have an idea of their expansion from the fact that the total capital employed in top 500 private sector companies rose from Rs. 1,39,806 crores in 1992-93 to Rs. 2, 34, 751 crores in 1994-95 (an expansion of 68% in just two years).

Advantages of Privatization

Main advantages derived from privatization are:

1.   Helps in reducing the burden on government.

2.   Makes the PSUs competitive.

3.   Greater autonomy for PSUs managers.

4.   Industrial growth.

5.   Better service to customers.

Disadvantages of Privatization

Following are the drawbacks of privatization:

1.   Encourages the growth of monopoly power.

2.   Privatization may be preferred only for profit making PSUs.

3.   Unbalance development of industries.

4.   Compromise of social justice & public welfare.

5.   Increased in corruption

1.17.3 GLOBALIZATION

Globalization means 'integrating' the economy of a country with the world economy. This implies free flow of goods and services, capital, technology and labour across national boundaries. To achieve these objectives of globalization, the government has adopted various measures such as reduction in custom duties, removal of quantitative restrictions or quotas on exports and imports, facilitating foreign investment and encouragement of foreign technology. These measures are expected to achieve a higher rate of growth, enlargement of employment potential, and reduction of regional disparities.

Advantages of Globalization

Following advantages have been derived from globalization:

1.   Globalization helps to boost the long run average growth rate of the economy of the country through improvement in the allocative efficiency of resources; increase in labour productivity; and reduction in capital-output ratio.

2. Globalization paves the way for removing inefficiency in production system. Prolonged protective scenario in the absence of globalization makes the production system careless about cost effectiveness which can be attained by following the policy of globalization.

3. Globalization attracts entry of foreign capital along with foreign updated technology which improves the quality of production.

4. Globalization usually restructure production and trade pattern favoring labour-intensive goods and labour-intensive techniques as well as expansion of trade in services. The benefits of science and technology have reached every corner of the world. People around the world are connected through mobile phones and internet technology.

5. In a globalized scenario, domestic industries of developing country become conscious about price reduction and quality improvement to their products so as to face foreign competition. Globalization contributes in improving international relations and friendliness among different nations.

6. Globalization discourages uneconomic import substitution and favour cheaper imports of capital goods which reduces capital-output ratio in manufacturing industries. Cost effectiveness and price reduction of manufactured commodities will improve the terms of trade in favour of agriculture. What are the disadvantages of Globalization?

7. Globalization facilitates consumer goods industries to expand faster to meet growing demand for these consumer goods which would result faster expansion of employment opportunities over a period of time. This would result trickledown effect to reduce the proportion of population living below the poverty line

8. Globalization enhances the efficiency of the banking insurance and financial sectors with the opening up to those areas to foreign capital, foreign banks and insurance companies.

Disadvantages of Globalization:

Following are the disadvantages of globalization:

1. Globalization paves the way for redistribution of economic power at the world level leading to domination by economically powerful nations over the poor nations.

2. Globalization usually results greater increase in imports than increase in exports leading to growing trade deficit and balance of payments problem.

3. Although globalization promote the idea that technological change and increase in productivity would lead to more jobs and higher wages but during the last few years, such technological changes occurring in some developing countries have resulted more loss of jobs than they have created leading to fall in employment growth rates.

4. Globalization has alerted the village and small scale industries and sounded death-knell to it as they cannot withstand the competition arising from well organized MNCs.

5. Globalization has been showing down the process to poverty reduction in some developing and underdeveloped countries of the world and thereby enhances the problem of inequality.

6. Globalization is also posing as a threat to agriculture in developing and underdeveloped countries of the world. As with the WTO trading provisions, agricultural commodities market of poor and developing countries will be flooded farm goods from countries at a rate much lower than that indigenous farm products leading to a death-blow to many farmers.

7. Implementation of globalization principle becoming harder in many industrially developed democratic countries to ask its people to bear the pains and uncertainties of structural adjustment with the hope of getting benefits in future.

1.18 MANAGERIAL FUNCTIONS IN GLOBAL BUSINESS

Global competition has forced businesses to change how they manage at home and abroad. The increasing rate of change, technological advances, short product life cycles, and high speed communications are all factors that contribute to these changes. The new management approach focuses on establishing a new communication system that features a high level of employee involvement. Organizational structures must also be flexible enough to change with changing market conditions. Ongoing staff development programs and design-control procedures, which are understandable and acceptable, are outcomes from this new approach. Management values are changing and managers must have a vision to everyone in the firm, management is dynamic process consisting of several elements

or activities, which every manager has to perform, are known as the functions of management. The nature and significance of management can be better understood by a study of its functions.

1.19   CLASSIFICATIONS OF FUNCTIONS

1.19.1 PLANNING

In the world of management, planning is a very important function since it is the first of the basic functions of management which are planning, organizing, directing, coordinating and controlling. It is often being thought that planning is the most fundamental of the managerial functions since all other functions stem from the planning function. Planning prepares organizations for tomorrow by assessing today what an organization wants to accomplish and how it will go about achieving that goal.

Through planning, management decides the best alternative among others to perform different managerial functions in order to achieve predetermined goals. Without setting a goal to be reached and lines of action to be followed, there is nothing to organize, to direct, to coordinate and to control in the organization. However this should not lead one to hold the view that planning is an isolated activity required in the beginning only. On the other hand, it is a continuous and unending process to keep the organization on the path of progress while other management functions are also performed simultaneously.

Planning is nothing but looking ahead and preparing the organization for the future course of actions which need to be followed. It is a preparatory step and consists of chalking out an activity plan for doing the things in an orderly manner for the achievement of the desired targets and objectives. It is a mental predisposition to think before acting and to act in the light of facts rather than guesses. It is a detailed programme regarding future course of action. It is a systematic activity which determines why an action is needed, what is to done, who has to carry out the action, how it is to be done and when to be done. It bridges the gap between where we are, and where we want to go. It makes possible things to occur which would not otherwise occur. The idiom 'well planned is half done' amply describes the importance of planning as a management function.

Planning takes into consideration of available and prospective human and physical resources of the organization so as to get effective co-ordination, contribution as well as perfect adjustment. It includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. Through the function of planning policies, programmes, procedures, budgeting and other related elements gets generated.

Types of Plans

1. **Objectives:** Objectives are very basic to the organization and they are defined as ends which the management seeks to achieve by its operations. They serve as a guide for overall business planning.

2. **Strategy:** strategy is a comprehensive plan for accomplishing an organization objectives. This comprehensive plan will include three dimensions,

a. determining long term objectives,

b. adopting a particular course of action, and

c. allocating resources necessary to achieve the objective.

3. **Policy:** They are guides to managerial action and decisions in the implementation of strategy.

4. **Procedure:** Procedures are routine steps on how to carry out activities. Procedures are specified steps to be followed in particular circumstances.

5. **Method:** Methods provide the prescribed ways or manner in which a task has to be performed considering the objective. It deals with a task comprising one step of a procedure and specifies how this step is to be performed.

6. **Rule:** Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion.

7. **Programme:** Programmes are detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.

8. **Budget:** It is a plan which quantifies future facts and figures. It is a fundamental planning instrument in many organisations.

Importance of Planning

Planning provides directions

Planning reduces the risks of uncertainty

Planning reduces overlapping and wasteful activities

Planning promotes innovative ideas

Planning facilitates decision making

Planning establishes standards for controlling.

Steps in Planning Process

1. **Setting objectives*:*** Objectives may be set for the entire organization and each department or unit within the organization.

2. **Developing premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future.

3. **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them.

4. **Evaluating alternative courses:** The next step is to weigh the pros and cons of each alternative.

5. **Selecting an alternative:** This is the real point of decision making. The best plan has to be adopted and implemented.

6. **Implement the plan:** This is concerned with putting the plan into action.

7. **Follow-up action:** Monitoring the plans is equally important to ensure that objectives are achieved.

To develop forecasts, goals and plans for international activities, the

manager must monitor environments very closely. Key factors include political stabilility, currency instability, competition from governments, pressures from governments, patents and trademark protection a n d intense competition.

1.19.2 ORGANIZING

Organizing is the function of management which follows planning. It is the process of establishing orderly uses for all resources within the management system of the organization. It is a function in which the synchronization and combination of human, physical, financial, and information resources takes place for the achievement of the results. Organizing function is essential because it facilitates administration as well as the functioning of the organization.

According to Louis A. Allen, "Organisation is the process of identifying and grouping of the works to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most efficiently".

According to Chester Barnard, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility".

Organizing is the next important function of management after the planning. In case of planning the management decides what is to be done in future. In case of organizing, it decides on ways and means through which it becomes easier to achieve what has been planned. Hence, organizing refers to the following process.

Identifying and grouping of the work to be performed.

Defining and determining responsibility and authority for each job position.

Establishing relationship among various job positions.

Determining detailed rules and regulations of working for individuals and groups in organization.

Organizing creates and maintains rational relationships between human, material, financial, and information resources by indicating which resources are to be used for the specified activities and also when, where, and how they are to be used. The organizing function leads to an organizational structure which defines precisely the authorities and the responsibilities. Organization structure is the pattern of relationships among various components or parts of the organization which prescribes the relations among various activities and positions. It defines the system of relations between elements, factors, and activities within the organization. The organizational structure is to be designed for some concrete conditions and objective needs of the organization.

Importance of Organizing

Organizing function follows the planning function. Plans prepared under the function of planning govern all aspects of organizing function.
Since the organizing follows planning it is closely related to it. The organizing begins after the plans are prepared and is governed by the prepared plans. While the plans state where the organization is to go, organizing helps the organization how to get there. Organizing function shows the management how the organization is to be built or how the existing one is modified to ensure that the goals set in the plans are achieved.

Organizing is essential because it facilitates administration as well as operation of in the organization. By the proper grouping of the work and the employees, production increases, overload of work is checked, wastage is reduced, duplication of work is restricted and effective delegation becomes possible. Organizing also facilitates growth and diversification of activities through clear division of work. It helps in developing a proper organization structure and the extent and nature of decentralization can be determined. In addition to the above, it becomes possible through organizing to provide for the optimum use of technical and human resources. Besides organizing also encourages creativity and enhances interaction among different levels of management which leads to unification of efforts of all.

Organizing facilitates development of the organizational structure which becomes a tool for the management to achieve plans. This organizational structure is to be responsive with the changes in the plan. The organization which has taken the time, energy, and money to develop quality plans needs management who understand the importance of organizing.

Process of Organizing

Organizing, like planning, is a process which is to be carefully worked out and applied. This process involves determining what work is needed, assigning those tasks, and arranging them in a decision-making framework (organizational structure). If this process is not conducted well, the results may be confusion, frustration, loss of efficiency, and limited effectiveness. The process of organizing consists of the following five steps. (Fig 1)

1. **Identification of activities:** Each organization exists for fulfilling a specific purpose. This purpose identifies the activities which are performed by the organization. For example, in a manufacturing organization, production of the goods and their selling are the major activities in addition to the routine activities. And these activities are in variance with the activities of a service organization or an organization involved in the trading activities. Hence the identification of the various activities of the organization is an important step in the organizing function.

2. **Grouping of activities:** Once the activities have been identified, then there is a necessity that they are grouped. The activities are grouped in various ways. The activities which are similar in nature can be grouped as one and a separate department can be created. For example, activities related to the purchasing, production, marketing, and accounting and finance can be grouped respectively under purchase, production, marketing, and finance departments etc. Further in each department the activities can be further subdivided into various specific jobs.

3. **Assignment of responsibilities:** Having completed the exercise of identifying, grouping and classifying of all activities into specific jobs, the individual

employees comes into picture since the employees are to be assign with the responsibilities to take care of activities related to the specific jobs.

4. **Granting authority:** On the basis of specific responsibilities given to individual employees, they are to be provided with the necessary authority for the discharge of the assigned responsibilities in order to ensure their effective performance and in turn the performance of the organization.

5. **Establishing relationship:** This is a very important part of the organizing function since each employee in the organization is to know as to whom to report and which the employees who are to work with him are. This establishes a structure of relationships in the organization which helps to ensure that the organization has clear relationships. This structure of relationships also facilitates the delegation.

For carrying out the organizing function usually four approaches are followed for designing the organization structure of the organization.

· The first approach is the functional approach. It is the most common approach. It groups activities under the major headings such as production, marketing, finance, and personnel etc. It is a logical approach. Lines are clearly drawn between departments. But, difficulties can arise because employees get separated department wise and hence from each other. Their understanding and concern for the specialty areas outside of their own is not easy to achieve. It can lead to communication difficulties and lack of cooperation between functional areas. Also, it does not develop generalists in the management area.

· The second approach is the geographic approach which groups the activities and responsibilities according to the geographical location. Expanding organizations often locate plants and sales units or repair facilities in various parts of the country because of favourable labour and materials costs, tax incentives, easy access to transportation, or the need to be located near customers to serve them quickly and efficiently. Geographic patterns work best when different laws, currencies, languages, and traditions exist, and have a direct impact on the ways in which the organizational activities are to be conducted. The geographic structure furnishes a training ground to develop general management abilities. A limitation of

this approach is the cost of employees and facilities. When the organization makes the decision to expand geographically it automatically incurs cost through duplication of employee's positions and additional building sites.

·   The third approach is the production line approach. This approach assembles the activities of creating, producing, and marketing each product into one department. This approach is normally considered if each product of the organization needs a unique marketing strategy, production process, distribution system, or capital resources. The major disadvantage is similar to the geographic approach which is the additional cost through duplication of the functions within each product line.

·   The fourth approach is the customer approach which groups activities and resources in response to the needs of specific customer groups. If customers have a different set of demands, needs, and preferences then the following of this approach is appropriate. If the decision is made to use this approach with only some of the organizational customers then there will be difficulty in coordinating the customer-based departments with departments organized in other patterns. Another possibility in this approach is the overspecialization. The facilities and employees may become so specialized to solve the needs of the customers that they cannot be used for any other purpose.

Organizing principles

Organizing function is effective only if the management follows some guiding principles in order to make important decisions and act upon them. For an efficient organizing function the following are the guiding principles.

Principle of specialization: According to the principle, the entire work of the organization is to be shared among the subordinates based on their qualifications, abilities and skills. Hence, effective organization can be achieved through specialization of sharing or dividing work.

Principle of functional definition: The principle states that all the work in the organization is to be fully and clearly described to the managers and subordinates. For instance, the initial work of production, marketing and finance,

the authority of managers and the responsibilities of the workers and their relationships towards each other must be clearly described to all the employees working in the department. Hence, clarification in the authority and responsibility helps in the growth of the organization.

Principles of supervision or span of control: The principle states that the span of control shows the number of employees that a single manager can handle and control efficiently. Hence, the management is to decide the number of employees that a manager can handle and this decision can be chosen from either a wide or narrow span of employees. There are two types of span of control namely (i) wide span of control in which a manager can easily supervise and effectively handle a big group of subordinates independently, and (ii) narrow span of control in which a manager does not have to supervise and control a large group of employees as the work and authority is shared among many subordinates. Hence, the manager needs to supervise only a selected number of employees at one time.

Principle of scalar chain: It is that chain of command or authorization in which there is minimum wastage of resources, communication is unaffected, overlapping of work is prevented, and this facilitates effective organization. The flow of authorization from the top level to the bottom level enables the managers to understand their positions of authority and this helps in an effective organization.

Principle of unity of command: As per this principle, one subordinate is accountable to only one superior at one time. This helps in preventing lack of communication and feedback and also brings about quick response. Hence, the principle of unity of command leads to effectively combine both physical and financial resources which in turn aids in effective coordination and organization.

Benefits of Organizing

The benefits of the organizing function are as follows.

The end result of the organizing process is an organization which is whole consisting of unified parts (a system) acting in harmony to execute tasks to achieve goals, both effectively and efficiently.

63

A properly implemented organizing process results in a clarified work environment. Everyone in the organization knows what to do. The tasks and responsibilities of all individuals, departments, and major divisions gets clarified. The type and limits of authority also gets determined.

There is an environment of coordination and cooperation in the organization. The interrelationship of the various work units gets developed. The principle of unity of direction which calls for the establishment of one authority figure for each designated task of the organization is achieved. This person has the authority to coordinate all plans concerning that task.

A formal decision-making structure gets established in the organization. This chain of command allows the orderly progression up and down the hierarchy for decision making and decision-making communications.

International firms should be sure that their plans fit the culture of the host country. Typically, U.S. firms feel that long term plans should be three to five years in length; but in some cultures, this time period is too short. Many countries must plan with the assistance of governmental agencies. And working through bureaucratic structures, policies, and procedures is often time consuming.

International businesses must be organized so that they can adapt to cultural and environmental differences. No longer can organizations just put "carbon copies" or clones of themselves in foreign countries. An international firm must be organized so that it can be responsive to foreign customers, employees, and suppliers. An entire firm may even be organized as one giant worldwide company that has several divisions. Above all, the new organization must establish a very open communication system where problems, ideas, and grievances can quickly be heard and addressed at all levels of management. Without this, employees will not get involved, and their insights and ideas are crucial to the success of the business.

As an organization extends its operations internationally, it needs to adapt its structure. When the organization increases its international focus, it goes through the following three phases of structural change:

1.   **Pre international stage.** Companies with a product or service that incorporates the latest technology, is unique, or is superior may consider themselves ready for the international arena. The first strategy used to introduce a product to a foreign market is to find a way to export the product. At this phase, the firm adds an export manager as part of the marketing department and finds foreign partners.

2.   **International division stage.** Pressure may mount through the enforcement of host country laws, trade restrictions, and competition, placing a company at a cost disadvantage. When a company decides to defend and expand its foreign market position by establishing marketing or production operations in one or more host countries, it establishes a separate international division. In turn, foreign operations begin, and a vice president, reporting directly to the president or CEO, oversees the operations.

3.   **Global structure stage.** A company is ready to move away from an international division phase when it meets the following criteria:

> The international market is as important to the company as the domestic market.

> Senior officials in the company possess both foreign and domestic experience.

> International sales represent 25 to 35 percent of total sales.

> The technology used in the domestic division has far outstripped that of the international division.

As foreign operations become more important to the bottom line, decision making becomes more centralized at corporate headquarters. A functional product group, geographic approach, or a combination of these approaches should be adopted. The firm unifies international activities with worldwide decisions at world headquarters.

1.19.3 STAFFING

Staffing is the traditional management function of attraction and selection of the best people and putting them on job where their talents and skills can be

best utilized, and retention of these people through incentives, job training and job enrichment programmes, in order to achieve both individual and organizational objectives. This emphasizes managing human and not material or financial resources.

Staffing is the function of human relationship in the organizational structure with competent staff. Staffing in that part of the management function which is concerned with people at work and with their relationship within the organization.

Staffing may be defined as "that function of management, which is concerned with selecting, developing, maintaining and utilizing the manpower such that the objectives of the organization are achieved economically and effectively. The objectives of individual employees of the organization are accomplished to the highest degree possible, serving in the process the objectives of the community at large."

Importance of Staffing:

1. Staffing function help in discovering of qualified and obtaining competent personnel for various jobs in the organization.

2. Since the right person is recruited for the right jobs, it leads for maximum productivity and higher performance.

3. It promotes optimum utilization of human resources.

4. It increases job satisfaction and morale of the workers through adequate remuneration for each job.

5. Since the staffing helps to ensure maximum utilization of human resources exist the labour costs per unit or production will be reduced.

6. It ensures the continuity and growth of the organization, through development managers.

7. It help, business activities are not disrupted at any time due to shortage of competent workers or excess of workers. Because it forecasts the correct staff requirements for the present and for the longterm.

8.   It leads to efficient functioning of the organization due to systematic programmes for the selection; training and appraisal of employees are required by proper staffing function.

9.   The use of latest technology can be achieved by the right person, selected in the organization.

10.   Employees now recognize the dignity of labour, there is awareness of the role of performing the staffing function well; management can show the significance it attaches to the human resource development.

Process of Staffing

1.   Manpower Planning: Manpower planning or in simple terms estimation of workforce requirement is the first step in the process of staffing. As always every step starts off with the process of planning and identifying what is required. This steps involves outlining the various positions of the organization and determining what category of people will be suitable for it. For instance, if I am making an Engineering company, I would want someone who has prior management experience and great understanding of the discipline to be the CEO, so the qualification could be the person being a veteran or a person with dual MBA and Engineering degree.

2.   Recruiting: Once the positions are determined and the qualifications outlined there arises the need to identify people meeting the conditions. This is done through a process known as recruiting. This process could be done through a multiplicity of ways like campus recruitment, On the Job recruitment etc. In my engineering company me informing and them accepting to be interviewed for the position will be recruiting.

3.   Selection: Selection is a process that comes either prior to recruiting or not at all. Recruiting nowadays is a combination of selection and recruiting. Selection as a distinct process involves sifting through the recruits to understand who can do the job better. The steps involved could be practical tests, interviews, theory tests etc, all depending on the time, convenience and policy of a company. In my company

it would be about pitching the veteran against the dual degree holder in a practical test environment probably a crisis simulation and deciding who does better.

4. Workforce Orientation: Workforce orientation is a process by which a new employee recently selected is made familiar to a work place. Being a new employee he/she might be unaware of the company's policies, objectives, rules etc and will require time getting familiar to. This is hastened by giving orientations to make the employee to step into his position comfortably and with complete commitment and awareness. Being a new company, my company won't require this but when the tenure of this CEO ends and a new one is selected from outside the company then it may be necessary.

5. Training and Development: Picasso probably wasn't so good at what he does when he first did it. Practice makes one better at what he does. So does training. Even the most efficient of employees sometimes need a hand or two to get better at what they do and this is the underlying concept in providing training and ensuring development. Training and Development are two different concepts. Training is more concerned with making the employee at what he does now. For instance helping an accountant to be a better accountant. However development is concerned with improving the faculties and abilities of the employee in such a manner so as to allow him to discharge more complicated functions in the future. For instance, it would be helping an branch accountant to be the regional chief accountant.

6. Performance Appraisal: Mere employment and training of employees is not the end of staffing function it also involves the function of appraising the level of performance of each employee. In my engineering company, it would be understanding how well the CEO, I selected is running the company.

7. Compensation: An employee will not work nothing. He needs to be compensated for the work and effort he puts into the company. The total amount and nature of compensation depends upon the nature of the work and the position of the employee. A CEO gets a salary along with other benefits such as Shares etc

whereas a layoff would get only daily wages. Compensation may also include bonuses and the like depending upon the performance of the employee.

8. **Promotion:** Promotion is the elevation of rank and status of an employee. It is distinct from the mere change of position of an employee and requires the two mentioned elements. Staffing is also concerned with promotions as it is to be done in context to the entire organisational structure of employees. Promotions are granted to people who show promise and are committed and even though a constituent element of the broader functioning of staffing has a huge role to play in the company's success.

Because obtaining a good staff is so critical to the success of any business, the hiring and development of employees must be done very carefully. Management must be familiar with the country's national labor laws. Next, it must decide how many managers and personnel to hire from the local labor force and whether to transfer home based personnel.

For example, U.S. firms are better off hiring local talent and using only a few key expatriates in most cases, because the costs of assigning U.S.–based employees to positions overseas can be quite expensive. Simply, *expatriates* (people who live and work in another country) are expensive propositions even when things go well. Adding up all the extras—higher pay, airfare for family members, moving expenses, housing allowances, education benefits for the kids, company car, taxes, and home leave—means that the first year abroad often costs the multinational company many times the expatriate's base salary. The total bill for an average overseas stay of four years can easily top $1 million per expatriate. In any case, managers need to closely examine how to select and prepare expatriates.

1.19.4 DIRECTING

Directing is a management function through which the management instructs, guides, and inspires the employees by communicating with them. It also oversees the performance of the employees for the achievement of the predetermined goals. It is the function of leading the employees to perform efficiently, and contribute to

their optimum for the achievement of the organizational objectives. Directing is a very important management function for every organization.

Directing is an important link with the other management functions. The functions of planning and organizing lose their importance if the function of directing is missing in the chain of management functions. While the functions of planning and organizing prepare a base for action, the function of directing initiates the action in the organization.

The process of directing in the organization is not limited to initial set of instructions but is a process which takes place on a continuous basis after it has started. Further, this process takes place at all the levels of the management. Directing functions follows the hierarchy of the organization which means that it begins at the top management level and then travels downwards in the management hierarchy.

Directing consists of the process and techniques of issuing instructions for making certain that operation are carried out as planned. It is telling the employees what to do and seeing to it that they do to the best of their ability. The management experts have defined this function in many ways. Some of the definitions are given below.

"Activating deals with the steps a manager takes to get sub-ordinates and others to carry out plans".

– Newman and Warren.

"Directing is the inter personnel aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives."

– Koontz and O'Donnell.

As a function of management, directing is useful to the organization in many ways as given below.

It guides and helps the subordinates to complete the given task properly and as per schedule.

It provides the necessary motivation to subordinates to complete the work satisfactorily and strive to do their best.

It helps in maintaining discipline and rewarding those who do well.

Directing involves supervision, which is essential to make sure that work is performed according to the orders and instructions.

Different people perform different activities in the organization. All the activities are interrelated. In order to co-ordinate the activities carried out in different parts and to ensure that they are performed well, directing is important. It helps to integrate the various activities and also helps in integrating the individual goals with organizational goals.

Directing involves leadership that essentially helps in creating appropriate work environment and in the building up of team spirit.

Elements of directing

Directing functions has certain elements as stated below:

1.   Issuing of orders and instructions: The first element of directing function is the issuing of orders and instructions by the superiors to the subordinates for getting the work done in the desired manner. The orders are to be as few as possible. More orders than those that are absolutely necessary result into the loss of independence and thus suppression of the initiatives of the subordinates. The orders are to be clear and brief but complete and convey fully what is intended to be done. Such orders create confidence in the mind of the subordinates. Further the subordinate is to have the clear understanding of the order given.

2.   Guiding the subordinates: Another important element of directing function is the guiding of the subordinates. The subordinates are to be guided to the proper method of work. The proper guidance orients the employee towards the organization. This orientation is necessary for them to accomplish the objectives of the organization.

3.   Supervision: In order to see that the work is done according to the instructions, the superior must observe the activities of the subordinates. Supervision is an important component of the function of directing. It is done to ensure that the performance of the subordinates conforms to the plans and contributes to the attainment of the organizational goals. Supervision is done at all the levels of the management. However, supervision is more important at lower levels.

4.   Leadership: Leadership is the ability to persuade and motivate others to work in a desired way for achieving the goal. Thus, a person who is able to influence others and make them follow his instructions is called a leader. Leadership is the process, which influences the people and inspires them to willingly accomplish the organizational objectives. The main purpose of managerial leadership is to get willing cooperation of the employees in pursuit of the goals. Appropriate and inspiring leadership alone can influence the subordinates to better their performances.

5.   Motivation: Motivation is one of the important elements of directing. Motivation of the employees is one of the most challenging problems for the management. It has to induce the employees to utilize their talent and skill to contribute to the organizational goal. It creates in men, the willingness to work whole-heartedly for attaining objectives. Issuance of proper instructions or orders does not necessarily ensure that they will be properly carried out. It requires manager to inspire or induce the employees to act and get the expected result. It is the force that inspire a person at work to intensify his willingness to use the best of his capability for achievement of specify objectives. It may be in the form of incentives like financial (such as bonus, commission etc.) or, non-financial (such as appreciation, growth etc.), or it could be positive or negative. Basically, motivation is directed towards goals and prompt people to act.

6.   Discipline: Discipline is an important element of directing function. Proper discipline is required to be maintained in the organization for the orderly behaviour of the employees.

7. **Communication:** Communication is the core of direction. It is through the communication net-work that a manager instructs his subordinates as to what they should do and how they should do it. Communication refers to the process by which a person (known as sender) transmits information or messages to another person (known as receiver). Proper communication results in clarity and securing the cooperation of subordinates. Faulty communication creates problems due to misunderstanding between the superior and subordinates. The subordinates must correctly understand the message conveyed to them. Communication does not always flow from manager to subordinate. It can also be from a subordinate to the manager. It is a two way process.

Cultural differences make the directing function more difficult for the international manager. Employee attitudes toward work and problem solving differ by country. Language barriers also create communication difficulties. To minimize problems arising from cultural differences, organizations are training managers in cross cultural management. Cross cultural management trains managers to interact with several cultures and to value diversity.

In addition, the style of leadership that is acceptable to employees varies from nation to nation. In countries like France and Germany, informal relations with employees are discouraged. In Sweden and Japan, however, informal relations with employees are strongly encouraged, and a very participative leadership style is used. Incentive systems also vary tremendously. The type of incentives used in the U.S. may not work in Europe or Japan, where stable employment and benefits are more important than bonuses.

1.19.5 CONTROLLING

Controlling is an important function of management which all the managers are required to perform. In order to contribute towards achievement of organisational objectives, a manager is required to exercise effective control over the activities of his subordinates.

Thus, controlling can be defined as a managerial function to ensure that activities in an organisation are performed according to the plans. Controlling also ensures efficient and effective use of organizational resources for achieving the goals. Hence, it is a goal oriented function.

Often, controlling and management control are considered same. However, there is a vast difference between the two. Controlling is one of the managerial functions while management control can be defined as a process which managers follow to perform the controlling function.

Management control refers to setting of predetermined standards, comparing actual performance with these standards and, if required, taking corrective actions to ensure the achievement of organizational goals.

"Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans".

- Koontz And O'Donnell.

"Control is the process of bringing about conformity of performance with planned action."

- Dale Henning

Controlling function is performed in all types of organizations whether commercial or non commercial and at all levels i.e. top, middle and supervisory levels of management. Thus, it is a pervasive function. Controlling should not be considered as the last function of the management.

The controlling function compares the actual performance with predetermined standards, finds out deviation and attempts to take corrective measures. Eventually, this process helps in formulation of future plans too. Thus, controlling function helps in bringing the management cycle back to planning.

Process of Controlling

Controlling as a management function involves following steps:

1.   Establishment of standards- Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance. Standards generally are classified into two :

a.   **Measurable or tangible -** Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.

b.   **Non-measurable or intangible-** There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2.   Measurement of performance: The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured.

3.   Comparison of actual and standard performance: Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, "If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

4.   Taking remedial actions- Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here :

a.   Taking corrective measures for deviations which have occurred; and

b.   After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

Geographic dispersion and distance, language barriers, and legal restrictions complicate the controlling function. Meetings, reporting, and inspections are typically part of the international control system.

Controlling poses special challenges if a company engages in multinational business because of the far flung scope of operations and the differing influences of diverse environments. Controlling operations is nonetheless a crucial function for multinational managers. In many countries, bonuses, pensions, holidays, and vacation days are legally mandated and considered by many employees as rights. Particularly powerful unions exist in many parts of the world, and their demands restrict managers' freedom to operate.

Relationship between Planning and Controlling

Planning and controlling are two separate functions of management, yet they are closely related. The scopes of activities if both are overlapping to each other. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In absence of controlling, no purpose can be served by. Therefore, planning and controlling reinforce each other. According to Billy Goetz, "Relationship between the two can be summarized in the following points.

1.   Planning precedes controlling and controlling succeeds planning.

2.   Planning and controlling are inseparable functions of management.

3.   Activities are put on rails by planning and they are kept at right place through controlling. 76

4.   The process of planning and controlling works on Systems Approach which is as follows :

   Planning   —>   Results   —>Corrective Action

5.   Planning and controlling are integral parts of an organization as both are important for smooth running of an enterprise.

6.   Planning and controlling reinforce each other. Each drives the other function of management.

In the present dynamic environment which affects the organization, the strong relationship between the two is very critical and important. In the present day environment, it is quite likely that planning fails due to some unforeseen events. There controlling comes to the rescue. Once controlling is done effectively, it give us stimulus to make better plans. Therefore, planning and controlling are inseperate functions of a business enterprise.

1.20   SUMMARY

Few business schools have embraced the contribution that emergency management theory and practice can make to the success of business operations. Current views of management theory stress the changing nature of the external environment and the need to understand and address these external forces for change. The contribution and role of systems theory and contingency theory to the emergency management process is stressed. Although some might view that we do not manage disasters, there is an overlap between the contribution of management theory and emergency management. Management theory stresses the need for effective planning to ensure that organizational goals are obtained. Moreover, understanding the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects, the political framework, the legal aspects and the technological aspects etc.

1.21 GLOSSARY

1.   **Knowledge Management :** Knowledge Management (KM) is the process of creating, sharing, using and managing the knowledge and information of an organization.

2.   **Six Sigma :** Six Sigma is a quality programme that, when all is said and done, improves your customer's experience, lower your costs and builds better leaders.

1.22 SELF ASSESSMENT QUESTIONS

1.   Briefly explain general review of management schools.

2.   Describe systems approach to management.

3.   What are the various modes of globalization?

4.   Define Business environment.

5.   Why is co-ordination important?

1.23 LESSON END EXERCISES

1.   Describe the human behavior approach to management. Describe its contribution to the theory of management.

2.   What is the contingency theory of management? What are its implications and relevance.

3.   Write a detailed note on globalization and also state its advantages and disadvantages.

4.   What are the various environmental factors which mangers should take into account in managing their organizations?

5.   Explain briefly managerial functions in global business.

1.24 SUGGESTED READING

Frances Horibe, Managing Knowledge Workers, *John Wiley & Sons.*

Fernandez & Leidner, Knowledge Management, *PHI Learning, New Delhi.*

Ganesh Natarajan and Sandhya Shekhar, Knowledge Management - Enabling Business Growth, *Tata McGrawHill, New Delhi.*

Mruthyunjaya, Knowledge Management, *PHI Learning, New Delhi.cl*

~~~

KNOWLEDGE MANAGEMENT

STRUCTURE

2.1   INTRODUCTION

This chapter provides an introduction to the study of knowledge management (KM). A brief history of knowledge management concepts is outlined, noting that much of KM existed before the actual term came into popular use. The lack of consensus over what constitutes a good definition of KM is addressed and the concept analysis technique is described as a means of clarifying the conceptual confusion that still persists over what KM is or is not. The multidisciplinary roots of KM are enumerated together with their contributions to the discipline. The two major forms of knowledge, tacit and explicit, are compared and contrasted. The importance of KM today for individuals, for communities of practice, and for organizations are described together with the emerging KM roles and responsibilities needed to ensure successful KM implementations.

2.2   OBJECTIVES

After going through this unit you will be able to:

1.   Use a framework and a clear language for knowledge management concepts.

2.   Define key knowledge management concepts such as intellectual capital, organizational learning and memory, knowledge taxonomy, and communities of practice using concept analysis.

3.   Provide an overview of the history of knowledge management and identify key milestones.

4.   Describe the key roles and responsibilities required for knowledge management applications.

80

2.3   MEANING OF KNOWLEDGE

Knowledge management which is considered essential for the survival and growth of every enterprises, has been use earlier also but in different terminologies such as core competencies, best practices, learning organisations, corporate memory. expert systems etc. Managers knew their core assets are not buildings, its products or market share, but its people, their knowledge and skills. The businesses have now realized that the only source of competitive advantage is their knowledge. To quote the *CEO of Hewlett Packard* 'successful companies in the 21st century will be the those who do the best job of capturing, storing and leveraging what their employees know'.

Davenport and Prusak define knowledge as "a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, process, practices, and norms."

As per Webster's dictionary, "knowledge applies to facts or ideas acquired by study, observation, or experience." This definition implies that knowledge extends beyond information and it has something to do with facts and ideas that have been acquired mostly through experience and includes formal and informal learning.

2.3.1   COMPONENTS OF KNOWLEDGE

The various components of knowledge are:

1.   Experience. Knowledge is not something that is gained instantly it develops over time. Experience puts new situations and events into context with respect to what happened before. It allows us to make connections. When we do not have experience, we typically try to buy it by hiring experts to obtain their insights.

2.   Judgments: Knowledge contains judgment. Judgment is required, in particular, to respond to new situations and new information. When knowledge stops evolving, it turns into opinion or dogma and that is dangerous.

3.   Values and beliefs: "Knowledge, unlike information, is about beliefs and commitments." (Nonoka and Takeuchi, 1991). People with different values see different

things in the same situation. Thus, values and beliefs affect what an individual knower sees, absorbs, and concludes from a situation and, as a result, impacts what the organization knows.

4.   Complexity: Too often, we try to rely on simple answers to solve complex problems. With knowledge, we can deal with complexity in a complex way. In many situations, unfortunately, we just don't know. Assuming that the solutions we have work under all conditions is often too simplistic

5.   Rules of thumb: Rules of thumb are heuristics used to guide action. They are developed through trial and (often painful) error over long experience and observation. They are particularly useful as shortcuts when solving new problems that resemble previous problems. Rules of thumb are efficient guides to complex situations. They lead to intuitive answers that compress expertise in time. However, if rules of thumb are applied to complex problems, they can lead to simplistic answers (and mistakes) in situations where we don't really know

6.   Ground truth: Ground truth refers to truth obtained from experience at ground level rather than from theory. Thus, we know what actually worked, not what theory says should work. Thus many organizations, such as information systems groups, use the "After Action Review" procedure followed by the U.S. Army to evaluate the actual outcome against the assumed outcome of an action.

We are all living in the era of fast changing world with uncertain market fluctuations and aggressive competition. The changes in knowledge are taking place at such a supersonic speed that the information is doubling every six months. Whatever we learn today becomes obsolete very soon. Terms like intellectual capital and knowledge workers have become very common in the modern business terminology.

The main elements of intellectual capital are Human Capital and Structural Capital. Human Capital refers to the knowledge, skills and experience possessed by individual employees and Structural Capital refers to basically everything that remains in the firm after the employees go home.

Knowledge workers are the backbone of a successful enterprise. In the modern times, only those organisations and institutions can survive which can efficiently manage

their intellectual capital and convert the challenges into opportunities and making best use of the available knowledge workers.

2.4 KNOWLEDGE EXPLOSION

There is an explosion of knowledge today .the 21st century has brought with it an era of globalization along with it a revolution in information technology. The competition and challenges from all over the world have brought organization and institution under pressure. In order to survive the cut-throat competition, organisations have to become pro-active (i.e. anticipate changes in advance) rather than being reactive (i.e. responding after a change has taken place).The success or failure of an enterprise in this millennium largely depend on obsoleting what you know before others obsolete it and making the best use of the latest knowledge possessed by the experts.

2.5 DISTINCTION BETWEEN DATA, INFORMATION AND KNOWLEDGE

It is useful to distinguish between data, information and knowledge.

Data: Data consist of basic facts or values. Examples of data are the number of employees in an organization, how many hours they worked each week and their hourly wage.

Information: Information is a collection of facts organized so they have additional value. Information provides the context of the data and helps you answer questions. For example, the data on employees and their earnings could be organized so that they show how much time each employee spent on each project. This makes it possible to see which projects are still under budget and which ones are not.

Knowledge: Knowledge represents the awareness and understanding of information and the ways the information can be made useful to support a task or make a decision. For example, you could use the information on the time spent by each employee on particular projects to revise budgets for future projects of a similar nature. Understanding how to best budget for projects is an example of knowledge.

So you collect data, you turn this into information, and over time, this allows you to develop knowledge.

2.6   KNOWLEDGE MANAGEMENT- A PERSPECTIVE

The main aim of knowledge is to motivate the employees to think outside the current practices, products, services and organisation so that they become a critical resource for organization.

Knowledge Management has become an imperative for those enterprises who want to protect their present market share, build future opportunity share and stay ahead of competition. In simple words, Knowledge management is he management of knowledge but in the context of organization it may be extended to management organizational knowledge for creating business value and generating a competitive advantage.

According to Girard, & Girard, "Knowledge Management is the process of creating, sharing, using and managing the knowledge and information of an organization."

Knowledge Management enables the creation, communication and application of knowledge of al kinds to achieve the business goals. Knowledge Management helps in addressing various business problems and finding out solutions for them.

According to Keeler, "Knowledge management is the engine that transforms ideas into business value. It is a systematic process for creating, acquiring, synthesizing, sharing and using information, insights and experiences to achieve organizational goals."

Knowledge is sometimes confused with information and also with wisdom because of the existence of blurred boundaries that exist between the three. Information is nothing but the result of the process of large amounts of data that are created during the regular operations of any organizations. This information is available to all who are authorised to assess it Knowledge management encompasses the whole spectrum of information available within the walls of the corporate entity. Knowledge management ensures that all the information, data, know-how, transferred so that they can be properly used by the organizations.KM is simply delivering the right information to the right person, at the right time and place to make business decision of value for the enterprise.

2.7   NEED FOR KNOWLEDGE MANAGEMENT

The important factors that are driving the need for KM are organizational survival, competitive differentiation, globalization effects and aging workforce. Considering the management

dynamics today, the onus of managing knowledge requires utmost focus as most of the work is information based. It is an undisputed fact that organisations compete on the basis of knowledge, since products and services are becoming increasingly complex. Hence the requirement for a life-long learning has become an unavoidable reality and KM has become important because marketplaces are increasingly competitive and the rate of innovation is rising.

Downsizing staff also creates a need to replace informal knowledge with formal methods. KM is also of importance because early retirements and increasing mobility of the work force lead to loss of knowledge while changes in strategic direction may result in the loss of knowledge in some specific areas. In other words, knowledge and information have become the medium in which business problems occur. As a result, managing knowledge represents the primary opportunity for achieving substantial savings, significant improvements in human performance, and competitive advantage. Another important factor that is driving the need for KM is the realization that an organization must manage its knowledge if it is to survive in today's dynamic and competitive marketplace. Survival concerns are not limited to for-profit firms as nonprofits and even public agencies have all realized the value of KM.

Without adequate care in how knowledge is managed, organisations will not be operating optimally and this will result in the ineffective and inefficient creation and delivery of products and services leading to unsatisfied customers, which is what ultimately leads to the demise of the organization. The next common reason for conducting KM is to help in competitive differentiation. All organisations, whether for-profit or not-for-profit, compete within a sector. KM is a critical driver of competitive advantages because it enhances the capacity of organisations to innovate thereby differentiating itself from its competitors. Organisations that are unable to innovate at a sustainable pace will lack the ability to continuously attract new customers, which in turn will lead to their demise. But organisations that are able to innovate will be able to secure, and even retain, their competitive positions in the marketplace. The advent of globalization has also driven the need for KM, as organisations search to find effective tools and methods for acquiring and sharing knowledge over many structural and cultural barriers. Therefore, globalization has created an urgent need for organisations to be able to manage knowledge across countries and continents.

85

Another need for KM is aging workforce. Most organisations are facing a graying of their workforce and soon much knowledge is going to leave the organisations. This intellectual capital needs to be captured so that future generations in these work environments do not have to repeat mistakes and reinvent knowledge.

2.8   ELEMENTS OF KNOWLEDGE MANAGEMENT

A complete knowledge management system must contain four elements. These are:

1.   Knowledge creation and capture

2.   Knowledge sharing and enrichment

3.   Information storage and retrieval

4.   Knowledge dissemination.

1.   Knowledge Creation and Capture: The first element of knowledge management is knowledge creation and capture. Knowledge is continually being created in any group, corporation or organization since the very interaction among people generates knowledge. One of the primary aims of knowledge management is to capture the knowledge that is produced during such interactions. As a consequence of the highly competitive nature of today's markets, there is increasing need within corporations and organizations to create new knowledge, generate novel ideas and concepts, and to capture these knowledge, ideas and concepts.

The very survival of a corporation sometimes depends largely on how much new and advanced knowledge it can generate, capture and utilize in order to produce a more competitive or attractive product or service. For this reason, two factors have become of utmost importance in determining competitiveness – creativity and innovation. These two factors have become not only important, but essential, to the long-term viability of the corporation or organization. Unless an organization is able to create new products, develop more efficient manufacturing processes, or introduce improvements in design or function, it will have great difficulty in competing in fast changing markets.

The creation of new knowledge will not be possible without creativity and innovation. These are the two most important traits or skills needed to make the organization more productive and competitive. For this reason, creativity and innovation require

proper management. If managed effectively, these skills can be harnessed to discover alternative approaches to doing things, faster way of completing tasks, cheaper methods of producing outputs, and easier paths to accomplishing desired results.

2. Knowledge Sharing and Enrichment: The second element of knowledge management is knowledge sharing and enrichment. This element is probably the most crucial among the four. It is during the process of sharing that knowledge is usually refined and enriched. Knowledge can be shared by the organization with its employees (e.g., through memos and instructions) and sharing of knowledge can occur between employees of the organization (e.g., through group discussions and internal meetings) as well as with people outside of the organization (e.g., through attending seminars and workshops).

The competitive advantage of many organizations is generally determined by the magnitude of knowledge sharing that takes place within the organization. But knowledge sharing does not automatically take place. It must be encouraged and nurtured. In general, it is necessary to facilitate communication and nurture the right culture within the organization in order for proper sharing of knowledge to take place. A worker with specialized knowledge in one area might ask, "If my knowledge is a valuable resource that makes me an essential asset of the company, why should I share it and create a competition?" On the other hand, a worker confident of his or her expertise in one field might ask, "Why should I use the knowledge of others when it might put to risk the quality of the work that I am doing?" Accordingly, a knowledge manager must take into consideration the natural tendency of human beings to hoard their own knowledge and regard that of others with suspicion when designing a knowledge management system for any organization.

Knowledge sharing can be enhanced through the implementation of appropriate technologies, operations and systems that stimulate collaboration, facilitate the process of sharing, and reward those individuals that share the most knowledge as well as the individuals that actually utilize knowledge that have been shared. Organizations are generally able to make decisions with impact when knowledge is efficiently shared. They are able to make and execute decisions rapidly when individuals throughout the organization can gain access to important strategic ideas. Knowledge managers, therefore, must ensure that employees have direct access to one another rather than requiring them to go through

87

higher management whenever needed information or knowledge are required in the implementation of certain projects or the design of certain products. In this manner, the persons who have the right information or knowledge can readily share it with those who can use it to produce the greatest benefit for the organization.

3. Information Storage and Retrieval: The third element of knowledge management is information storage and retrieval. The organization should ensure that acquired or shared knowledge is readily accessible to others. This can be done by storing information in a centralized location with sufficient provisions for easy retrieval. For example, reports, statistical data on economic, social and environmental areas can be stored in databases while official documents, once approved, should be categorized and stored electronically in suitable file systems. The documents and information in databases could then be retrieved through the Internet or the organization's intranet websites.

There are four main options for storing the information that are captured or shared. These are:

file system storage (local and network directories and folders)

databases

e-mail

websites (intranet and external).

In most organizations, the bulk of information is likely to be in relatively unstructured formats. These can be in the form of typical business or office documents such as reports, memos, spreadsheets or emails. These documents normally contain valuable information but they are not easily searched and found. For a knowledge management system to be effective, it must provide for search engines that can deal with such unstructured information. In most cases, however, some form of information structuring is necessary in order to facilitate subsequent information retrieval and use.

Information organization: In order to facilitate retrieval, a two-step process has to be implemented: first, the information should be divided into manageable units; and *second*, each unit should be categorized.

Before the information is divided into smaller units, there is need to determine the size, or granularity, of each meaningful unit. The finer the subdivision or granularity of each unit the more tedious and time consuming the cataloging effort will be. Let us take, for example, the case of cataloging a book describing how to build a particular machine. There are several questions that we need to ask. Shall we consider the entire book as one unit and catalogue it as such. Or, shall we consider as one unit one chapter of the book, or one section or one paragraph of the book? The larger the unit the more difficult it is to find the exact information one is looking for. In some cases, the manner of dividing into units presents itself as obvious. One example is an anthology of short essays by different authors. It is obvious that it can be divided into several units where one unit constitutes one short essay by each author. Some products implicitly assume levels of granularity. For instance, Index Server is based on individual words. On the other hand, databases usually work with fields and records as units for searching and retrieval.

After the information is divided into smaller units, the units must then be categorized by content type. In order to do this, it is necessary to create a list of all the content types for the organization. This list may include classifications such as proposals, invoices, white papers, and correspondence. Each entry is then tagged with content attributes, including metadata such as document title, author, client, and approval status. These predefined categories and attributes constitute the site vocabulary. Microsoft Site Server has facilities for managing content type and attributes.

Information retrieval: Once the repository of information is created and populated, the next step will be to provide various means for users to have access to the information needed. This involves designing and providing information retrieval pathways. These pathways should be designed with the user community in mind and made as user-friendly as possible. Since users have different levels of technical expertise and have different purposes for accessing information, multiple access methods will have to be provided. Each access method should be designed to meet a specific user level. In this manner both casual and intensive users will be provided access to the same body of information.

Since different users require different views of the knowledge base, the ability to personalize these views will greatly increase the ease of use. Personalization taps into user profiles to control what content is offered. After the right to access of the user has been

verified, personalization can apply the user's preferences for how and what to present on the page. For example, from the same information database, an engineer may be shown the technical drawing and specifications of a new machine or product that has been entered into the system. On the other hand, a marketing specialist may see the innovative features, the different models and price list of the new product. It is also possible for users to specify the language, font or layout they prefer.

Portals, such as Microsoft's Digital Dashboard, are capable of showing data from heterogeneous sources side by side and simplifying navigation by consolidating views of data. By using integrated search tools, it is possible to reach across application boundaries to find information. For example, it is possible to integrate human resources, finance, and time and accounting applications by cataloging their data into a single repository. This system can then allow searches against database, file system, and web data in a single query. As a result, a search page can be configured to query multiple repositories at the same time.

There is another form of information retrieval called "push" technology. In this case information retrieval is initiated by the system rather than by a user. In this form of information retrieval, the users subscribe to areas of interest. They then receive updates via e-mail delivery, personalized web pages and personalized corporate portals or home pages. For instance, Site Server provides for pushing information through Active Channels. The Digital Dashboard also offers push capabilities. The consolidation of information from diverse sources can be consolidated using web-based knowledge portals. These portals allow the user to reference, collaborate, and interact with information. These ubiquitous web browsers allow easy access from any location. With these systems, intranets, extranets, and even Internet knowledge <u>management</u> implementations are possible.

4.   **Knowledge Dissemination:** The fourth element of knowledge management is knowledge dissemination. Unless knowledge is effectively disseminated, the development impact of knowledge will remain limited. For knowledge dissemination to be effective it will require the transformation of highly individualized tacit knowledge into explicit knowledge that can be more widely shared. In an organization where there is fear of the management or hierarchy, the employees will have a tendency to keep their knowledge to themselves and share it with others only cautiously. In cases such as this, management must

take the lead in creating an environment of understanding, cooperation and learning. It should also encourage knowledge sharing, even if the positive results of doing so are not readily apparent. Such results can best be measured in the long term.

Publications, presentations, websites and libraries are the most obvious forms of dissemination of knowledge. Participation in external networks, establishing partnerships with other organizations, and creation of knowledge centers are also effective means to disseminate knowledge. The Asian Development Bank, for example, participates in over 300 networks with professional and other organizations throughout the world, which serve as forums for information exchange and sharing. Through these networks, the Bank is able to disseminate best practices and lessons learned, among many others.

2.9 PROCESS OF KNOWLEDGE MANAGEMENT

Following are the steps in knowledge management:

1. **Establish Knowledge Management Program Objectives:** Before selecting a tool, defining a process, and developing workflows, you should envision and articulate the end state. In order to establish the appropriate program objectives, identify and document the business problems that need resolution and the business drivers that will provide momentum and justification for the endeavor.

Provide both short-term and long-term objectives that address the business problems and support the business drivers. Short-term objectives should seek to provide validation that the program is on the right path while long-term objectives will help to create and communicate the big picture.

2. **Prepare for Change:** Knowledge management is more than just an application of technology. It involves cultural changes in the way employees perceive and share knowledge they develop or possess. One common cultural hurdle to increasing the sharing of knowledge is that companies primarily reward individual performance. This practice promotes a "knowledge is power" behavior that contradicts the desired knowledge-sharing, knowledge-driven culture end state you are after.

Successfully implementing a new knowledge management program may require changes within the organization's norms and shared values; changes that some people might resist or even attempt to quash. To minimize the negative impact of such changes, it's wise to follow an established approach for managing cultural change.

91

3.   Define High-Level Process: To facilitate the effective management of your organization's knowledge assets, you should begin by laying out a high-level knowledge management process. The process can be progressively developed with detailed procedures and work instructions throughout steps four, five, and six. However, it should be finalized and approved prior to step seven (implementation).

Organizations that overlook or loosely define the knowledge management process will not realize the full potential of their knowledge management objectives. How knowledge is identified, captured, categorized, and disseminated will be ad hoc at best. There are a number of knowledge management best practices, all of which comprise similar activities. In general, these activities include knowledge strategy, creation, identification, classification, capture, validation, transfer, maintenance, archival, measurement, and reporting.

4.   Determine and Prioritize Technology Needs: Depending on the program objectives established in step one and the process controls and criteria defined in step three, you can begin to determine and prioritize your knowledge management technology needs. With such a variety of knowledge management solutions, it is imperative to understand the cost and benefit of each type of technology and the primary technology providers in the marketplace. Don't be too quick to purchase a new technology without first determining if your existing technologies can meet your needs. You can also wait to make costly technology decisions after the knowledge management program is well underway if there is broad support and a need for enhanced computing and automation.

5.   Assess Current State: Now that you've established your program objectives to solve your business problem, prepared for change to address cultural issues, defined a high-level process to enable the effective management of your knowledge assets, and determined and prioritized your technology needs that will enhance and automate knowledge management related activities, you are in a position to assess the current state of knowledge management within your organization.

The knowledge management assessment should cover all five core knowledge management components: people, processes, technology, structure, and culture. A typical assessment should provide an overview of the assessment, the gaps between current and desired states, and the recommendations for attenuating identified gaps. The recommendations will become the foundation for the roadmap in step six.

6.   Build a Knowledge Management Implementation Roadmap: With the current-state assessment in hand, it is time to build the implementation roadmap for your knowledge management program. But before going too far, you should re-confirm senior leadership's support and commitment, as well as the funding to implement and maintain the knowledge management program. Without these prerequisites, your efforts will be futile. Having solid evidence of your organization's shortcomings, via the assessment, should drive the urgency rate up.

Having a strategy on how to overcome the shortcomings will be critical in gaining leadership's support and getting the funding you will need. This strategy can be presented as a roadmap of related projects, each addressing specific gaps identified by the assessment. The roadmap can span months and years and illustrate key milestones and dependencies. A good roadmap will yield some short-term wins in the first step of projects, which will bolster support for subsequent steps.

As time progresses, continue to review and evolve the roadmap based upon the changing economic conditions and business drivers. You will undoubtedly gain additional insight through the lessons learned from earlier projects that can be applied to future projects as well.

7.   Implementation: Implementing a knowledge management program and maturing the overall effectiveness of your organization will require significant personnel resources and funding. Be prepared for the long haul, but at the same time, ensure that incremental advances are made and publicized. As long as there are recognized value and benefits, especially in light of ongoing successes, there should be little resistance to continued knowledge management investments.

With that said, it's time for the rubber to meet the road. You know what the objectives are. You have properly mitigated all cultural issues. You've got the processes and technologies that will enable and launch your knowledge management program. You know what the gaps are and have a roadmap to tell you how to address them.

As you advance through each step of the roadmap, make sure you are realizing your short-term wins. Without them, your program may lose momentum and the support of key stakeholders.

8. Measure and Improve the Knowledge Management Program: How will you know your knowledge management investments are working? You will need a way of measuring your actual effectiveness and comparing that to anticipated results. If possible, establish some baseline measurements in order to capture the before shot of the organization's performance prior to implementing the knowledge management program. Then, after implementation, trend and compare the new results to the old results to see how performance has improved.

Don't be disillusioned if the delta is not as large as you would have anticipated. It will take time for the organization to become proficient with the new processes and improvements. Over time, the results should follow suit.

When deciding upon the appropriate metrics to measure your organization's progress, establish a balanced scorecard that provides metrics in the areas of performance, quality, compliance, and value. The key point behind establishing a knowledge management balanced scorecard is that it provides valuable insight into what's working and what's not. You can then take the necessary actions to mitigate compliance, performance, quality, and value gaps, thus improving overall efficacy of the knowledge management program.

The Power of Knowledge Management

Implementing a complete knowledge management takes time and money, however, the results can be impressive and risks can be minimized by taking a phased approach that gives beneficial returns at each step. Organizations that have made this kind of investment in knowledge management realize tangible results quickly. They add to their top and bottom lines through faster cycle times, enhanced efficiency, better decision making and greater use of tested solutions across the enterprise.

2.10   PROCESS OF KNOWLEDGE ASSETS

Every organisation has to use knowledge for its development. Knowledge assets are nothing but knowledge of the markets, products, processes and technologies. The knowledge about each of these is an important asset of the organisation. These assets contribute to the successful functioning of an organisation. The organisation should also know how to make best use of these assets. The key processes of knowledge assets are:

1. Knowledge and generation

2. Knowledge and storage and

3. Knowledge utilisation

1. Knowledge Generation

Knowledge generation is very important for every business organisation. It required for survival and substance. Many enterprises vanished after sometime when they ignored the important aspect of knowledge generation. An organisation has to keep itself abreast of what is happening at present and likely to happen in future. An organization has to happen in future. An organisation's competitive advantage and longevity can be directly correlated to the ability of its people to predict the future and shape it through innovative ideas. Knowledge generation comprises of the following:

    a.   Knowledge acquisition

    b.   Knowledge synthesis, and

    c.   Knowledge creation

a. Knowledge acquisition is simply the process of acquiring knowledge that is available somewhere. It should not be confused with information acquisition. Knowledge acquisition is the process of development and creation of insights, skills and relationship. In an organisation knowledge may be available in documents or it might mean capturing tacit knowledge of its people into its repositories. It may also mean identifying outside sources from where it may be acquired. It may also lead to hiring experts from where it may be acquired. It may also lead to hiring experts from outside who have possessed the required knowledge.

b. Knowledge synthesis is the process of putting either different kinds of information or people together to be able to come up with new patterns and ideas. This enables a new approach, new ideas or understanding to evolve from already available pockets of information or expertise.

c. Knowledge creation process can be thought of as those activities that surround the conversion of subjective tacit knowledge (based on experience) to objective explicit knowledge**.**

2. Knowledge Storage

The knowledge once acquired needs to be store or preserved. Storing of knowledge does not mean that it is put somewhere and forgotten. Knowledge needs constant updating and keeping it relevant. Knowledge storage needs that knowledge topology relevant to the organisation should be used. Knowledge is classified as 'tacit' (implicit) or 'explicit'.Tacit knowledge is experiential and localised in people's heads. It is highly personal, individually oriented and difficult to formulaize. Much of the expert's knowledge is tacit. It is also referred as whisper in the ear. It cannot be communicated i.e. formula of pepsi, coke and all drugs are examples of tacit knowledge.

Explicit knowledge is available in some documented form. The organisation should analyze as to how much of the current knowledge is tacit form and how much is in explicit form. It should take into account future knowledge needs. The knowledge may be stored in the form of knowledge objects. A knowledge object should be anything- an article, a book, a person or even a learning unit from a web-based training programme. There is a need to prepare a knowledge map for using it when required. A knowledge map is something that tells you where to go and what to find. It ensures that you get what you want.

3. Knowledge Utilization

An important element of knowledge management is the utilisation of knowledge. The enterprises normally depend upon the tacit knowledge of some persons in running the business.

Efforts should be made that this knowledge permeates across the organization. Knowledge utilization is possible through knowledge dissemination and sharing. Technology can play an important role in transferring of knowledge. The whole process of knowledge management will be possible only if there is right type of environment in the organization where persons are willing to share the knowledge and top management has a zeal to implement it.

2.11 CONCEPT OF SIX SIGMA

Six sigma mostly finds application in large companies. It s a basic version of quality improvement. Six Sigma means not more than 3.4 Defects per Million Opportunities (DPMO). In other words, it means that accuracy in products should be 99.9997%. Sigma is the 18th letter of the Greek Alphabet. The upper case is written as S and lower as ". The upper case is used in summation notation and lower case sigma stands for standard deviation. In order to be successful in today's cut throat competition; a business house must provide quality products to the customers at genuine prices. Successful businesses give more stress to the quality than to the price. The urge of quality is unavoidable. Every organization be it production or service has to build its business model based on quality. Six Sigma is emerging as a powerful tool for the management of the quality

Six Sigma quality is a benchmark of excellence for product and process quality, popularised by Motorola Company based on zero defect concept introduced by Phip B. Crosby. Sigma refers to satisfied measure of variance which is measured on a scale.

The 'Six sigma' refers to the highest possible sigma rating which indicates that a product or service meets all customers' requirement 99.997% of the time. This scale recognises that no process can deliver 100% quality at all times so "six" is the highest possible sigma rating.

Six Sigma provides a methodology and set of tools that help organisations to assess their current level of quality and then improve delivery to customers' immediately one sigma level at a time.

According to Dr. Mikel J.Harry, "Six Sigma is a statistical measurement, which helps us establish our course and gauge our pace in the race for total customer satisfaction. It tells us how goods and products and services and processes really are. It allows us to draw comparisons with other similar or dissimilar products, services and processes. We can see where we need to go what we must tdo to get there."

According to Mr. Jack Weich, "Six Sigma is a disciplined quality improvement methodology that focuses on moving every process that touches the customers-every product and service- towards near perfect quality. It is a measure of the company's quality."

2.12   OBJECTIVES OF SIX SIGMA

Following are the various objectives of six sigma:

1.   To give good performance and reliability.

2.   To provide value to the end customer.

3.   Reducing or minimizing defects in any type of process (reducing defects to less than 3.4 million   operations).

4.   To eliminate wasteful practices i.e. the practices which do not provide any value to the process, should be eliminated.

5.   Providing after sales service quality.

6.   Improving the quality of the product.

7.   Satisfying both internal and external customers

2.13   ADVANTAGES OF SIX SIGMA

Following are the various advantages of six sigma:

1.   Increase long-term revenue: By improving the quality of their service and products with the methodology, companies can see immense long-term revenue increases, yielding benefits for the company and for shareholders. GE was a fairly early adopter of the Six Sigma method, and saw $300 million in increased revenue in 1997 (the first year of Six Sigma), and a full extra dollar per share in the first five years of implementation.

2.   Improve quality: A defect is defined as anything that falls outside of a customer's expectations. That changes from product to product, but any company knows a defect in their products when they see it. Six Sigma challenges organizations to minimize these defects and improve quality to the point that very few customers will ever have a problem. Even "products" that aren't manufactured can benefit from the Six Sigma treatment. At Akron Children's Hospital, customer service and overall quality was boosted in several different ways after implementing the method. MRI wait times were reduced by 90% (25 days to within 2 days), and the ER decreased the amount of time it took to locate airway supplies by 63%, improving the care the hospital could provide patients.

3. **Expand innovation:** Innovation is a necessary ingredient for any company, to prevent stagnation and promote ongoing growth. Six Sigma has been shown to promote teamwork and collaboration within organizations that take the initiative and begin to use the methodology. Instead of stifling innovation, as some have feared, the methodology often promotes new ideas and insights. In fact, 46% of organizations that implemented Six Sigma saw their innovation improve, possibly because teams were focused on solutions and possibilities over limitations.

4. **Reduce costs**: Obviously, any savings through Six Sigma is an indication of return on investment (ROI) and more available funds to apply to other projects. Almost every organization that implements Six Sigma can expect to see savings—sometimes massive savings. In 2007, the US Army gave the methodology a try, and saw an incredible $2 billion in saving throughout that year. Simply by streamlining processes like dining hall scheduling, recycling fuel, and task management, the organization cut costs massively, allowing them to use those dollars elsewhere.

5. **Positively impact employee safety:** Consistency and protocol both help to ensure employee safety, while improving quality and service. Six Sigma has been shown to have a positive impact on employee in 56% of cases, and can help improve employees' working conditions in many ways. The Akron Children's Hospital projects helped to reduce staff overtime in the cytogenics lab, saving the organization money and allowing staff to leave on time and enjoy reasonable work-life balance.

2.14   STEPS INVOLVED IN SIX SIGMA

The methodology of six sigma consists of DMAIC cycle. If the Six Sigma quality improvement methodology had to be summarized in one word, it would be the acronym DMAIC. This shorthand description lists the steps of the Six Sigma process when improving existing business processes. It provides an overview of the method by which Six Sigma projects are completed, namely: define, measure, analyze, improve, and control.

Brief explanation is given as under:

1. **Define:** The project begins by creating a team charter to identify team members, select the process the team will be improving and clearly define the objective of the project.

The project team will then identify the CTQs to help measure the impact the problem has on the customer. This phase is completed when the team creates a process map that includes the process's inputs and outputs.

2.   Measure: This phase includes creating and executing a data collection plan that provides reliable and significant data. The data indicates how the process is performing and helps identify the villain in the Six Sigma narrative – variance. After this point, the project team's efforts focus on eliminating or reducing variance as much as possible.

3.   Analyze: Once process performance has been quantified, the analyze phase helps identify possible causes of the problems. A sub-process map can help identify the problems in the process and tools such as ANOVA and regression analysis can help narrow these problems to root causes. In this phase, the team is able to quantify the financial benefit of solving the problem.

4.   Improve: Once the problem's root cause is brought to light, the improve phase focuses on finding a permanent solution to the problem. This is where the project team's creativity comes into play in finding an answer to a longstanding process problem. The team then tests a proposed solution in a pilot program to test if the solution is effective and financially viable.

5.   Control: In this phase, the project team documents the new solution that they have created so that it can be passed on to process owners. The project team then implements the solution according to the timeline and key milestones they have developed. Once the solution has been implemented, the project team monitors it for several months and if it meets performance expectations turns it over to the process owner.

DMAIC is a systematic, objective and fact-based system of problem solving. The steps in the Six Sigma DMAIC methodology make process improvement accessible and learnable even for those who are just becoming acquainted with it.

2.15   ROLE OF SIX SIGMA

Six sigma is a team job rather than an individual job. Different roles are required to be assigned to different people as follows:

1.   **Master Black Belt (MBB):** These individuals are responsible for translating the high level business goals into a Six Sigma strategy for the division and the supporting tactics. They work with the deployment leader to achieve the former. They also lead the development of the Six Sigma skills in the organization, for Black Belts, Green Belts, and the general associate base. MBB's have ultimate responsibility to ensure the quality, value, and sustainability of Six Sigma projects under their guidance. MBB's are responsible, together, for the success of the overall Division's Six Sigma effort. They coordinate and lead activity on key cross-division value streams (e.g. Customer Service, Cycle Time, Research, etc). They also ensure that a culture that values openness, creativity and challenging the status quo develops in the organization.

2.   **Black Belt (BB):** Six Sigma BB's are full-time/part time project leaders and mentors of the business, including Green Belts and other associates. They have tactical responsibility for executing specific projects and ensuring that the results are captured, the changes are owned by the Champions (Sponsors), and the changes are sustained. They will also lead Six Sigma knowledge transfer to both full- and part-time participants. BB's are expected to create an environment of open, honest debate of facts. They challenge the status quo where appropriate and share (and seek) ideas across boundaries.

3.   **Green Belt (GB):** Six Sigma Green Belts are the engine of Six Sigma projects. Black Belt's support the efforts of the broader business teams to identify and implement change. The GB's are part-time Six Sigma Project Leaders. They are responsible for scoping the projects, leading the project team, calling for help when needed, managing interfaces with business leaders, and ensuring sustainable results. The goal of GB's is to translate the value of Six Sigma to the specific work environment and problems.

4.   **Champion or Sponsors:** Project Champions (Sponsors) are the managers of the business, function, or value stream which has been identified as high priority for a Six Sigma team. They play a pivotal role in that they own the processes of the business and, therefore, must ensure process improvements are captured and sustained. They typically also manage Six Sigma Green Belts (GB's) and must understand the challenges faced by GB associates (for example, removing roadblocks). They also must work with BB's and MBB's to ensure that their business area has developed, and is implementing, a long-term vision of a Six Sigma operating environment across the entire operative base.

101

5.   Yellow Belt (YB): These are the project-specific, full-or part-time resources that provide process and cross-functional knowledge, as well as help to sustain the gains. They have co-ownership of the project with the Six Sigma Experts and are responsible for the quality of the work and results. This team also plays the critical role of translating the process gains from Six Sigma to other areas of the business after the specific project has been completed.

6.   Implementation Leader: this belt is concerned with implementing the entire six sigma effort within the organization. Implementation leader is the corporate vice president directly reporting to the Chief Executive. He is a seasonal professional and hired specifically for Six Sigma efforts. However, he may be an experienced executive from within the organization.

2.16   SUMMARY

Knowledge management is a discipline that treats intellectual capital as a management asset. Unlike other assets it doesn't require specific procedures to utilize them. Knowledge is an idea creates from various sources and how those ideas can help to improve the organizational effectiveness. In other words knowledge management system aims to get right information to the right people at the right time, thereby providing them tools for analysis of information and respond to them at a faster rate.

By analyzing the information it gains insight to the information and developing methods to achieve the goals of the organization effec-tively. Six Sigma at many organizations simply means a measure of quality that strives for near perfection Also, Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving toward six standard deviations between the mean and the nearest specification limit) in any process – from manufacturing to transactional and from product to service

2.17   GLOSSARY

i.   Knowledge Management: Knowledge management (KM) is the process of creating, sharing, using and managing the knowledge and information of an organization.

ii.   Six Sigma: Six Sigma is a quality program that, when all is said and done, improves your customer's experience, lowers your costs, and builds better leaders.

2.18   SELF ASSESSMENT QUESTIONS

1.   What is knowledge?

2.   Define knowledge management.

3.   Define six sigma.

2.19   LESSON END EXERCISES

1.   What is knowledge? What are the components of knowledge?

2.   Explain in detail the process of knowledge management.

3.   Discuss various elements of knowledge management.

4.   Explain the steps involved in six sigma. Also discuss the role of six sigma.

2.20   SUGGESTED READINGS

Frances Horibe, Managing Knowledge Workers, *John Wiley & Sons.*

Fernandez & Leidner, Knowledge Management, *PHI Learning, New Delhi.*

Ganesh Natarajan and Sandhya Shekhar, Knowledge Management - Enabling Business Growth, *Tata McGrawHill, New Delhi.*

Mruthyunjaya, Knowledge Management, *PHI Learning, New Delhi.*

~~~

MANAGEMENT OF CHANGE

STRUCTURE

3.1   Introduction

3.2   Objectives

3.3   Meaning and Definition of Change

    3.3.1   Features or characteristics of change

    3.3.2   Significance of Change

3.4   Need or Forces for Change

3.5   Factors Affecting Change

3.6   Types of Changes

3.7   Human Response to Change

3.8   Kaizen

    3.8.1   Benefits or Advantages of Kaizen

    3.8.2   Factors affecting Change

3.9   Resistance to Change

3.1   INTRODUCTION

The business landscape of the 21st century is characterized by rapid change brought about due to technological, economic, political and social changes. It is no longer the case that the managers and employees of firms in this decade can look forward to more of the same every year. In fact, the pace of change is so rapid and the degree of obsolescence if organizations resist change is so brutal that the only way out for many firms is to change or perish. In this context, it becomes critical that organizations develop the capabilities to adapt and steer change in their advantage.

The role of senior managers becomes crucial in driving through change and ensuring that firms are well placed with respect to their competitors. However, it is the case that in many organizations, senior managers actively resist change and in fact thwart change initiatives due to a variety of reasons which would be explored in subsequent sections. This lesson examines the barriers to change by senior managers and discusses approaches to mitigate such resistance. The chapter begins with a discussion and the role of senior managers as barriers to change and then outlines some approaches on how to get the senior managers on board for change.

It goes without saying that "he who rejects change is the architect of decay and the only human institution that rejects progress is the cemetery." With this axiom

in mind, it is critical to understand that unless change is actively embraced, organizations in the 21st century risk obsolescence.

To resist change is as basic as human nature and hence the change managers must adopt an inclusive approach that considers the personality clashes and the ego tussles. It is often the case that in large organizations, there tend to be power centres and fiefdoms and hence the issue of organizational change must address the group dynamics as well as the individual behavioural characteristics.

Only by an understanding of the means by which managers can be brought on board can there be a foundation for suitable approaches. The approaches include a combination of pressure tactics and coordination instead of competition and cooption as well as cooperation. Change agents must realize that wherever possible, they must deal with consensual decision making and if that is not possible, they must walk the talk and be firm in their approach. Managers at all levels have a tendency to resist change and in the high stakes game of change management, it is the ones that can articulate and communicate the change in a clear and coherent manner who succeed.

In conclusion, change is the only constant in business and the landscape of the 21st century is littered with companies that have not adapted to the changing times. Hence, organizations must and should embrace change.

3.2   OBJECTIVES

After going through this lesson, you should be able to:

- Explain the meaning and nature of change

- Describe factors affecting change

- Understand the human response to change

- Discuss the concept of Kaizen and its relative advantages in organisations

3.3   MEANING OF AND DEFINITION OF CHANGE

Change is inevitable in a progressive culture. Either change or perish is the slogan of modern world. 21st century has witnessed revolutionary changes in all walks of life. Those organization which refuse to change as per the new developments will die of their

106

own death. In order to survive, the management may bring about radical and sweeping changes in the organization. The kind of business environment we are having in our economy presents continuously new challenges and demands which are in many cases difficult to forecast. 'Survival of the fittest' is the age old rule. It is that reality about which every organization will have to be fully aware. New products are rapidly making the existing products obsolete. It is difficult to survive in the cut-throat competition without adapting to the changed environment. The only thing that is certain or permanent in life is the change. At present changes are taking place at a galloping speed. For example, a mobile phone in our pocket is not merely a telephone but also serves the purpose of a camera, music system, diary video camera, watch (including stop watch, alarm clock) and has so many other features. It is going to become a mini computer in the days to come. Similarly, CD's and DVD's have replaced cassettes and LP records. E-mail, e-commerce, e-governance, e-banking have become our daily routine.

Change may be explained as a conscious and concerted initiative of substitution of one thing for another by those persons in whose hands lies the control and management of the organization. In simple words, change refers to changing the existing set up and making some alterations in the overall work environment of an organization. Change refers to a new experience or a substitution of one thing for another. It is a planned approach to change process so as to minimize the disruptions to the normal flow of activity. The term change refers to any alteration which occurs in the overall work environment of an organization.

From the organisations' point of view, change is about reviewing and modifying management structures and business processes. Small businesses must adapt to survive against bigger competitors and grow. However, success should not lead to complacency. To stay a step ahead of the competition, companies need to look for ways to do things more efficiently and cost effectively. There is no need to fear change. Instead, small businesses should embrace change as a way to lay the foundations for enduring success. "When an organizational system is disturbed by some internal or external force, change frequently occurs. Change as a process is simply modification of the structure or process of a system, it may be good or bad, the concept is descriptive only."

Organizational change typically consists of three stages: establishing the need, implementation and monitoring. To establish a need for change, senior management could articulate where the company wants to be in five to 10 years and what it needs to do to get there. For example, a saturated local market may force a company to consider international expansion. The second stage involves changing structures and processes, such as reducing the number of management layers, combining business units, reassigning management, reducing employee headcount and giving division managers more decision-making flexibility. The final stage involves monitoring the results from the organizational changes and making appropriate adjustments.

According to **Stephen Robbins**, "Change is concerned with making things different".

Thus, change is the law of nature and we all see changes taking place every day around us. Change is inevitable and it pervades everyone's life. Managers must understand the psyche of the employees and provide them with the tools to deal with relevant issues.

3.3.1 Features or characteristics of change

The following are the features of change:

1. Change becomes necessary because of internal and external forces.

2. Change disturbs the status quo or equilibrium of the organization.

3. It affects everyone in the organization.

4. The speed and degree of the changes can vary from one organization to another.

5. It may be reactive or proactive.

3.3.2 Significance of Change

Companies that refuse to embrace change may disappear. However, change is difficult because it involves modifying people's behavior. Resistance may come from employees who are generally skeptical of change initiatives, especially if they have lived through botched implementations in the past. Successful organizational change requires top

management leadership and a clear explanation of how the contemplated changes can help employees do their jobs more efficiently.

3.4   NEED OR FORCES FOR CHANGE

The revolution in the field of computers and   information technology has made the modern economy as knowledge economy and the workers as knowledge workers. The work of the employees is fast becoming automated. The work in the offices (e.g. banks) is becoming so rich computerized that here is hardly any manual work left in the offices. Certain happenings in the world are forcing the organizations in all the countries to device the 'winning formula' to succeed the light of the changes taking place in various areas.

In practice, numerous factors affect an organisation and most of these are continuously changing. These forces leading to or causing change originate both within or outside the organisation, as shown in Fig.15.1.
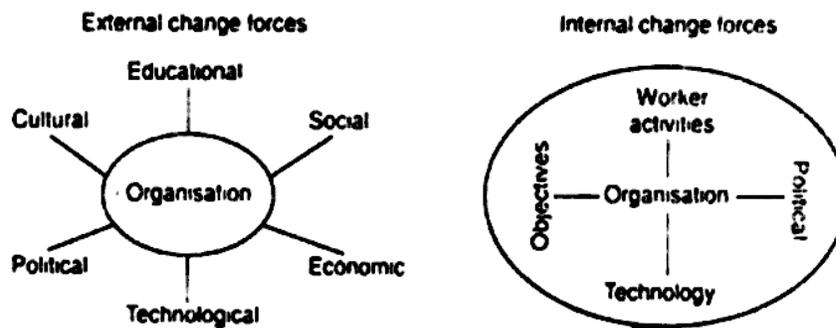

Fig. 15.1 : External and internal change forces

External forces for change derive from the organisation's general and task environments. External forces causing changes may include technology, competition, govern-ment actions, economic variables and social values. Government regulations on health, safety, and the conduct of business affect an organisation. Labour laws influence

109

hiring, pay, training and promotion decisions. Tax laws change. Economic conditions-such as recession, money supplies, inflation, and interest rates — are sources of change.

Organisational changes are of three types:

(i)   Technological, made possible by breakthroughs in computer and word-processing technologies,

(ii)   Structural, i.e., change in organisational design, made possible by rearranging product groups into, different divisions,

(iii)   Human, i.e., changing people in the organisation by improving the managerial ability of top executives.

Paralleling the increased awareness of social and technological change has been a great deal of concern about organisational change.

As Griffin has rightly put it:

"Changes in any of the elements of the general environment (that is, the economic, international, political, technological and socio-cultural environments) or in the task environment (customers, competitors, associates, unions, regula-tory and suppliers) may necessitate a change in the organisation itself. Change may also be brought about internally by a new manager or by the new philosophy of an existing manager."

In the international element of the general environment, a foreign competitor (such as Canon) might introduce a new product, increase prices, reduce prices, change standards or enter new markets, thus forcing domestic organisations to react.

In the political element, new laws, court decisions and regulations all affect organisations. The technological element may yield new produc-tion techniques that the organisation needs to explore.

Largely due to its proximity to the organisation, the task environment usually is an even more powerful force for change. Competitors obviously influence organisation via their price structures and product lines. Customers determine what products can be sold at what prices. The organisation must constantly be concerned with consumer tastes and preferences.

In a like manner, suppliers affect organisations by raising or lowering prices, changing product lines, or even snapping trade relations with a company. Regulators can have dramatic effects on an organisation. Trade (labour) unions are a force for change when they demand and succeed in getting higher wages or go out on strike. Finally, subsidiaries can spur change as they add to or drain from the resource base of the holding company.

Finally, cultural changes in such areas as modes of dress, reasons for people working, composition of the labour force, and changes in traditional female and male roles can affect the organisational environment. The socio-cultural element, reflecting societal values, determines what kinds of product or services will find a ready market.

It appears that external change forces have a greater effect on organisational change than internal stimuli, as they are diverse and numerous and management has hardly any control over them.

Internal Change Forces :

Pressures for change may also originate from within the organisation. In other words various forces inside the organisation may cause change. These forces might include managerial policies or styles, systems, and procedures; technology and employee attitudes.

For example, top management's decision to shift its goal from long-term growth to short-term profit is likely to affect the goals of various departments and may even lead to re-organisation. In short, if top management revises the organisation's goals, organisational change is likely to result.

A decision by Philips India Ltd. to enter the home computer market or a decision to increase a ten-year product sales goal by 3% would occasion many organisation changes.

Other internal forces may actually be indirect reflections of external forces. As socio-cultural values shift, for example, workers' attitudes toward their jobs may also shift and they may demand a change in working hours or working conditions.

In such a case, even though the force is rooted in the external environment, the organisation must respond directly to the internal pressure it generates. For example, the development of a new set of expectations for job performance will influence the values and behaviours of the employees affected. The employees could adapt to these expectations to resist them.

111

However, these two sets of factors are not found in isolation. Rather they are often interrelated.

Planned versus Reactive Organisational Changes:

Organisational changes may be divided into two broad categories — planned and reactive. The fact is that while some organisational change is planned well in advance, other changes come about as a reaction to unexpected events.

As Griffin has put it:

"Planned change is change that is designed and implemented in an orderly and timely fashion in anticipation of future events. Reactive change, on the other hand, is a piece-meal response to problems as they develop. Such a response may have to be hurried so the potential for poorly conceived and poorly executed change is increased".

As for the choice between the two, planned change is almost always preferable to reactive change.

In the modern world organisational changes occur very frequently. This is why it is often suggested that most companies or divisions of large companies must implement some form of moderate change at least every year and one or more change every 4 to 5 years. Managers who sit back and respond only when they have to are likely to spend a lot of time hastily changing and re-changing things. A more effective approach is to anticipate forces urging change and plan well in advance to deal with them.

Results of ignoring change:

Knowing what change is and what are its potential source is of strategic importance to the manager. It is equally important for the manager to known when change is needed in an organisation. Unless an organisation plans for, and copes effectively with, the challenge of change, the results can be dis-astrous. The same reasoning applies to managers and em-ployees, who faces change at an even accelerated pace.

3.5   FACTORS AFFECTING CHANGE

Change may be explained as a conscious and concerted initiative of substitution of one thing for another by those persons in whose hands lies the control and management of

the organization. Various factors responsible for change are private sector, e-business, bio-technology, internet, various gadgets, ITES etc. The various causes responsible for changes are:

(a)   Importance of private sector in the developed and developing countries.

(b)   Changes in the methods of business such as e-business and tele-shops.

(c)   Improvements taking place by the use of bio-technology.

(d)   Role and use of internet in the business.

(e)   Invention of various gadgets such as mobile phones etc.

(f)   Globalization of the economies which has made consumer a real king. Indian markets are flooded with foreign goods which are both cheap as well of high quality.

(g)   Increasing use of IT services and IT enabled services (ITES) such as business process outsourcing (BPO).

(h)   There is a shift from physical assets to invisible assets such as skills, knowledge, competencies.

(i)   Change in the nature of workers(such as dual income couples) have forced them to ask for flexible hours of work and also to go for tele-commuting, (whereby a person works while sitting at this place through web phones and internet).

3.5.1   Drivers

A company's change drivers include the competitive environment, new technologies, consumer demand, economic conditions and government policy actions. Information technologies have changed how businesses operate and interact with one another. New business models, such as outsourcing and virtual collaboration, would not be possible without high-speed communications and the Internet. Government regulations also force businesses to adapt, as do changing consumer preferences. Recessions usually lead to layoffs, which may require restructuring, and mergers and acquisitions lead to changes in organizational culture.

3.6   TYPES OF CHANGES

Changes can be strategic, structural, process and people oriented. The following are the various types of changes:

1.   **Strategic Change**: It is a change in the mission of the organization. In case of mergers and acquisitions, there is a strategic change in the organizations.

2.   **Structural change**: These changes affect the authority and responsibility of different levels of management especially the lower level of management.

3.   **Process oriented change**: These changes relate to the technological developments such as the use of robots in the manufacturing process. Oriented changes affect the personnel, equipment or operations.

4.   **People Oriented Changes**: These changes affect the people, their behaviors and attitudes. Such changes are in areas covering group cohesiveness, commitment, loyalty' dedication etc. to the organization. The major types are discussed in detail as under:

1.   **Structural Changes:**

According to Harold J. Leavitt there are three general approaches to organisational change: approaches aimed at structure, technology or people. A structural change refers to "a change in any of the basic components of organisation structure or in the organisation's overall design". The most important types of such change are summarised below:

An important structural change is related to decentralisation. Due to changes in environmental conditions or management philosophy an organisation could move to become more or less decen-tralised. It is possible to change spans of management by making them wider or narrower. It is also possible to change an organisation's present methods of co-ordination.

More and more companies are now introducing job-design changes. According to modern organisation theorists any attempt to adopt job rotation, job enrichment, job design represents a structural change in the organisation. Other examples of such changes are changing work schedules by introducing a modified work-week, flexi-time or job sharing.

Major alterations in an organisation's overall design are also part of a structural approach to change. Perhaps the most common case seems to be the adoption of a matrix design; clearly, the process of superimposing a product design onto a functional design and the creation of work teams represent major structural change. Other examples include a change from mechanistic to an organic design and a move between any of Mintzberg's five forms of design.

Other causes of structural change include compensation systems, performance appraisal systems, and control systems. Since these three topics fall in the subject area of personnel management, they may now be briefly reviewed.

(i)   Compensation systems:

A compensation system is an arrangement for providing pay, benefits, promotions and other rewards to organisational members. The basic objective of a compensation system should be to stimulate high performance while maintaining an equitable balance of rewards among employees. Various innovative compensation systems have been used in organisations.

The famous Scalon plan suggests that workers and managers should be rewarded for labour savings achieved via improved productivity. Cafeteria benefits plan allow employees to choose the benefit package best suited to their own needs. All-salary plans do away with hourly wages and pay all employees a fixed wage, irrespective of work effort and productivity.

This is comparable to the minimum wage scheme. Finally, reward system participation involves having the employees partici-pate in the design and administration of the organisation's reward system.

(ii)   Performance Appraisal Systems:

An organisation's performance appraisal system consists of its procedures for determining levels of performance within the organisation. Such systems often include supervisory evaluations using various kinds of rating sales; other systems use objective measures, such as number of units produced or rupee scales volume.

115

Management by objectives (MBO) is also used in performance appraisal systems. Under the MBO scheme, superior and subordinate collaborate in setting goals for the subordinate and, at the end of a specified time period, actual good achievement is used as the basis for performance appraisal.

The important point to note here is that any shift from one form of performance appraisal to another represents a structural organisational change, because performance appraisal is related to positions in the organisation and to interrelationships among those positions.

(iii) Control Systems:

A control system is a mechanism to ensure that the organisation is making satisfactory progress towards its goals and is not deviating too much from acceptable standards. Examples of contempo-rary control systems are various accounting systems, programmes for monitoring investments and expenditures, and budgeting innovations such as zero-base budgeting.

Another way to exert control is to focus on minimising work-related accidents. The truth is that by introducing a new control system or changing from one type of control system to another often leads to a structural change in the organisation.

2. Technological Changes:

The technology of an organisation is the conversion process an organisation uses to transfer inputs into outputs. Due to the rapid rate of technological innovation in the industrial world, technological change is becoming increasingly important to many organisations. The following are the five major areas where technological change is likely to be experienced.

Change in Equipment:

Perhaps the simplest form of technological change results from a change in equipment inasmuch as technological knowledge is often embodied in new machines and equipment. To keep pace with competitors, many firms find it necessary to periodically replace existing machines and equipment with newer models.

116

As J.K. Galbraith has commented:

"In a consumer society, the best product you can manufacture is one that must be replaced immediately".

Change in Work Processes:

A change in work process or work activities may also be necessary if new equipment is introduced, or new products are manufactured.

In manufacturing industries, the major reason for changing a work process is to accommodate a change in the materials used to produce a finished product. An organisation is often found to undergo a major technological change.

As new raw materials and appropriate new production processes are developed, technological change will probably become more pervasive. As Thomas Carlyle has put it: "Man is a tool-using animal; without tools he is nothing, with tools he is all".

Change in Work Sequence:

A change in work sequence may or may not accompany a change in equipment or a change in work processes. Essentially, making a change in work sequence means altering the order (or sequence) of work stations involved in a particular manufacturing process.

Change in Information-Processing Systems:

Perhaps the most important type of technological change that has been especially important in recent years is change in information-processing systems. Simultaneous advances in large mainframe computers, personal computers and network tie-in systems have created vast potential for change in most work places. The main idea behind the adoption of computers in offices is the creation of an information-processing station for each employee.

Automation:

Automation is the process of designing work so that it can be completely or almost completely performed by machines. As with most information-processing systems, computers play a major role in the upsurge of automation. Automated and computerised industry requires more and more young men and women who have white-collar skills but behave with the docility expected of blue-collar workers.

117

The advent of automation has perhaps been most visible in the automobile industry, just as technological change has been really spectacular in the computer industry.

3.   Person-Focussed Changes:

The third area of organisation is conceived with human resources. Person-focussed changes might be conceived with changing employee performance, skills, attitudes, perceptions, behaviours or expec-tations. Such changes are considered part of organisational development. Here, it suffices to focus on efforts to upgrade employee skills and performance.

Replacement of Human Resources:

There are many reasons why replacement of one or more employees may be desirable. A change in work processes may require that employees be able to operate new kinds of equipment. If no amount of training can increase the capabilities of an existing equipment operator, it may become necessary to replace the operator.

Or, a behavioural problem may arise that cannot be solved by any other means. Suppose that two or more employees simply are not able to work together; one is a heavy smoker and the other a militant nonsmoker. It may be necessary to replace one (or both) of these individuals.

Of course, replacement is not limited to the operating ranks. Managers may also allow their skills to become obsolete, or they may not be able to cope with a rapidly changing marketplace. The organisation may find it necessary to replace such managers with others who are better able to satisfy the demands of the job.

Several different methods for dealing with **"replaced"** employees are available. Responding to their sense of social responsibility, managers sometimes try to find work for replaced employees with other companies, especially when the employee has logged many years of productive service.

Early retirement is another option, and it is becoming increasingly popular. And, of course, the employee could simply be transferred to another job or department. In other cases, it may be necessary to terminate the employee and sever her or his relationship with the organisation.

Selection:

Another "person-focused" change strategy is selection, which takes a longer-term perspective than replacement. The idea is that the organisation fine-tunes or upgrades its selection criteria so as gradually to achieve a significant change in its human resources.

An organisation may decide that henceforth it will hire only college graduates for its management training program. Assuming that a college degree has some validity as a predictor of managerial success, the overall quality of the organisation's management group should gradually improve as the new managers enter the organisation.

After a while, the organisation might raise its standards again and hire only management trainees who hold an M.B.A. degree. Again, assuming the validity of the degree, management quality should continue to rise. Finally, the criteria might be set an M.B.A. plus five years of work experience.

Of course, the organisation must make sure that it really needs such a highly qualified (and hence more expensive) set of managers and that the new standards do not discriminate against women and minorities.

Training and Development:

A final technique for changing employee skills and performance is training and development. Whereas replacement and selection are concerned with replacing existing employees with new ones, training and development involve refining the skills and boosting the performance levels of existing employees.

When a new piece of equipment is installed, it may well be possible to train an existing employee to operate it. Similarly, managerial skills can be developed and maintained to help managers keep pace with changes in their work environment.

Another way to classify change is into Reactive and Proactive Change

Reactive and Proactive Change

Change can be either reactive or proactive' –When the organization is forced to change as per the demands of forces responsible for change, such a change is called **reactive change**. Many public sector banks changed their banking techniques after the

private sector banks came into existence. When an organization changes at its own to take advantage of the changed circumstances, such a change is called **proactive change.**

The following are the points of difference between these types of changes:

1. Reactive changes involve reflexive behaviour whereas proactive change involves purposive behaviour.

2. The scope of reactive change is limited whereas the scope of proactive change is very broad.

3. Reactive change is response to immediate symptoms whereas proactive change is concerned with meeting the needs of underlying forces.

3.7   HUMAN RESPONSE TO CHANGE

The human reaction to change is not dependent upon any logic. It may be in one of the following four reactions:

1. **Acceptance**: The change may be accepted by the human beings when they find that the change is for their benefit. Sometimes people are fed up with the old and tedious practices and they accept the change when it is introduced.

2. **Resistance**: When persons find that the changes which are being introduced are unfavorable to them, they resist the change, (i.e. instead of accepting the change, they oppose it).

3. **Indifference**: It is a type of reaction whereby neither a change is accepted nor it is opposed. They remain indifferent to a change.

4. **Forced Acceptance**: When people find that there is no way out to escape from a change, they accept it after initial resistance.

Over a period of time, people established set of relations with their environment. They learn how to deal with each other and also how to perform their jobs.

3.8   KAIZEN

Kaizen comes from two words; Kai which means 'to change' and, Zen which means 'good for the better'. Together, the word kaizen means the continuous change for better. It is not just a philosophy of the workplace. It also means continuously improving in every facet of life including business, industry, commerce, and government. In full implementation, it becomes the foundation of all activities' Kaizen requires everyone in the organization to be involved in the improvement process starting from executives, management, supervisors and workers. Everyone is encouraged to come up with any improvement or suggestions on a regular basis. This is not once a year activity or a monthly activity. It is continuous. Suggestions are not limited to specific areas such as production or marketing. Kaizen is based on making changes anywhere where improvements can be made. Kaizen involves setting standards and then continuously improving on the standards. To support the higher standards, Kaizen also involves providing training, materials, and supervision that is needed for employees to achieve the higher standards and maintain their ability to meet those standards on an on-going basis.

3.8.1 Benefits or Advantages of Kaizen

The implementation of Kaizen will result into the following benefits:

(a)   Reducing waste in areas including inventory waiting times, transportation, worker movements, employees skills and over- production.

(b)   Improving space utilization, product quality, use of capital, communications, production capacity and employee retention.

(c)   Providing immediate results for the organization. Instead of focusing on large capital intensive improvements, Kaizen focuses on creative investments that continuously solve large number of small problems. Large capital projects and major changes will still be needed but Kaizen will improve the capital projects process. The real power of Kaizen is in the ongoing process of continuously making small improvements that improve processes and reduce waste.

3.8.2 Factors Affecting Change

There are a number of factors which make it necessary for the organization to bring about the necessary changes in its functioning. Generally, an enterprise goes in for an organizational change on account of two types of forces explained below,

(a) External Factors

External factors have direct as well as indirect effect on changing the functioning of an organization. Commercial enterprises are forced to go for the organizational changes as and when it is warranted by the trends in the market. The external environment is becoming so much turbulent that the organizations are virtually compelled to go in for changes so as to meet the new demands and requirements of the market.

External forces are not under our control and we have no choice except to introduce the necessary changes in our organization without any delay.

The following are the various external forces:

1. **Technology**: Revolutionary changes have been brought in the functioning of the business by computers, telecommunication, electronic gadgets etc. These changes have affected the employees, organizational structure and the job contents. In many cases, managements have spent huge amount on updating the skills of the employees. Many existing jobs have become surplus whereas many new jobs have been created. The new employees possess necessary skills and are well qualified and educated and are called knowledge workers.

2. **Marketing Conditions:** There is a rapid change in the needs, desires and expectations of the consumers. There is a cut throat competition in the market which is flooded with a large number of products that are manufactured in the different corners of the world. The consumer of today, has become a king in the real sense. The globalization has made this world a global village and all those manufacturers who do not come up to the expectations of the consumers are driven out of the market.

3. **Social changes**: The role of women in the various fields (including business) has increased manifold in the last few years" social equality has become the order of the day and women are occupying those positions which were earlier considered to be the monopoly of males. Special care is also being taken of those persons who belong to the less privileged sector of society. The management therefore has to follow social norms in shaping its policies relating to employment in the light of social changes.

4. **Political Forces:** The political environment plays a vital role in the functioning of the organization. The interference of the government in power and the role of opposition parties play a vital role in changing the industrial environment of a country, Government at the central lever as well as political environment in the neighboring countries also plays a vital role in the functioning of the organization. In our country, a number of laws have been changed or amended after the introduction of liberalization, globalization and privatization.

5. **Economic Forces:** We also find a change in the demand of different types of goods on account of increase in the purchasing power of the people. The consumers have also become quality conscious. It has changed the nature of the stock market, money market, interest rates and status of the company. The policies of the companies have also been changed in the light of the changes of the consumer preferences.

(b) Internal Forces

The various internal forces which affect the changes are explained below:

1. **Change in the nature of work force**: Many changes have taken place in the work force during the last few years. The major chunk of employees consists of young persons who are more loyal towards their carrier rather than their employer. Workers who are in the age group of 30 to 40 years are more loyal to themselves whereas workers who are 50 plus are more loyal to their employers. The values have also changed over the years. The young boys and girls possess better educational qualifications and

123

question the authority of their seniors. The behaviour of the young generation is very complex and difficult to understand. Their values are different from the old generation. This has led to a very high labour turnover among the younger generation. Flexi hours, working from their place of living, increase in the number of women employees etc. are some of the new trends in the nature of work force.

In the current business scenario both husband and wife (called dual career couple) are employed and their needs are altogether different. These couples expect their employers to take care of their children and also give them sufficient time for their entertainment.

Change in nature of managerial force. The modern managers of the organizations are different from the traditional managers. The top management is in the hands of those persons whose style is different from the traditional managers. These managers give free hand and latitude to the workers and are more concerned with quality of work life (QWL) of employees.

Unmanageable management structure The existing organizational structure of many companies is deficient in many respects such as obstacles in communications, multiplicity of conflicting policies, decisions, lack of coordination etc. It is better to initiate changes rather than waiting for the major problems to crop up later on.

Inertia of Employees and employer. According to Keith Davis usually employees as well as management keep on following single method of doing things whereas the fact is that there are many alternatives of doing the same thing.

Thus, the changes should be brought about in such a manner that there is no resistance from employees' and require individuals to make new adjustments as the organization seeks a new equilibrium. When employees are unable to make adequate adjustments to changes which occur in the organization, a state of imbalance or disequilibrium arises. Management's

general human relations objective regarding change is to restore and maintain the group equilibrium and personal adjustments which change upsets.

Management consultant Kenneth Blanched describes seven dynamics of employees's reaction to change:

1.   People will feel awkard, ill at ease and self-conscious.

2.   Employees initially focus on what they have to give up.

3.   They will feel alone even if everyone else is going through the same change.

4.   People can handle only, so much change.

5.   People are at different levels of readiness for change.

6.   People will be concerned that they do not have enough resources.

7.   If you take the pressure off them, they will revert to their old ways.

3.9   RESISTANCE TO CHANGE

Resistance to change can manifest in many ways. The more obvious is in the form of active resistance where an employee openly objects or simply refuses to cooperate with a change programme. Other forms of resistance, through subtler, can also be hard to deal with. For instance, when new technology is introduced at the workplace, nobody uses it for the purpose it was implemented for. It is of utmost importance that the person responsible for implementing the change, chalks out strategies- to deal with resistance. This is applicable not just at the time of initiation, but followed through till the end. In this way, the change manager can continuously monitor the change over the long term basis and remain alert to tackle difficulties as they crop up. Thus the change manager has a dual role to play viz., reduce the resistance to the transformation as well as to increase the level of enthusiasm and commitment.

Whatever the kinds of changes, certain patterns of behavioural responses are common. Fo example, a little change or control over events at the workplace sets off heightened tension, uncertainty about the future, resentment anger and other manifestations of job stress.

It is very important that change leaders recognize and understand the behavioural patterns that surface in such conditions and they avoid over reaction when employees act irrationally.

Resistance may be from individuals or from groups. It may be

(a)   overt or active and

(b)   convert or subtler.

In case of overt resistance, employees openly reject or simply refuse to co-operate with a change. It may be in the form of strikes, sabotage, lack of co-operation, disobedience etc. Convert resistance is hard to deal with as it takes the form of absenteeism, request for transfer, low morale etc.

The resistance at the individual and organizational level is explained below:

Individual Resistance

The following are the reasons which may be responsible for individual resistance:

1.   **Fear of Unknown:** Change always involves uncertainly and it can make people uncomfortable. It often leads to increased anxiety especially if the people have to move to a new place or a new group. Infact, many uncertainties are hypothetical and are not likely to happen.

2.   **Fear of failure**: The new system often requires new skills or abilities which may not be possessed by the existing staff. Employees fear that they would not live up to the new expectations. The fear of losing job in the new set up creates fear in the minds of existing employees and they start opposing the change.

3**.**   **Perception or Disagreement**: Employees may feel that the changes which are being introduced in the organization are not in the interest of anyone and they may disagree with the changes as they think that it is a step in the wrong direction.

4.   **Lack of trust:** Many a time, the resistance from employees is on account of lack of mutual tru.st. Employees may not understand the implications of the changes and feel that they are at the losing end and do not trust the change manager.

5. **Personality:** Some employees lack self-esteem and always depend upon others for decision-making. Some people habitually do not like change. A highly traditional person is very rigid in his beliefs and does not like to change.

6. **Economic Consideration:** Employees have a fear in their mind that if they do not perform well in the new set up, their perquisites or benefits may be decreased or withdrawn.

7. **Aversion to Risk People:** Sometimes hesitant to change if it forces them to leave their comfort zones. It is only natural to put risky goals off.

8. **Stagnation**: Change often requires a significant amount of effort. Employees who are already suffering from fatigue and burnout, will resist change and it can make is more difficult to do the assigned task.

Organizational Resistance

It can occur at the following levels:

1. Organizations design may have narrowly defined jobs and limited flow of information.

2. Organizational culture can become a major source of resistance to the needed changes. Organization culture is difficult to change.

3. Limited resources of an organization also come in the way of change.

4. An organization which has made huge fixed investments in machinery, building, land etc. finds it difficult to change. Even where the organization is over staffed and cannot terminate the existing employees, it may be difficult for them to go for change. Thus, organizational resistance is because of:

(1) **Structural resistance** which means that the problem lies in the organizational structure of the organization. The line of authority, flow of communication from top to bottom and bureaucratic structure may become hindrance in the change process.

(2) **Resources** such as money, material, men etc. may become a constraint in the change process.

(3) **Investment** of heavy amount in the fixed assets of the company (known as sunk costs) might not allow an organization to go ahead with the change process.

(4) There may be general apathy on the part of the management to go for a change.

3.9.1 Overcoming Resistance to Change

The following are the methods of overcoming resistance to change:

1. **Education and Communication:** Rumours are very harmful for any organization and usually poor communication is responsible for rumours on the basis of which the workers resist the change. Once the employees are clear about the purpose of change their resistance will subside. For this purpose, group discussion, one to one discussion, Soup presentations, memos etc. can be very useful. Thus the employee should be properly educated about the outcome of their resistance.

2. **Nominate Roles:** If the employees lack skills to do a job, make sure that they possess the requisite skills to carry out their roles. Involvement of the employees in the change process will definitely help in reducing the resistance to change.

3. **Office Support**: The change agent should offer full support and provide counselling whenever needed. He should try to remove the fear as well as anxiety of the employees.

4. **Negotiation**: Sometimes the resistance comes from few individuals who are either powerful or are the leaders of the group. In such a case specific reward packages can be negotiated with them in order to meet their individual needs. However, it must be done very carefully as the other persons can also blackmail the change agent.

5. **Manipulation and Co-operation**: Many a time' facts may be twisted or distorted to make them appear more attractive. The change agent may either hold the undesirable information or circulate false rumours so that the employees accept the change. It also includes buying off the leaders who oppose the move'

The management can also use coercion or threat to force the employees to accept change. The threats can take the form of pay cut, transfer, loss of promotion, poor letter of recommendation.

3.9.2   Managing Change

The organizations of today have to operate in the environment which is constantly changing. It is a big challenge before the organizations to regularly update themselves as per the changes taking place in the business world. Good leadership, along with effective communication, is the key to successfully implement change in an organization. The companies of today implement radical and sweeping changes to grow and survive, The dynamic environment continuously presents new challenges and demands to everyone in an organization' Ignoring the changing market is an open invitation to other companies to take lead and push the company out of the market. The proactive changes are called planned change. 'The manager must continuously keep on watching the changes taking place in the internal and external environment so that changes can be introduced at the appropriate time'

Kurt Levin has developed a technique called as Force Field Analysis in order to decide whether the system is conducive for introducing change. Let us try to understand what is Force Field Analysis?

The behaviour of a person is the result of the following two forces:

(1)   Restraining force which pushes towards keeping a status quo (new-technology, new knowledge, obsolescence, changing work values).

(2)   Driving force which pushes towards change (fear of unknown new learning, distrust, disruptions of stable friendship)

When two opposing forces are almost equal, current behaviour occurs which is called as quasi-stable equilibrium. An effort has to be made to convert restraining forces so as to achieve the stage of quasi-static equilibrium.

3.10   CHANGE PROCESS

Understanding the process of change requires careful consideration of the steps in the change process, employee resistance to change and how this resistance can be overcome.

The management of change requires the use of some systematic process that can be divided into a few stages or sub-processes. This is the essence of the most representative model of managing change. It emphasises the role of the change agent who is an outsider, taking a leadership role in initiating and introducing the process of change.

The process of change must involve the following so as to lead to organisational effectiveness. Firstly, there is a re-distribution of power within the organisational structure. Secondly, this redistribution emanates from a developmental change process.

1. **Internal pressure:**

    The process of change begins as soon as top management starts feeling a need of pressure for change from within the enterprise. This is usually caused by some significant problem(s) such as sharp drop in sales (profits), serious labour trouble, and/or high labour turnover.

2. **Intervention and reorientation:**

    An external agent is often invited to suggest a definition of the problem and start the process of getting organisation people to focus on it. If internal staff people are competent enough and can be trusted they can also manage the process of change equally well.

3. **Diagnosis and recognition of problem(s):**

    The change agent and manager start gathering necessary information and analyse it so as to recognise the more important problems and give attention to these.

4. **Invention of and commitment to solutions:**

    It is important for the agent to stimulate thought and try to avoid using the 'same old methods'. Solutions are searched out by creatively developing new and plausible alternatives. If subordinates are encouraged to participate in the process, they will develop a sense of involvement and are likely to be more committed to the course of action finally chosen.

5. **Experimentation and search for results:**

    The solutions developed in phase 4 are normally put to tests on a small-scale (e.g., in pilot programmes) and the results, analysed. If the solution is successful in one unit, or a certain part of a unit, it may be tried in the organisation as a whole.

6. **Reinforcement and acceptance:**

    If the course of action is found desirable (after being properly tested), it should be accepted voluntarily by organisation members. Improved performance should be the source of reinforcement and thus should lead to a commitment to the change.

6. **Resistance to Organisational Change:**

    In planning for change, managers must also take into account the various reasons for which people may resist the change, regardless of how 'necessary' it may appear to be

3.10.1 Levin's Change Model

Levin's change model progress three phases viz;

(a)   Unfreezing (b) Changing (c) Refreezing

(a)   **Unfreezing:** unfreezing the situation through discussion with the subordinate is the first step in the process of organizational change. It means

unlearning of the old things in order to learn new things. The change should not come as a surprise to the people. The management must try to unfreeze the situation so that members are ready to accept the change. All doubts and fears of the subordinates must be cleared before starting any change process.

(b)   **Changing (or moving to a new situation):** After unfreezing (i.e. when the individual has unlearned the old behaviour); he is ready for a new behaviour. The old behaviour is replaced by new attitudes, values and new behaviour. Fear or punishment and reward may be introduced to enforce new behaviour. For example, a fine may be imposed on the

131

employees who violate the rule of 'No smoking' in the premises of the company. The services of a role model may also be taken for moving to a new condition.

(c) **Refreezing the situation**: It is the last step in the planned change process. The new behaviour becomes a normal way of rife. In order to become permanent; the new behaviour must be continuously reinforced.

New attitudes, values and behaviour are established. The management must ensure that the new behaviour is repeated time and again. Usually people forget their new behaviour once they go back to their old organization. Thus, refreezing reinforcement calls for reinforcement of new behaviour to make it a usual behaviour.

3.11   SUMMARY

In the contemporary business environment, organizations fight the battle of competition by building their adaptive capabilities and preparedness for coping against the pressures of change. In the present scenario, top management give a lot of importance to change management process and the need for being flexible as well as adaptable for tackling the growing environmental uncertainties or competitive threats. In the era of globalization, organizations function across the cultural boundaries with large investments in human capital as well as physical resources, give utmost importance to technological change and innovative practices for a leadership advantage. Business alliances like mergers, acquisitions, diversifications, takeovers and various other collaborative ventures have become the most preferred strategic best practices for the organizations to survive the fierce forces of competition, through transfer of people, technology, processes and leadership. For successfully handling this transition and converting the threats of change into opportunities, organizations must be flexible and open for change management.

By improving the readiness for change, organizations can strengthen their adaptability mechanisms and build their internal competencies for facing future uncertainties or many such multiple change auguring situations. An organization's readiness for change management influences organizational strategies and policy related decisions, as it involves a comprehensive, well planned approach and implementation of systemic interventions

which would have an overall influence on the system, processes, people as well as the organizational structure as a whole. Innovations in technology and research advancements, have created opportunities for working virtually across any part of the globe; changes in the organizational structure and hierarchy; changes in the human resource policies and regulations, has resulted in organizational reengineering and change in the style of working of employees. For meeting the growing demands of ever changing business operations, more dynamic and flexible organizations have endorsed new methods of working like flexi work hours, work from home, freelancing opportunities, virtual method of working, business operation outsourcing and project driven operations, etc. which provide ample opportunities to the workmen to work as per their convenience and flexibility. Organizations change for responding to the fluctuations or volatility in the business environment. Any change in order to have successful outcomes must involve comprehensive planning, focused approach and involvement of the key stakeholders in the entire process.

3.12   GLOSSARY

- **Change:** Change refers to an alteration in the present business environment.

- **Change management:** Change management (sometimes abbreviated as CM) is a collective term for all approaches to preparing and supporting individuals, teams, and organizations in making organizational change. It includes methods that redirect or redefine the use of resources, business process, budget allocations, or other modes of operation that significantly change a company or organization.

- **Organisation change**: Organisation change is defined as "any alteration in one or more elements of the organisation".

- **Kaizen:** Kaizen is the Japanese word for "improvement". In business, kaizen refers to activities that continuously improve all functions and involve all employees from the CEO to the assembly line workers.

3.13   SELF ASSESSMENT QUESTIONS

1. Define change and discuss its nature.

_____

_____

_____

_____

_____

_____

2. Explain the process of Change.

_____

_____

_____

_____

_____

3. Explain the forces for Change.

_____

_____

_____

_____

_____

_____

3.14   LESSON END EXERCISE

1. Define Kaizen.

_____

_____

_____

_____

_____

_____

2. Discuss Resistance to Change

_____

_____

_____

_____

_____

~~~

MANAGEMENT OF CONFLICT AND STRESS MANAGEMENT

STRUCTURE

4.1   INTRODUCTION

In any organisation conflicts occur from time to time. The conflicts occur at individual and group level. The conflicts occur at individual and group level. A proper understanding of conflicts and remedial measures for their removal is very important. Conflicts vary from individual to individual and from group to group. It is very difficult to manage and redress the conflicts. Jobs become complicated with the existence of conflicts. It becomes very important that the manager should handle the conflict with utmost care in order to have smooth functioning of an organisation.

4.2   OBJECTIVES

After going through this lesson, you should be able to:

Explain the meaning and characteristics of conflict

Describe the various philosophies of conflict

Elucidate the management of conflict

Understand meaning and nature of Stress

Sources and Consequences of Stress

4.3   MEANING AND DEFINITIONS OF CONFLICT

Conflict is a state of discord caused by the actual or perceived opposition of needs, values and interests. A conflict can be internal (within oneself) or external (between two or more individuals). Conflict explains many aspects of social life such as social disagreement, conflict of interests and fight between individuals, groups or organisations. In political terms, "conflict" can refer to wars, revolutions or other struggles, which may involve use of force. Without proper social arrangement or resolution, conflict in social

137

settings can result in stress or tension amongst stakeholders. Conflict arises "when two or more parties, with perceived incompatible goals seek to undermine each other's goal-seeking capability". Conflict arises in the situations of competition and co-operation. In competitive situations, two or more individuals or parties have mutually inconsistent goals and either party tries to reach their goal and undermine the attempts of the other to reach theirs. Therefore, competitive situations will, by their nature, cause conflict. However, conflict can also occur in cooperative situations, in which two or more individuals or parties have consistent goals, but the manner in which one party tries to reach their goal can still undermine the other individual or party. A clash of interests, values, actions or directions often results in conflict. Conflict refers to existence of that clash. Psychologically, conflict exists when reduction of one motivating stimulus involves increase in another so that new adjustment is demanded. Even when we say there is a potential conflict, we are implying that there is already a conflict of direction even though a clash may not yet have occurred. "Organisational conflict is disagreement between two or more organisational members or groups arising from the fact that they must share scarce resources or work activities and/or from the fact that they have different statuses, goals, values, or perceptions." Conflict is a daily part of life in groups and organisations. It is an inevitable feature of present-day organisations. The management of conflict is essential pre-requisite to sound management of human relations. It is very difficult to explain the essential ingredients of 'Conflict' in a precise definition. A few definitions of 'conflict' are explained as under for understanding its meaning:

According to **Marry Parker Follett**, "Conflict is the appearance of difference of opinions of interests."

In the worlds of **Louis R. Pondy**, "Conflict may broadly be viewed as a break-down in the standard mechanism of a decision making."

According to **S.P. Robbins**, "Conflict is o process in which an effort is purposefully made by one person or unit to block another that results in frustrating the attainment of the other's goals or the furthering his or her interest."

According to **David I. Austin,** "Conflict can be defined as a disagreement between two or more individuals with each individual or group trying to gain acceptance of his view or objectives over others."

138

Chung and Meggionson observe, "Conflict is the struggle between incompatible or struggling needs, wishes, ideas, interest of people. Conflict arises where individuals or groups encounter goals that both parties cannot obtain satisfactorily."

4.3.1 Different Views on Conflict

There are three main views on conflict, viz.

(i)   Traditional view,

(ii)   Human Relations view and

(iii)   Internationalist view.

These are explained as under

(A)   The Traditional View: According to this view, conflict was very harmful and has been viewed very negatively. This view representative human behaviour prevailed during 1930s and 1940s.Conflict caused lone in productivity because various groups did not co-operate in getting the jobs done and also not shared important information. Managers also could not concentrate on their work due to too much conflict'

The traditional writers believed that conflict is inherently bad and it must be curbed. It led to improve and malfunctioning of the management. It could not build the organisation and workers together. Thus, the traditional thinkers on conflict had a very conservative view about the conflict as they considered-it totally harmful and bad and they stressed on the avoidance of conflict.

(B)   Human Relations View: The human relations view prevailed in the conflict theory during 1940s up to the mid of 1970s.This view emphasized-that conflict was a natural occurrence in all groups and organisations. This view further advocated that conflict was inevitable and management should accept it. The occurrence of conflict could be avoided by creating an environment of mutual trust and goodwill. Conflicts may arise due to the faulty policies and procedures and lock of co-operation and improper

139

communication. The human rationalists considered conflict harmful and suggested to resolve it soon in the best interest of the organisation and individuals.

(C)   **The Interactionist View:** This is considered as modern approach in conflict theory. This view considered that conflict is not only a positive force in a group but is also necessary for the group to perform efficiently. It is the task of the group leader to allow conflicts to happen to keep the group viable' self critical and creative. Conflicts are helpful to make the group member innovative and imaginative. The conflicts must be kept under the control to avoid their dysfunctional consequences. It is difficult to conclude that conflict is good or bad. It will depend on whether the conflict is functional or dysfunctional in nature. A functional conflict encourages the group for better performance and attainment of group goals. On the other hand a dysfunctional conflict is destructive in nature and adversely affects the group functioning.

4.3.2   Features or Characteristics of Conflict

Following are the main features of conflict:

1.   Conflict occurs when two or more persons pursue mutually exclusive goals, values or ents. It is based on the assumption that there are two or more parties whose interests or goals appear to be incompatible.

2.   Conflict is a dynamic process as it indicates a series of events. Each conflict is made up of a series of interlocking conflicts/episodes"

3.   Conflict refers to deliberate behaviour on the part of one person against the other. If it is accidental, there is no conflict.

4.   Conflict must be perceived by the parties to it. It no one is aware of a conflict, then it is generally agreed that no conflict exists.

5.   It usually arises because of scarcity of resources. When people compete for scarce resources, they hold different views about how best they can utilise those resources to achieve the organisational goals.

140

6.   It is caused by different perceptions that different individuals hold about the same object or goal. While A thinks a course of action is right, B does not hold the same opinion. This leads to conflict of opinion on the same subject.

4.3.3   Philosophies of Conflict

The concept of conflict has evolved over a period of time from classical philosophy of conflict to interactionist philosophy. There are three approaches on how management views conflict.

These are:

1.   Classical Approach

According to this approach, management views conflict as bad and destructive for organisational performance. Conflict of opinion meant to result in anger and resentment. This creates disorder in the organisation and effects its smooth functioning. Conflict was, thus, dysfunctional (negative) in nature. If there was conflict in the organisational interest and individual interest, it gave importance to organisational interest as individual interest is considered subordinate to organisational interest (as advocated by Fayol). Conflict is thus, destructive as it cannot bind the management and workers together. Management should, therefore, design organisation structure in a manner that everyone understands the policies and rules clearly. Authority-responsibility structure should be well-defined so that everyone knows his limits of discretion. This would lead to quick resolution of conflict, if at all it arises.

2.   Human Relations Approach

This is also known as the behaviouralists approach to conflict. While the classical approach views that organisations should not have conflict at all, the human relations approach assumes that conflict is unavoidable. It is bound to happen because of differences in opinion and perception amongst individuals. As conflict cannot be avoided, it should be resolved in a friendly

way. Conflict, thus, naturally occurs in all organisations but should be resolved for the benefit of the organisation and individuals.

3. **Interactionist Approach**

    While the human relations approach accepts that conflict is inevitable and, therefore, acceptable, the interactionist approach takes a broader view of conflict. It encourages conflict in the organisation as conflict promotes diverse opinions and beliefs. This promotes new ideas and easy adaptability to environmental changes. Conflicts keep the group members lively in discussions and creative in idea generation. Thus, conflict is promoted as it promotes organisational performance.

4.4 **TYPES OF CONFLICT**

    Following are the main types of conflict:

(I) **Vertical Conflict:** It is also known as hierarchical conflict arises between superior and the subordinates. In other words occurs between various levels in an organisation. C.G. smith identified three reasons for vertical conflicts, viz., (a) Inadequate communication between levels, (b) differences of interest between position holders occupying different status in the organizational hierarchy, and (c) a distinct lack of shared perceptions and attitudes among members in various levels. Vertical conflicts arise because superiors attempt to control subordinates and subordinates tend to resist forcing the superior to increase the dosage of impersonal rules to exact obedience and gain control.

(II) **Horizontal Conflict:** It occurs between persons or groups and departments operating at the same level in the hierarchy. The source of conflict between departments consists of pressures toward sub optimization. Each department may suboptimize by independently trying to achieve its own, departmental goals. For example, production department may prefer long economical runs whereas sales department may insist on quick delivery. Again, when two departments are functionally

142

independent, breakdown in the performance of one department can lead to serious conflicts.

(III) **Line-staff Conflict:** This type of conflict occurs when line and staff officers disagree over important issues in their working relationships. Conflict arises on account of the superiority of staff officers for major impact on certain areas of line operations. In other words staff is specialist, whereas the line officers are generalists, it leads to conflict between the line and staff officers. Other various causes of conflict between line and staff officers have different time horizons, objectives and interpersonal orientation and approaches to organizational problems. For example, Dalton found that staff employees were usually younger, had a upper level of education and came from different social backgrounds than line employees. These different personal characteristics which one frequently associated with different values and belief often lead to conflict between line and staff personnel.

(IV) **Role Conflict:** Every individual plays a number of roles in social and organisational situations. The role played by a person in the organisation is relevant to his behaviour. Every person is expected to behave in a particular manner while performing a specific role. When the expected role differs from the behaviour anticipated by the individual in that role conflict arises. Everyone plays the role of a superior and subordinate, whenever there are different expectations in relation to himself and others, conflict ought to arise. Similarly conflict may also arise whenever there is overlapping of the two roles played simultaneously by the same person.

Conflicts can also be classified as:

(i)   Individual level conflicts

(ii)   Inter-personal conflict

(iii)   Group level conflict

(iv)   Organisation level conflict

143

These are explained as under:

(I) **Individual Level Conflict:** In this case, the individual is not in a position to take a proper decision about certain matters. He is confused and faces difficulty to select proper decision out of alternative course of actions. The individual is caught in his web. He faces a conflict within himself. He is confronted with many puzzling questions, viz. whether to carry on the present job inspite of its inbuilt disincentives? Whether to take the inhuman treatment given daily by the Boss? To do or not to do? Basically, individual conflict can relate to two things: conflict arising due to divergent goals, or conflict arising from out of multiple roles to be played daily.

(II) **Interpersonal Conflict:** Interpersonal conflict involves two or more individuals rather than one individual. For example,, two managers completing for promotion. The most commonly cited reasons for interpersonal conflicts are:

(a) **Personality differences:** Some people have difficulty in getting along with others. This is a psychological problem and it has nothing to do with their job requirements or formal interactions.

(b) **Perceptions:** Varied backgrounds, experiences, education and training, result individuals developing different perceptions of similar realities, the result being an increase in the likelihood of inter-personal conflict.

(c) **Clashes of values and interests:** Conflict that so commonly develops between engineering and manufacturing personnel shows, how differences in values lead to conflict.

Members of engineering department may prefer quality, sophisticated design and durability, while the members of the manufacturing department might value simplicity and low manufacturing costs.

a. **Power and Status differences:** Interpersonal conflict arises from unequal distribution of power and status. Such conflicts usually occur in the power and status inconsistencies.

144

b. **Scarce resources:** Interpersonal conflict is almost certain if there is scarcity. Conflicts over scarce resources are exceedingly common in the organisations. Where the scarcity is absolute (the resource level cannot be enhanced), it is very difficult to manage interpersonal conflicts. For example, three qualified individuals are expecting superior position in the organisation and there is only one such position, interpersonal conflict may develop to an unmanageable level.

Whetten and Camerson have given four sources of interpersonal conflict. These are:

(i) **Personal differences**: Personal differences are the major source of conflict between individuals. Individual differ on account of one's upbringing, cultural, family, traditions, education, family background, experience and values.

(ii) **Deficiency of information**: This type of conflict arises due to communication breakdown in the organisation.

(iii) **Role Incompatibility:** In today's inter functional organisation, only managers have functions and task that are independent and the individual roles of these managers may be incompatible.

(iv) **Environmental Stress:** Environmental stress is another reason for interpersonal conflict Stress from environment arises because of scarce resources, competitive pressures and high degree of uncertainty.

Interpersonal conflicts resolve themselves because the conflicting parties are not in a position to remain tense for a long time. If interpersonal conflicts are of persisting nature, it can be resolved through conflict and create an atmosphere of trust and confidence in the organisation.

(III) **Group Level Conflict:** A group consists of two or more persons who are in interaction with each other. Group has a well defined role of its members and system of values and norms of behaviour for the smooth working of the group. Two types of conflicts are in group level conflicts.

These are:

(a)   Intra Group conflict, and

(b)   Inter group conflict.

These are explained as under:

(a)   Intra-Group conflict: Such conflicts arise among the members of the same group. Intra group conflict is like the interpersonal conflict with the difference that the persons involved in the conflict belong to a common group. Intra group may arise on account of the following reasons:

(i)   When the group faces a new problem,

(ii)   When new values are imported from the social environment into the group,

(iii)   When a person's extra group role comes into conflict with his intra group role.

(a)   Inter-Group Conflict: Conflicts among different groups in the organisation are known as inter-group conflict. A conflict between production team and marketing team is an example of inter-group conflict. Inter-group conflicts arise when (a) There is need for joint decision making, (b) there is differentiation of goals, different persons have different views regarding goals, and (c) there is difference in perceptions of reality.

Causes of Inter-Group Conflict: Following are the main causes of such conflicts:

(i)   Joint decision making: Due to interdependence on each other, groups are involved in joint decision making process. This process may not progress smoothly in these circumstances: (a) If people have different sources of information (b) If there are leakages and obstructions in the channels of information to different levels and departments. (c) If the techniques for processing of information by different groups are different. In such circumstances misunderstanding is bound to be created among various groups which ultimately lead to conflict.

146

(ii) **Sharing of resources:** The resources at the disposal of the organisation are limited and they have to be shared by different groups. Each group wants a greater share of limited resources which leads to conflicts.

(iii) **Inter-dependency:** Different departments operating in an organisation are interlinked and inter dependent on each other in carrying their functions. For example, there may be misunderstanding between manufacturing and production departments if the latter is not able to complete an order as desired by the former.

(iv) **Lack of Co-ordination:** lack of co-ordination among various departments in an organisation is another cause of conflict. Coordination is adversely affected when different groups may engage themselves in power struggle in the organization. Different groups want to establish their supremacy.

(v) **Line and Staff Conflicts:** Line and staff differences are the most common type of inter group conflicts.

This conflict is basically a clash of domains by dividing expertise, authority & roles. Dalton's study of line and staff conflict highlighted the following sources:

(a) Line managers dislike taking advice from younger staff specialists.

(b) Line manners label 'staff' as agents on trial.

The staff, in turn, views himself as an agent.

(c) Line managers feel that staff over steps its authority.

(d) Line managers resent staff highly as they are academic and untested ideas.

(vi) **Difference in goals:** Various groups differ in their views about organisational goals, because of the following reasons:

(a) Quite often the goals of one group are incompatible with those of other groups.

(b) Individuals who are the members of different groups differ in family background, culture, education and training etc. Various professionals look

147

at the organisational goals from their respective professional point of view. It leads to conflict over goals.

(c)   Pattern of interaction among the group members may lead to differentiation of goals. They may not interact frequently, this leads to conflict. On the other hand, if the members interact quite often, they are likely to share their group goals with the organisational goals in a better way.

(vii)   **Differences in perceptions:** The differences in goals among the members of the various departments in the organisation are frequently accompanied by differences in attitudes, values and perceptions that can also lead to conflict. People may have different perceptions if the flow of information is not smooth. Lack of inadequacy of information with the some people is bound to affect their perceptions.

(viii) **Organisational Reward System.** Inter-group conflicts also arise because of the way in which an organisation reviews group performance and distribute awards-both economic and non-economic. If the reward system allows only one group to accomplish its goals at the expense of other groups, there are bound to be conflicts and existence of power struggle among the groups.

(x)   **Distorted communication.** Inadequate or unclear communication creates conflicts because important information is held back and parties do not know each others jobs. It may be observed that improper communication leads to serious conflict among various groups in an organisation.

(xi)   **Heterogeneity of members.** Personality differences such as background, education, age and training etc. Lower the interpersonal rapport and cooperation between various departments & leads to conflicts.

(IV)   **Organisational level conflict:** All the conflicts discussed above relate to conflicts within the organisational settings. Inter organisational level conflict occurs between organisations which are in some way or the other dependent upon each other. For example, conflict can be between the buyer and seller organisation, between the union and organisation enjoying

the members, between government agencies that regulate certain organisations and the organisations that are affected by them. If this conflict is properly handled, it can be constructive in achieving results.

4.5 CAUSES AND CONSEQUENCES OF CONFLICTS

Causes of Conflict

Conflicts arise due to the following reasons:

1. **Differences in perception:**

   Differences in perceptions, values and attitudes of individuals or groups over the same problem leads to interpersonal or intergroup conflicts. For example, one group of individuals may want that all employees use HP computers to maintain standardisation while another group may promote different brands of computers to maintain individuality. Differences in views lead to conflicts.

2. **Excessive competition:**

   Organisational resources (men, material, money, space etc.) are scarce and each unit wants maximum share of it. Competition amongst units for maximum share of resources leads to conflict.

3. **Differences in goals:**

   Different goals of individuals or groups leads to conflict amongst them. In order to maximise profits, production department may want to produce limited varieties in large volume so that costs are minimised. Sales department, on the other hand, may feel that selling products of different sizes, colours and models can increase sales and, thus, minimise costs. Differences in group goals leads to conflict between the two. It may even affect the quality of products.

4. **Interdependence of tasks:**

   When work is passed from one unit to the other, interdependence amongst units can lead to conflict. Output of first unit becomes input of second unit.

If first unit fails to process its work on time, the second unit will have to wait and stay idle till it receives the process. This can cause inter-group conflict.

5.   Habit patterns:

Some people like to argue and debate. They enjoy conflict as a matter of habit. It acts as a motivator for them to improve their performance.

6.   Personal characteristics:

When group members differ in work attitudes, age, education, temperament and status levels, the potential for inter-group conflict is high.

7.   Ill defined authority – responsibility relationships:

When authority and responsibility of individuals and groups is not properly defined, people do not understand each other's role. There is lack of consistency in work activities and communication distortions take place. This becomes a source for inter-group conflict.

Consequences of Conflict

Conflict has both positive and negative consequences. Positive conflict is known as functional conflict and negative conflict is known as dysfunctional conflict.

Positive Conflict (Functional Conflict):

Conflict is not only inevitable, it is also desirable. It is constructive and encourages new ideas to solve organisational problems. It promotes change and keeps the organisation going in the desired direction. It believes that conflict has the following positive consequences:

1.   High degree of cohesion:

Inter-group conflict gives rise to commitment and loyalty amongst members of the group. Group members unite together, take advantage of opportunities, overcome threats and take strong actions to resolve their problems. All members of the group work together for a common goal.

It promotes group cohesiveness if people of different groups compete with each other. In order to do better, members of each group work together. They become loyal and bonded to each other which promotes organisational performance.

2. **Improvement in quality of decisions:**

When group members face conflict, they think of all possible solutions to the problem, evaluate the decisions and use their creative and innovative abilities to arrive at the best decisions. Inter-group conflict, thus, improves the quality of decisions and stimulates creativity and innovation. When people have conflicting opinions, they deeply analyse facts of the case. Deep understanding of concepts promotes new thinking, new ideas and, thus, fosters innovation.

3. **Emergence of leaders:**

Everybody does not think alike in conflicting situation. Group members bestow power on those who can positively contribute to the problem situation to take decisions. Increased power gives rise to leaders who act as the group captain. This also reduces rivalry amongst members to become group leaders.

4. **Response to change:**

Conflict promotes change if people do not readily agree to each other. Differences in opinions, values and perception introduce new ways of working which is different from the traditional thinking. Conflicts challenge the existing state of affairs and promote new ideas and reassessment of current group practices. Conflict signals something wrong with the present system of working and promotes ability to assess the present and desire for a better future. Conflict, thus, increases responsiveness of group to change.

5. **Increased productivity:**

It is empirically proved that productivity of conflicting groups is more than those which have close agreement amongst the members. Members with

different perceptions and interests produce high-quality solutions to problems. This improves productivity of the group. Conflicts highlight weaknesses in the existing system of management. These weaknesses can be removed to improve efficiency of the organisation's operating system.

6.   **Releases strain:**

If group members do not agree with pre-defined values and norms, conflicts give them a ground for voicing their reservations. This releases strain that would otherwise remain suppressed in their minds. In conflicting situations, people openly express their thoughts and feelings, even if they are against the thought process of other members of the organisations. This releases strain and provides mental satisfaction to the members.

Negative Conflict (Dysfunctional Conflict):

In positive conflict, differences in opinion do not hurt anyone's feelings. People respect each other's ideas and arrive at new solutions to the problems to develop working relationships. In negative conflict, on the contrary, people show disrespect for others' ideas. They aim to promote their interests at the cost of others.

The negative consequences of conflict are as follows:

1.   **Mental strain:**

Excessive conflict creates tension and frustration amongst people. This not only harms the individuals (as they may enter into a state of depression) but also harms the organisation (people do not positively contribute to organisational productivity).

2.   **Discontentment:**

Conflict breeds antagonism and discontentment. This reduces power to think creatively and reduces group effectiveness. If people do not arrive at mutually agreeable solutions, it results in discontentment. People are not satisfied with their jobs. This lowers the organisational productivity.

3. **Communication breakdown:**

When individuals or groups develop conflicting ideas, they avoid interacting with each other. This reduces communication amongst them leading to inter-group rivalry and loss of productive ideas.

As conflicts lead to disagreement and communication breakdown, people do not agree with each other leading to splitting up of groups and units. This diverts energy from organisational goals and leads to instability in the organisational structure.

4. **Resignation:**

Discontentment can lead to resignation from jobs. If results are not in favour of people who strongly oppose certain decisions, they do not wish to work in those organisations and look for other job outlets. If these people are dynamic and creative individuals, it is loss for the organisation.

5. **Distorted perceptions:**

Groups hold strong perceptions about their activities and disregard those of the other group. They highlight their strong points and competitors' weak points. This leads to deviation from organisational goals.

6. **Competitive struggle:**

Conflict leads to competition. Rather than arriving at consensus, agreement or settlement, competitive struggle declines group's ability to think and act positively.

7. **Subordination of group goals to individual goals:**

Members promote personal goals rather than group goals. They think of ways to promote their personal interests rather than organisational interests. This reduces organisational efficiency. People divert energy from constructive to destructive thinking.

They think of how to win over conflicting situations rather than pursuing organisational goals. Short-term personal problems, thus, supersede long-

153

term interests of the organisation. People focus on personal goals at the cost of organisational goals. This results in goal displacement as short-term perspective overpowers the long-term perspective.

8.   Threat to group survival:

In extreme situations, members can stop working. This stops functioning of the group and threatens its survival.

4.6   MANAGEMENT OF CONFLICT

Conflict cannot and should not be avoided. There is always an optimum level of conflict at which organisational performance is the highest. When the level of conflict is low, the organisation will not be adaptive to change. This threatens its long-run survival. When the level of conflict is too high, it creates chaos and disruptions in the organisation. This also threatens its long-run survival. There is need, therefore, for managers to resolve conflict. They should promote functional or constructive conflict and avoid dysfunctional or destructive conflict.

Management of conflict involves:

1.   Stimulation of functional conflict and

2.   Resolution of dysfunctional conflict.

1.   Stimulation of functional conflict:

The following methods help to stimulate or encourage constructive conflict:

(a)   Bring managers with backgrounds, values and styles different from those who are presently working in the organisation.

(b)   Add or delete individuals and groups to the existing network. This will re-distribute power and, thus, stimulate conflict.

(c)   Break old teams and departments and re-organise them. New work, members and responsibilities will be created requiring adjustment with each other. This will give rise to conflict and new and improved methods of operation.

(d)   Allow members to openly communicate with each other. Members can freely discuss their problems, disagree with each other and have a wide perspective for decision--making.

(e)   Foster competition by paying financial and non-financial incentives for good performance. This will promote conflict as each member will try to outperform others.

(f)   Replace authoritarian managers with behavioural managers. They promote interaction amongst group members and bring out their hidden desires thereby, resulting in conflict.

(g)   Create an environment of creative and innovative thinking. When members find new ways for doing the work, it will promote conflict and productive suggestions.

(h)   Introduce changes in people, structure and technology.

(i)   Allow compromise where each party is concerned about their goal accomplishment and is willing to engage in 'give and take' to reach a reasonable solution.

(j)   Allow collaboration where parties try to manage conflict without making concessions by coming up with new ways to resolve differences.

2.   **Resolution of dysfunctional conflict:**

These methods suppress or resolve conflict rather than promote them.

They are as follows:

(a)   Introduce changes in the organisation structure so that conflicting parties are separated and placed at different positions.

(b)   Introduce participative style of management where decisions reflect the opinion of all.

(c)   Integrate individual goals with organisational goals so that both individuals and organisations promote each other's interests.

(d)   Managers should call the conflicting parties, listen to their arguments and try to get one side into giving in. This is helpful when manger has more information than the parties and he can satisfy each one of them.

(e)   Provide incentives (financial and non-financial) to all rather than those who report outstanding performance.

(f)   Install training programmes for improving relationships amongst individuals and groups.

(g)   Avoiding action or taking no action saying that information is insufficient will postpone and resolve the conflict on its own.

(h)   Conflict can be resolved through compromise. Managers can convince each party to sacrifice some objectives in order to gain others.

(i)   Allow arbitration where conflicting parties submit to the judgement of a third party.

(j)   Transfer people from one work unit to the other and allow overlapping of membership. When one person is a member of two groups, conflict gets reduced.

(k)   Obeying rules strictly reduces conflict. Let every conflicting situation be handled according to rules.

(i)   Allow the parties to resolve conflict through consensus. The parties try to find solutions together rather than winning over each other.

(m)   Establish superordinate goals. These are goals set for level higher than that of conflicting parties and include the conflicting parties' lower level goals. The parties deviate from conflicts at their level to higher level goals. Achieving superordinate goals resolves conflicts at their level.

Five ways of addressing conflict are identified by Thomas and Kilman:

(a)   Avoidance:

One should avoid or postpone conflict by ignoring it or changing the subject. Avoidance can be useful as a temporary measure to buy time or as an expedient means of dealing with minor, non-recurring conflicts. In more severe cases, conflict avoidance can involve severing a relationship or leaving a group.

(b)   Collaboration:

People should work together to find a mutually beneficial solution to the problem. Though this is a win-win solution to conflict, collaboration can also be time-intensive

and inappropriate if there is absence of trust, respect or communication amongst participants.

(c)   **Compromise:**

Conflicting parties find a middle ground in which each party is partially satisfied.

(d)   **Competition:**

Both the parties should assert their viewpoint at the potential expense of another. It can be useful when achieving one's objectives outweighs one's concern for the relationship.

(e)   **Accommodation:**

If above measures do not help to resolve conflict, one party surrenders its needs and wishes to accommodate the other party.

4.7   MEANING AND DEFINITION OF STRESS

The word stress is derived from the Latin word "stringi", which means, "to be drawn tight". Stress can be defined as follows:

In medical terms stress is described as, "a physical or psychological stimulus that can produce mental tension or physiological reactions that may lead to illness." When you are under stress, your adrenal gland releases corticosteroids, which are converted to cortisol in the blood stream. Cortisol has an immune suppressive effect in your body.

According to **Richard S Lazarus**, stress is a feeling experienced when a person thinks that "the demands exceed the personal and social resources the individual is able to mobilize."

Your body tries to adjust to different circumstances or continually changing environment around you. In this process, the body is put to extra work resulting in "wear and tear". In other words, your body is stressed. Stress disturbs the body's normal way of functioning. Without stress, there would be no life. However, excessive or prolonged stress can be harmful. Stress is unique and personal. A situation may be stressful for someone but the same situation may be challenging

for others. For example, arranging a world level symposium may be challenging for one person but stressful to another. Some persons have habit of worrying unnecessarily. Stress is not always necessarily harmful. Hans Selye said in 1956, "stress is not necessarily something bad, it all depends on how you take it. The stress of exhilarating, creative successful work is beneficial, while that of failure, humiliation or infection is detrimental." Stress can be therefore negative, positive or neutral. Passing in an examination can be just stressful as failing. Sometime we know in advance that doing a certain thing will be stressful, but we are willing to doing that. For example, while planning a vacation to a hill station you know that it would be stressful at certain times. But you are willing to face those challenges.

People often work well under certain stress leading to increased productivity. Many times you do not know in advance and the stress periods may be sudden. The situation may not be under your control. Too much stress is harmful. You should know your level of stress that allows you to perform optimally in your life. In simple words, from the point of view of an individual, stress comprises of physical, mental and chemical reactions leading to the circumstances that endanger, confuse or irritate you. Poor management, may lead to various diseases like high blood pressure, asthma and the problem of thyroid. For understanding the meaning of the term 'stress" a few definition may be given here:

1. **According to Fed Tuthans,** "Stress is an adaptive response to an external situation that results in physical or behavioural deviations for organisational

2. **In the words of Beehr and Newman,** "Stress is the condition arising from the interaction of people and their jobs and characterized by changes within people that force them to develop from their normal functioning" '

3. **According to Ivancevich and Matterson,** "Stress is the interaction of the individual with the environment. It is an adaptive response mediated by individual differences and/or psychological processes that is a consequence of any external (environmental) action, situation or event that places excessive psychological factor in the environment".

From the above definitions, it can be concluded that stress is a dynamic condition in which an individual is confronted with an opportunity, constraint or demand

related to what he or she desires and for which the outcome is perceived to be both uncertain and important. Simply stated, stress refers to an individual's reaction to a disturbing factor in the environment.

4.7.1   Nature of Stress

Nature of stress is highly individualistic. Some people have a higher level of tolerance to face stress and do well in the face of several stressors in the environment. On the other hand some people have very low level of tolerance or stress and they become very much disturbed and upset and are unable to concentrate on their work In fact, for every individual there is an optimum stress under which he or she will perform to full capacity.

Following points highlight the importance of stress:

1.   **Stress is not anxiety or nervous tension:** Anxiety or nervous tension does not constitute stress. Person victim of anxiety or nervous tension may not be under stress as per the various studies conducted by various authors.

2.   **Stress may not be always damaging:** People usually feel stress without any stain. Routine activities of life may be stressful but not always damaging.

3.   **Stress may not be always due to overwork:** Overwork may not result in stress. It has been observed that stress may result from having to do a little. A person who is not doing anything may have more stress as compared to person who is very busy.

4.   **Stress is indispensable and cannot be avoided**: Stress is inevitable and indispensable part of life of an individual. It cannot be avoided. What can, however, be avoided are the negative impacts of stress.

5.   **Body's capacity to respond is limited:** There are no two opinions about the act that stress is the body's biologically response mechanism. Body's, capacity is limited to response to various stressors (various factors leading to stress).

159

4.7.2 Types of Stress

Stress can be physical, emotional and intellectual which is briefly explained as under.

1. **Physical stress:** Under physical stress, our body parts and muscles become tired leading to physical stress.

2. **Emotional stress:** Due to some disputes and misunderstandings with family members or outsiders, emotions may be adversely disturbed.

3. **Intellectual stress:** It is pertaining to our career when we do not get proper opportunities in accordance with our calibre as a result of which our mind gets disturbed.

Stress can also be classified as

1. **Acute stress** Sometimes stress can be brief, and specific to the demands and pressures of a particular situation, such as a deadline, a performance or facing up to a difficult challenge or traumatic event. This type of stress often gets called acute stress.

2. **Episodic acute stress** Some people seem to experience acute stress over and over. This is sometimes referred to as episodic acute stress. These kind of repetitive stress episodes may be due to a series of very real stressful challenges, for example, losing a job, then developing health problems, followed by difficulties for a child in the school setting. For some people, episodic acute stress is a combination of real challenges and a tendency to operate like a 'stress machine'. Some people tend to worry endlessly about bad things that could happen, are frequently in a rush and impatient with too many demands on their time, which can contribute to episodic acute stress.

3. **Chronic stress** The third type of stress is called chronic stress. This involves ongoing demands, pressures and worries that seem to go on forever, with little hope of letting up. Chronic stress is very harmful to people's health and happiness. Even though people can sometimes get

used to chronic stress, and may feel they do not notice it so much, it continues to wear people down and has a negative effect on their relationships and health.

4.7.3 Personality and Stress

Personality of a person is the most dominating factor which influences the way he or she responds to all events and situations. In personality, we include values, attitudes and behaviour patterns that make up the uniqueness of an individual and ultimately make him more or less vulnerable to stress.

The origin of personal skills lies within our perception or our concept of self. Low self esteem can lead to a number of stresses inducting problems, inability to adapt, willingness to place excessively high demands to ourself and lack of assertiveness. It can also lead to poor self expression, so that we harbour negative emotions such as anger, fear, aggression and anxiety rather than giving vent to them. Those with high self esteem handle stress with ease since high self confidence in their abilities allows them to develop positive attitudes towards the management of stress and enables them to deal with stressful situtation with calmness and clear thinking. Psychologists have identified two types of personalities - one is more prone to stress than the other. The 'TYPE A' is the notorious stress prone personality whose typical behaviour and life style constantly elicit physical arousal. Type A people are impatient, ambitious, competitive, aggressive and hard working, they set high goals and demands of themselves and others, and they are particularly prone to stress inducing anticipatory emotions such as anxiety. Type B, have a reverse profile. They are equable, calm, relaxed, not overly ambitious and less at risk from stress. In general, our personality is made up of one or other patterns of behaviour or, in rare case, a perfect balance of both. Whether you allow a situation to affect you adversely depends largely on your appraisal and ability to control it. Unavoidable major life crises arc faced by us at some point of time e.g. divorce, death, financial struggles and family conflict. Stress is more likely to occur if we find ourselves caught in a particular situation against our will, and we cannot shape and amend ourselves or our life styles to suit that situation.

161

4.8 SOURCES AND CONSEQUENCES OF STRESS

Sources of Stress

Stress is a reality of our daily life. There are both eustresses and distresses that come from work and non work lives. It was pointed out by Near, Rice and Hunt in 1980, by sekaran in 1986 and by many others/that the work and non work domains of one's life are closely inter related. Thus, if one experiences much distress at work, that stress will be carried over to the home, which will increase the sense of awareness of even small distresses experienced in a family sphere. Likewise, stresses experienced at home or with friends or from other non work situations can be carried over to the work place which might heighten and multiply the stresses experienced at work. Thus, we can say that stresses generate from four sources :

(a)   Extra-organisational stressors

(b)   Organisational stressors

(c)   Group stressors

(d)   Individual stressors.

The following figure summarises the sources of stress.

A.   Extra organisational Stressors

Job stress is not limited to things that happen inside the organisation, during the working hours. Extra organisational factors also contribute to job stress. These stressors include the following factors.

l.   Political Factors: Political factors are likely to cause stress in countries which suffer from political uncertainties. The obvious reason is that if the countries have stable political system, change is typically implemented in an orderly manner.

2.   Economic Factors: Changes in business cycles create economic uncertainties. When the economy contracts, people get worried about their own security. A very important example is the great depression of 1930s. During this period, suicide

162

rates touched the sky. Minor recessions also cause stress in the work force as downward swings in the economy are often accomplished by permanent reductions in the work force, temporary layoff or reduction in pay.

3. **Technological Factors:** Technological uncertainty is the third type of environmental factor that can cause stress. In today's era of technological development new innovations make an employee's skills and experience obsolete in a very short span of time. Computers, automation are other forms of technological innovations, which are threat to many people and cause them stress.

B. **Organisational Stressors**

In organisations, there is no shortage of factors which can cause stress. Almost every aspect of work can be a stressor for someone. Although there are many factors in the work environment that have some influence on the extent of stress that people experience at the job, the following factors have been shown to be particularly along in inducing stress:

1. **Job Related Factors:** Job related factors or task demands are related to the job performed by an individual. These factors include the following:

(i)   In a job which is routine, dull and boring or happens to be too demanding in terms of frequent transfers or constant travelling, (which limits the time he can spend with his family),the individual is likely to experience stress.

(ii)   Some jobs can also be hazardous normally conflicting to the individual who interface with it, for example, working in explosives manufacturing factory by the individual who is a staunch believer and advocate of peace. For lack of other job opportunities, he may be forced to work in this environment and this may be a constant source of severe stress and anguish to the person.

(iii)   Some duties and responsibilites have inbuilt stress such as those of the fire fighter or the police squad which defuses bombs.

(iv)   Jobs where temperatures, noise or other working conditions are dangerous of undesirable can increase anxiety. Similarly, working in an overcrowded

163

room or invisible location where interruptions are constant, can also lead to stress.

(v) The more the interdependence between persons and the tasks of others, the more potential stress will be there. Autonomy, on the other hand tends to lesson trees.

(vi) Security of job is another task demand that can cause stress' someone in a relatively secure job is not likely to worry unduly about losing that position. On the other hand, if job security is threatened, stress can increase dramatically.

(vii) The final task demand stressor is workload. Overload occurs when a person has more work to do than he can handle. The overload can be either quantitative (the individual has too many tasks to perform or too little time in which to perform them) or qualitative (the person may believe that he lacks the ability to do the job). Little work or no work can also be full of stress. It can result in boredom and apathy just as overload can cause tension and anxiety. Thus, a moderate degree of work related stress is desirable because it leads to high level of energy and motivation.

2. **Role Related Factors:** Role related factors relate to pressure on a person as a function of the particular role he or she plays in the organisation. Individual can experience the following role related stresses:

(i) **Role Conflict:** Role conflict occurs when two or more persons have different and sometimes opposing expectations of a given individual. Thus, there are two or more sets of pressures on the individual so that it is not possible to satisfy all of them. Role conflict takes place when contradictory demands are placed upon an employee simultaneously. For example, an advertising manager may be asked to prepare a creative ad compaign while on the other hand, time constraint is put upon him, both roles being in conflict with each other.

Another type of role conflict is the inter-role conflict where an individual plays more than one role simultaneously in his life and the demands of

these roles conflict with each other. For example, a police officer is invited to his friends' wedding party where the guests use drugs which are against the law. Here he faces a role conflict.

(ii) **Role Ambiguity:** Stresses from job ambiguity arise when an employee does not know what is expected of him or her or how to go about doing the job. For example, if an employee who joins an organisation is left to himself to figure out what he is supposed to do and nobody tells him what are the expectations of him or his role are, the newcomer will face a high degree of role ambiguity. Even an old employee can be given a responsibility without being given much information. For example, a production manager might tell a foreman that 500 units of steel rods are to be manufactured in next five days and leaves town immediately without specifying what kind of additional help will be provided, or what is the purpose, cost, weight, design details, etc. The foreman is left with a lot of role ambiguity and does not know how he should go about doing the job.

(iii) **Role Overload:** Role overload refers to the situation when an individual is expected to do too many things within a limited time as part of the daily routine. For example, if Mrs. X is expected to perform the duties of a supervisor, receptionist. Public relations officer and an accountant, she is likely to experience a lot of stress from the several roles she has to play during the day. She may be able to manage the various roles for a short period of time, but if expected to continue in this fashion on a long term basis, she is likely to fall sick or quit.

3. **Inter Personal and Group Related Factors:** Interpersonal demands are pressures created by other employees. Group related stressors include factors like conflicts, poor communication, unpleasant relationship and fear of being ostracized from the group as a valued member. Working with superior, peers and subordinates with whom one does not get along can be a constant source of stress. Some people can deal with conflicts and misunderstandings in an open way and resolve issues as they arise. Many, however, find it difficult to do this and build internal stresses for themselves. Moreover, lack of social support from

colleagues and poor interpersonal relationships can cause considerable stress, especially among employees with a high social need. Sometimes, the individuals try to avoid stress by remaining absent and even may start looking for new jobs.

4.   **Organisational Structural Factors:** Organisational structure defines the level of differentiation, the degree of rules and regulations and where decisions are made. Excessive rules and lack of participation in decisions that affect an employee are examples of structural variables that might be potential stressors.

5.   **Organisational Leadership Factors:** These factors represent the managerial style of the organisation's senior managers. Some managers create a culture characterised by tension, fear and anxiety. They establish unrealistic pressures to perform in the short run, impose excessively tight controls and routinely fire employees who fail to turn up.

6.   **Organisation's Life cycle:** Organisations go through a cycle. They are established, they grow, become mature and eventually decline. An organisation's life cycle creates different problems and pressures for the employees. The first and the last stage are stressful. The establishment involves a lot of excitement and uncertainty, while the decline typically requires cutback, layoffs and a different set of uncertainties. When the organisation is at the maturity stage stress tends to be the least because uncertainties are lowest at this point of time. Each stage in the life cycre poses its own challenges and problems while the early stages are exciting, the latter ones create anxiety and tension.

C.   **Group Stressors**

Another source of stress in an organisation is poor interpersonal relations and conflicts. These conflicts can among the members of the group or between the superiors and subordinates.

Groups have a lot of influence on the employees, behaviour, performance and job satisfaction. On the other hand the group can also be a potential source of stress. Group stressors can be categorised into the following:

l.   **Lack of Group Cohesiveness:** The famous Hawthorn studies proved that group cohesiveness is very important to the employees, particularly at the rower levels

of the organisation. Lack of cohesiveness can be stress producing, especially for those persons who cannot thrive in isolation.

The other side of the picture is that too much cohesiveness can also lead to stress. Sayings like "Too much familiarity breeds contempt" is very valid because prolonged contact with other people can also cause stress. This stress becomes more intensified when the people we are close to or with whom we come in contact, are in distress. For example, people tend to become distressed when their friends, colleagues or pears are in distress.

Due to this reason people belonging to certain specific professions, who deal with the problems of other people, have the highest level of stress.

According **to Albercht** doctors have the highest rate of alcoholism and that psychiatrists have the highest rate of suicide.

2.   **Lack of Social Support**: Satisfaction' though a state of mind, it primary influenced by the positive external factors. These factors include friendliness, respect from other members, self respect, support, opportunity to interact achievement, protection against, threats and a feeling of security. If this type of social support is lacking for an individual, it can be very stressful.

3.   **Conflicts**: People who are working in the organisations are prone to interpersonal and intergroup conflicts. Conflict has both functional and dysfunctional aspects. Whenever conflict has dysfunctional consequences, it will lead to stress in all the concerned parties'.

4.   **Organisational Climate:** Much of the group or interpersonal relationships depend upon the organisational climate. An overall organisational climate may have a relaxed style of working or it may be tense and crisis oriented. All the employees of such organisations will be continuously tense, if the climate in general is unfriendly, hostile or totally task oriented.

D.   **Individual Stressors**

Among industrial factors contributing to stress are personality, life and career changes. The individual works for about 8 to 10 hours a day. The problems and

experiences which he has to face in the remaining 14 to 16 non-working hours can spill over to his work place. Our final category of stressors thus includes personal or individual stressors. Following are the main factors which can cause stress to individuals:

1. **Job Concerns:** One of the major job concerns is lack of job security which can lead to concern, anxiety or frustration to the individual. The prospect of losing a job especially when you have a family and social obligations is always very stressful.

   Career progress is another reason of anxiety. This is particularly true for middle aged people, because middle age is a period of soul searching and self doubt. If these people were not given promotions when due or they may feel that the jobs which were given to them were beneath their qualifications and they may become very anxious. This anxiety will lead to stress.

2. **Career Changes:** When an employee has to relocate geographically because of a transfer or promotion, it disrupts the routine of his daily life causing concern and stress. The relocation can lead to the following problems:

   (i)   The fear of working in a new location.

   (ii)   Unpredictability about new work environment.

   (iii)   Anxiety about creating new relationships.

   (iv)   Uprooting of children from their schools and friends.

   (v)   If the employee has got a working spouse then the stress is greater. Uncertainty about getting a new job at the new location creates some degree of stress.

   Thus, when a person is geographically relocated, his stress will depend upon how many changes occur in his social relationships and family life. More the changes, more will be the stress.

3. **Economic Problems**: Some people are very poor money managers or they have wants and desires that always exceed their earning capacity. When individuals over extend their financial resources, or in simple words, if they spend more than they earn, it will always cause stress and distract the employees from their work.

4. **Changes in Life Structure:** The life structure of a person changes as he grows older. As a person grows older, his responsibilities to himself as well as others increase. The higher the responsibility, the greater the stress.

5. **The Pace of Life:** As the responsibilities of a person increase, his capacity to execute them should also increase. A hectic pace of life when the person is always busy in business or otherwise can create more stress than a relaxed pace of life. Certain professions like teaching are less stressful than those of company executives, bankers or businessmen.

6. **Life Change and Life Traumas:** Life change and life traumas are both stress producing. Life changes may be slow (like getting older) or sudden (like the death of a spouse). Sudden changes are highly stressful. Life traumas can be highly stressful. A life human is any upheaval in an individual's life that alter his or her attitudes, emotions or behaviours. Life change and life trauma look alike but there is difference between the two. To illustrate, the death of a spouse adds to a person's potential for health problems in the following years. At the same time, the person will also experience an emotional turmoil, which will constitute life trauma and life trauma will spill over to the work place.

   Thomas' Holmes and Richard Roke developed "**Social Adjustment Rating Schedule**" to assess the degree of stress created by certain events in life. In order to develop the scale of impact, they asked people to rate as to how long it would take them to adjust to certain stress producing events in life. After considering the responses of the people, they developed a ranking and weighing schedule for each of these stress producing event. The following table shows the ranking of these events along with the weights.

7. **Personality of a Person:** The extent of stress is also determined by the personality of a person. In respect of personality the distinction between 'Type A' and 'Type B' behaviour patterns become relevant. As mentioned earlier, Type A personalities may create stress in their work circumstances due to their achievement orientation, impatience and perfectionalism. In Type A, people, thus, bring stress on themselves. Type B personality; on the other hand, is less stress prone.

169

8.   **Abitity to Cope**: How a person is able to cope with the stress and the sources a person seeks to deal with stress are also very important. For example, people who have strong faith in God, find it easier to deal with stressful situations like the loss of a loved one. Similarly, family, relations and friends are a source of great comfort at such times of crisis.

Thus, if we have to appraise the stress of an individual, we have to sum up his various reasons of stress as extra organisational, organisational group and personal stressors.

Consequences of Stress

Stress is not always bad for individual employees. It is the dysfunctional aspects of the high levels of stress that are a major concern for contemporary society in general and for effective human resource management in particular. Stress experienced by individuals has negative consequences for them, their families and for the organisations they serve. The consequences of stress can be studied under three general categories as shown below:

(A)   **Consequences for the Individual**

Stress shows itself in a number of ways. An individual who is experiencing stress may develop the following symptoms:

1.   **Physiological Symptoms:** In the initial stages, the major concern of stress was directed at physiological symptoms. The reason was researched by specialists in the health and medical sciences. According to the researchers, high degrees of stress are typically accompanied by severe anxiety, frustration and depression. Some of the physiological symptoms of stress as given by Business Week are as follows:

    (a)   **Stress:** Irritability, insomnia, alcohol and food abuse. Physical changes including rapid breathing, and heart beat, tensed muscles. Prolonged stress can cause muscular twitches, skin problems, baldness and sexual problems.

    (b)   **Anxiety:** Excessive worry, irritability, anger, nervousness as well as inability to concentrate or sleep. Physical changes include palpitations, chest pain and dizziness.

170

(c) **Depression:** Feeling of sadness, hopelessness, guilt and worthlessness, loss of interest in activities, change in appetite or weight, difficulty in concentrating and suicidal thoughts.

The link between stress and particular physiological symptoms is not clear. According to Academy of Management Journal there are few, if any, consistent relationships. But the fact which is relatively significant is that physiological symptoms have the least direct relevance to the students of Human Behaviour. Our concern is with behaviour and attitudes. Therefore, the following two categories of symptoms are more important to us.

2.   **Psychological symptoms:** While considerable attention has been given to the relationship between stress and physiological symptoms, especially within the medical community, not as much importance has been given to the impact of stress on mental health. Psychological problems resulting from stress arc very important in day to day job performance. The psychological impacts of stress may be:

(i)   Stress can cause dissatisfaction. Job related stress can cause job-related dissatisfaction. Job dissatisfaction, "is the simplest and most psychological aspect of stress"

(ii)   High levels of stress may be accompanied by anger, anxiety, depression, nervousness, irritability, tension and boredom. One study found that stress had the strongest impact on aggressive actions such as sabotage, interpersonal - aggression, hostility and complaints.

(iii)   The psychological problems from stress may lead to poor job performance, lowered self esteem, resentment of supervision, inability to concentrate, make decisions and job dissatisfaction.

(iv)   Research indicates that when people are placed in jobs that make multiple and conflicting demands or in which there is a lack of clarity as to the individual's duties, authority and responsibilities, both stress and dissatisfaction are increased.

(v) The lesser the control people have over the pace of their work, the greater is the stress and dissatisfaction.

(vi)   Some evidence suggests that jobs that provide a low level of variety, significance, autonomy, feedback and identity, create stress and reduce satisfaction and involvement in the job.

4.   **Behavioral Symptoms**: Any behaviour which indicates that you are not acting your usual self may be a sign of adverse reaction to stress include:

(a)   Under eating or overeating

(b)   Sleeplessness

(c)   Increased smoking and drinking

(d)   Drug abuse

(e)   Nodding off during meetings or social gatherings

(f)   Losing your sense of humour

(g)   Moving in a tense and jerky way

(h)   Reacting nervously or irritably to everyday sounds

(i)   Absenteeism and turnover

(j)   Reduction in productivity

Consistently acting and feeling out of character is a serious warning that we are losing our ability to cope with tension. Inability to feel or express any emotions indicates loss of contact with our surroundings and ourselves.

The above indicators can help us in overcoming the tensions.

Like the psychological problems resulting from stress, the behavioural problems are often not attributed to stress by co-workers or supervisors and generate little sympathy.

B.   Consequences for the Family

Distress which is handled by individuals in dysfunctional ways such as resorting to drinking or withdrawl behaviours adverse, will have an adverse effect on their family life. The effects of this will be spouse abuse, child abuse, alienation from family members and even divorce. The stressors which generally affect the family life are:

(i)	In the dual career families where both the spouses are pursuing careers, a lot of personal commitments, varied in nature, are demanded from them (both to their jobs and families). The stresses experienced by the couples stem from role overload, since both partners have to manage their careers as well as help the family.

(ii)	Additional stresses are experienced while handling the personal, social and cultural dilemmas of balancing work and family, discharging parenting responsibilities, handling competition at the work place and within the family and being an involved member of the extended family.

## C.	Consequences for the Organisation

The effects of employees stress on organisations are many and varied. These include:

- Low performance and productivity.
- High rate of absenteeism and turnover.
- Loss of customers due to poor attitudes of workers.
- Increased alienation of the worker from the job.
- Destructive and aggressive behaviours resulting in strikes and sabotage.

The stresses experienced by employees who take on critical roles and are responsible for public safety can sometimes be detrimental to the well being of the constituents served. For example, the stress experienced by an airline pilot, train driver, railway guard or air traffic controller can result in the loss of so many lives. Therefore, the costs of employees stress to the organisation in terms of lost profits, declining assets, bad image projection, poor reputation and loss of future business are enormous.

## 4.9	TECHNIQUES TO MANAGE STRESS

When we look at stress from organisational point of view, management may not be concerned about the low to moderate levels of stress experienced by the employees. The reason is that some functional level of stress is necessary to improve employee performance. But high levels of stress and sustained low levels of stress are a cause of action by the management. But when we look at stress from individual's point of view

173

even the low levels of stress are perceived to be undesirable. Keeping this in mind we can discuss the individual and organisational approaches towards managing stress. Before discussing these approaches, we must keep in mind two points:

(i)   Firstly, we must not make any generalisations. Each one of us have different limits, different optimum stress levels and may perceive stress differently. One person's overstress may be another person's challenge and optimum stress.

(ii)   Secondly, we need to differentiate between what we can do to equip ourselves and to organise our environment to prevent us from becoming over or under stressed. We label this as Prevention. Yet, however well we may prepare ourselves and try to control our environment from time to time, we will still experience undesirable stress.

Now we discuss the individual's and organisational approaches to managing stress.
(A) Individual Strategies

As we know that stress has got a number of negative consequences for the individuals, that is why every individual should take personal responsibility for reducing his or her stress level. There are a number of ways by which a person can avoid stressful conditions, change them or learn to cope with them. Stress can be managed by an individual, which will enable him to regain control over his life. Some of the stress reducing strategies from individual's point of view is:

1.   **Knowledge About Stress:** In the first stage, an individual should become knowledgeable about stress. He should know about the process and effect of stress. He must find out the major sources of his stress. He must anticipate stressful periods and plan accordingly in advance. He must be honest with himself and decide what he can cope with what he cannot.

2.   **Physiological Fitness:** Exercise in any form can help people in coping with the stress. Non competitive physical exercise such as aerobics, walking, jogging, swimming, riding a bicycle, playing softball or tennis has been recommended by physicians as a way to deal with excessive stress levels. There is evidence to suggest that individuals who do exercise are much less likely to suffer from certain types of stress related exercise. With proper exercise, diet control and non-smoking

174

habit, blood pressure and cholesterol become controlled and the bodies become resistant to pressures. People are more likely to get physically sick or emotionally depressed if they are overweight or poorly nourished.

3. **Time Management:** Most of the people are very poor in managing their time. They don't know that what must be done and when it would be desirable to do so. The result of poor time management is feeling of work load skipped schedules and tension. A well organised person can often accomplish twice as much as the person who is poorly organised. Therefore an individual must understand how to manage his time so that he can cope with' tensions created by job demands. A few of the well known time management principles are:
   - Preparing a daily list of activities to be attended to.
   - Prioritizing activities by importance and urgency.
   - Scheduling activities according to the priorities set.
   - Knowing your daily schedule and handling the most demanding parts of a job when you are most alert and productive.

4. **Assertiveness:** An individual should become assertive. He should not say 'Yes' when he wants to say 'No'. He should start saying 'No' to people or managers who demand too much of his time. Being assertive is an important factor in reducing stress.

5. **Social Support Network**: Every person should have people to turn to, talk to and rely upon. Good friends become highly supportive during times of stress and crisis. Social net work includes friends, family or work colleagues. Expanding your social support system can help in tension reduction because friends extend necessary support when needed and also guide him to get through stressful situations.

6. **Readjust life Goals:** Every individual must know what he really wants to do. This should relate to not only the major decisions of the life but to all activities of our life. He must know what is important for him. Because of the severe competition in the life to go ahead, most individuals set very high standards and goals for themselves. These high expectations and limited resources to reach such expectations result in stress. Accordingly, every person must re adjust his goals and make sure he has the ability and resources to reach such goals. The goals should be established only after the resources have been analysed.

7. **Relaxation Techniques:** Every individual must learn the methods to reduce tension through relaxation techniques such as Yoga, meditation, hypnosis and biofeedback. 15-20 minutes a day of deep relaxation releases tension and provides a person with a sense of peacefulness. Deep relaxation condition will bring significant changes in heart rate, blood pressure and other physiological factors. Yoga is probably the most effective remedy for stress. Studies have revealed that yoga has cured several stress related diseases.

8. **Plan your life in Advance:** Many a time, people create situations which induce stress because they either did not plan or did a bad job of planning. There is a traditional Indian attitude of "whatever will be, will be" a way of accepting the unexpected difficulties in life. This attitude may be relevant if those situations over which we do not have any control like death in the family, but for other events in rife, it is better to plan in advance, so that we can confront them with confidence when they occur.

(B)   Organisational Strategies

Individuals may design their own strategies to reduce stress, but it is a must for the organisations to develop programmes that will help the employees in reducing their stress. This will lead to less employee turnover, absenteeism and as a result productivity will improve. Some of the measures which organisations can take are:

1. **Selection and Placement:** Individuals differ in their response to stress situations. We know that 'Type A', individuals are more prone to stress. On the other hand, in the organisations there are certain jobs which are more stressful as compared to other jobs. While conducting the selection and placement of the employees, these factors must be kept in mind. The individuals who are more prone to stress should not be put on jobs which are stressful. The individuals who are less prone to stress may adapt better to high stress jobs and perform those jobs more effectively.

2. **Goal Setting:** Based on extensive amount of research it has been concluded that individuals perform better when they have specific and challenging goals and they receive feedback on how well they are progressing towards those goals. Goal setting can reduce stress as well as provide motivation. It will result in less employee frustration, role ambiguity and stress.

3. **Improved communication:** Sometimes due to lack of effective communication from the superiors, the employees do not know what they have to do and how they have to do it. This results in role ambiguity. Similarly, when two or more persons have contradicting role demands from an employee, it leads to role conflict if there is lack of proper communication. Effective Communication with employees reduces the uncertainty by lessening role ambiguity and role conflict.

4. **Redesigning Jobs:** Organisations should redesign the jobs in such a way as to give to employees more responsibility, more meaningful work, more autonomy and increased feedback. This will help to reduce the stress caused by monotony, routine work, work overload or under load and role ambiguity. Job redesigning enhances motivation, reduces the stress among the employees and enhances "Quality of work life".

5. **Participative Decision Making**: If the organisations give the employees participation in those decisions that directly affect them and their job performance, it can increase employee control and reduce the role stress. The main reason of role stress is that employees feel uncertain about their goals, expectations and how they will be evaluated. These uncertainties can be reduced by the management by giving the employees a right to participate in the decision making.

6. **Building Teamwork:** The management should try to create such work environment in which there is no provision for interpersonal conflict or inter group conflict. Such conflicts are the causes of stress, and should either be prevented from building or eliminated if they develop. Accordingly, such a team work should be developed that groups and the members are mutually supportive and productive. Members of the group should consider themselves as members of the same family and seek social support from each other.

7. **Personal wellness Programmes:** These personal wellness programmes focus on the employees total physical and mental condition. Organisations can provide facilities at their premises for physical fitness such as gyms, swimming pools, tennis courts etc. as well as psychological counseling. They should hold seminars or workshops to make the employees understand nature and sources of stress and

the possible ways to reduce it. These workshops can help especially those individuals who are already under stress. Moreover, a supervisor can impact personal wellness of his subordinates through positive example, encouragement and by practicing the basic concepts and techniques of human resource management.

To conclude we can say that all these strategies or a combination there of should be applied to make the work environment less stressful to a level which is positive and challenging.

4.10   SUMMARY

Stress is defined in terms of its physical and physiological effects on a person, and can be a mental, physical, or emotional strain. Stress could be of various types. Stress could be related to organization or job of a person; factors in the external environment; the norms, work style, methods or targets laid by teams or groups of which an individual is a member; or due to individual's personality traits. Differences in individual characteristics, such as personality and coping skills, can be very important predictors of whether certain job conditions will result in stress. Stress-related disorders include a broad array of conditions, including psychological disorders and other types of emotional strain, maladaptive behaviors, cognitive impairment, and various biological reactions – each of which can eventually compromise a person's physical health. Categories of work demands that may cause stress include task demands, role demands, interpersonal demands, and physical demands. Job stress can result from interactions between the worker and the conditions of the work. This can include factors such as long work hours and an employee's status in the organization. Economic factors that employees are facing in the 21st century, such as company layoffs in response to economic conditions, have been linked to increased stress levels. Uncertainty around the future of one's job, lack of clarity about responsibilities, inconsistent or difficult expectations, interpersonal issues between workers, and physical demands of the work can also impact stress levels. Non-work demands, such as personal or home demands, can also contribute to stress both inside and outside of work. Problems at work are more strongly associated with health complaints than any other life stressor. Participation problems such as absenteeism, tardiness, strikes, and turnover take a severe toll on a company. Individual distress manifests in three basic forms, psychological disorders,

178

medical illnesses, and behavioral problems. When individual workers within an organization suffer from a high degree of stress, overall efficiency can substantially decrease. Stressed workers will ultimately foster a negative culture and show reduce operational capabilities.

4.11 GLOSSARY

- **Conflict : It** refers to some form of friction, or discord arising within a group when the beliefs or actions of one or more members of the group are either resisted by or unacceptable to one or more members of another group

- **Stress**: Mental, physical, or emotional strain due to a demand that exceeds an individual's ability to cope

- **Psychosomatic**: Pertaining to physical diseases or symptoms that have psychological causes.

- **Perception:** Perception (from the Latin perception) is the organization, identification, and interpretation of sensory information in order to represent and understand the presented information, or the environment.

4.12   SELF ASSESSMENT QUESTIONS

1.   Define conflict and its characteristics

_____

_____

_____

_____

_____

_____

179

2.   Explain the meaning and types of Stress

_____

_____

_____

_____

_____

_____

3.   Discuss Personality and Stress.

_____

_____

_____

_____

_____

_____

4.13   LESSON END EXERCISE

1.   Define causes and consequences of stress

_____

_____

_____

_____

_____

_____

2.   Explain the management of conflict.

_____

_____

_____

_____

_____

_____

~~~~