ORGANISATIONAL BEHAVIOUR
A SIMPLIFIED STUDY MANUAL

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Contents

THE INDUSTRIAL RELATIONS MOVEMENT

The idea of a person as a marionette whose arms and legs start moving whenever you pull the pay string is too simplistic a notion of what motivates people in organizations.
- Robert Haas -

- **Industrial relations, also called Organisational Relations is the study of human behaviour in the workplace, with an emphasis on the influence such relations have on an organisation's productivity.**

Scholars who study industrial relations attempt to explain variations in the conditions of work, the degree and nature of **worker participation in decision making**, the role of **labour unions** and other forms of worker representation, and the patterns of cooperation and **conflict resolution** that occur among workers and employers. These **patterns of interaction** are then related to the **outputs** of organizations. These outputs span the interests and goals of the parties to the employment relationship, ranging from **workers' job satisfaction** and economic security to the **efficiency of the organization** and its effects on the community and society.

Classical economists treated workers as an instrument of production, subject to the same economic laws of supply and demand as raw materials and finished goods. This led them to consider workers as **undifferentiated and passive instruments** in the production process. In the 1890s the American industrial engineer **Frederick Winslow Taylor** devised a system of *"scientific management"* that carried this conception to its logical extreme. **Taylor used time and motion studies to analyze jobs by breaking them down into their constituent tasks and timing each movement**. From such studies Taylor derived the most efficient approach to both individual tasks and the organisation of a factory as a whole. This **individualistic and mechanistic approach** did not consider how workers might be encouraged to work together more efficiently (industrial engineering).

In the late 1920's and the early 1930's the industrial-behavioural scientist and researcher **Prof. Elton Mayo** studied productivity at Western Electric Company's Hawthorne Works near Chicago, USA. Mayo hoped to discover optimum levels of plant illumination and proper timing of rest periods by experimenting with selected groups of workers. He discovered that it did not matter how the workers' environment was altered; merely being chosen for an experiment improved their productivity (*the "Hawthorne effect"*). Although this conclusion has been challenged, it nonetheless marked the beginning of the systematic study of industrial relations. **Workers came to be seen as responding to psychosocial, as well as economic stimuli (as per the findings of the famous Hawthorne research).**

The **Industrial Revolution** of the mid 18th Century in Great Britain brought large numbers of workers together in **urban cities** under anonymous, frequently unpleasant

circumstances. As industrial factories and firms grew larger, a structured hierarchy of managers and foremen became increasingly necessary to discipline, supervise and coordinate workers. A variety of management strategies and styles evolved as a reaction to this development.

Management styles fall into two major schools, the laissez-faire and the paternal. The former is characterised by a devotion to the rigours of the free market; such managers feel no obligation to their employees outside the workplace, since the **primary aim** of a firm is the **maximisation of profit**. The paternal style of management, however, assumes that the firm has **corporate social responsibility** (CSR) obligations to its workers outside the workplace and to the larger community.

Cultural factors also influence management styles as well. Many North American firms are characterized by **managerial decentralisation**, reflecting the population's mobility and a cultural preference for individualistic self-reliance. In Latin America and Europe, **decision making is more centralised**, and organizational hierarchy is comparatively rigid. **Japanese managers emphasize cooperation and consultation;** workers often think of their firm and fellow workers as a second family. Japan's economic success has forced American managers to encourage more cooperation among workers and managers, although cultural differences make this difficult.

Workers are motivated by a number of factors besides wages and fringe benefits. Incentive systems, which adjust pay according to productivity, can be important spurs to worker performance. Management discipline is an important variable; the amount of direct supervision and the ratio of supervisors to workers varies from firm to firm and from country to country.

The relations of management with labour unions involve elements of both conflict and cooperation. Most unions have been organized to demand from management improvement in pay scales and working conditions. **Negotiation** has become a chief function of union representatives, and most negotiators are willing to **compromise**, especially if management moves to temper conflicts. Some firms continue to fight unions, from the first stirrings of organisation through every subsequent negotiation.

The relations between managers of different divisions of a firm and the relations of managers to their superiors are as complex as manager-worker relations. For example, sales executives must be concerned with quality control, production schedules, and customer service; plant managers must answer to CEO's/Vice Presidents (VPs) as well as foremen. Thus, managers find themselves subject to a complicated set of, often conflicting, demands - both internal and external.

An individual firm's style of management is determined on every level by the nature of the industry as a whole; the firm's profitability, competitive and market situation,

and **"culture"** or philosophy; the personalities and preferences of senior managers; and the characteristics of the firm's home country or region, apart from other possible factors.

The accomplishment of individual and collective purposes in the most fulfilling ways possible will create winning organizations.
- Craig R. Hickman -

In the end, all business operations can be reduced to three words: people, product, and profits.
- Lee Iacocca -

Business is the most important engine for social change in this country.
- Lawrence Perlman -

Corporations, because they are the dominant institution on the planet, must squarely address the social and environmental problems that afflict mankind.
- Paul Hawken -

If corporate health falters, the priority should be to mobilize human potential, to restore or maintain trust and civic behavior and to increase professionalism and good citizenship.
- Arie de Geus -

<u>INTRODUCTION TO ORGANISATIONAL BEHAVIOUR</u>

A company must be viewed not only as a portfolio of products and services, but a portfolio of competencies as well.
- Gary Hamel -

<u>Pioneering Studies of Worker and Group Behaviour</u>

The American Human Relations Movement

In the 1930s the emphasis of management researchers shifted from individuals to the **work group**. Of primary importance was the human relations research program carried out by Professor **Elton Mayo** and his associates at the Hawthorne Western Electric plant and their discovery of the **"Hawthorne effect"**—an increase in worker productivity produced by the psychological stimulus of being singled out and made to feel important. The ideas that this team developed about the social dynamics of groups in the work setting had lasting influence.

Although the interpretations that Mayo and his group made of the test results have come under critical fire, the concern here is not with the validity of the conclusions but rather with the effects of the Hawthorne studies upon the subsequent development of **management and organizational behaviour**. Publication of some of Mayo's writings and of the major research report in "Management and the Worker", by F. J. Roethlisberger and William J. Dickson in l934, attracted large numbers of sociologists, social psychologists, and social anthropologists into a field that had previously been limited to economists, engineers, and industrial psychologists.

Four general conclusions were drawn from the Hawthorne studies:

1. **The aptitudes of individuals (as measured by industrial psychologists) are imperfect predictors of job performance.** Although such measures may give some indication of the physical and mental potential of the individual, the amount produced is strongly influenced by social factors.

2. **Informal organization affects productivity.** Although previous students of industry had looked upon workers either as isolated individuals or as an undifferentiated mass-organized according to the formal chart of hierarchical positions and responsibilities established by management, the Hawthorne researchers discovered a group life among the workers. The studies also showed that the relations that supervisors develop with workers tend to influence the manner in which the workers carry out—or fail to carry out—directives.

3. **Work-group norms affect productivity.** The Hawthorne researchers were not the first to recognize that **work groups tend to arrive at norms** of what is "a fair day's work," restricting their production below that point even when they are physically able to exceed the norm and would be financially rewarded for it. However, the Hawthorne study provided the best systematic description and interpretation of this phenomenon.

4. **The workplace as a social system.** The Hawthorne researchers came to view the workplace as a social system made up of interdependent parts.

Mayo's studies had suggested that **consultation**, usually in the form of interviews between labour and management, gave workers **a sense of belonging to a team**. Industrial engineers and sociologists have suggested additional approaches toward **improving motivation and productivity**. These include **job alternation** to relieve boredom; **job enlargement**, or having the worker perform several tasks on a project rather than performing a single operation; and **job enrichment**, redesigning the job to make it more challenging.

In a sense, Mayo's work made Taylor's scientific management even more scientific, because he brought the new behavioural sciences, like **social psychology**, into the problems of organizing work and the labour–management relationship. It encouraged the development of **human-factors engineering and ergonomics**, disciplines that attempt to design "user-friendly" equipment accommodating itself to the human physiology and nervous system.

The Behavioural science Movement

Behavioural scientists had made their entry into the field by attacking the then-prevailing oversimplified notions of the **individualistic economic person** and the formalistic engineering notions of organizational structure, technology, and efficiency. As often happens in arguments between members of competing schools of thought, the force of the behavioural science attack carried some of its proponents so far as to view the **work organization as simply a system of social relations** and to **downplay the role of economic forces**. During the l950s and '60s the field underwent a major process of redefinition, which consequently affected **conceptions of the worker.**

Behavioural scientists now recognize the importance of economic factors, but they see material rewards as having an effect upon behaviour in combination with **social and psychological factors**, and they study the pattern in this combination. Thus, over the years behavioural scientists have deepened the understanding of the role played by **interpersonal, structural, and technological forces in organizations and industrial relations.**

Management and Organisational Behaviour

The success of any organisation primarily depends upon how good the management of the organisation is and the effectiveness of management depends primarily on its **decision making ability and leadership (human/soft) style and skills,** and how well it understands the human needs and desires (motivations) within the context of a dynamic group situation. In this sense, we could very simply define **management** as a function of the interaction of two crucial factors being **leadership** (L) and **decision making** ability/skill (DM), as follows:

$$\textbf{Management} = \textbf{f (L, DM)}$$

The field of Organisation Behaviour deals with the study of human behaviour within work settings and the interface (interaction) between human behaviour, group behaviour and the organisation itself, where an *organisation* can be defined as (a/an):

- **Social invention for accomplishing goals through group efforts.**

- **A system of consciously coordinated activities or efforts of two or more people.**

- **Social entities that are goal directed, deliberately structured activity systems with a permeable boundary.**

- **Organisations are systems of interdependent human beings.**

- **Organisations are intricate human strategies designed to achieve certain objectives.**

- **An organisation is a system of cooperative human effort.**

The importance of organisational behaviour stems from its relevance to the human context of the managerial work environment. All the **ten roles of a manager** as described by American researcher **Henry Mintzberg** deal with human aspects in one form or the other. Similarly, the five functions of management, viz. **planning, organising, staffing, directing (leadership and motivation) and controlling** – deal with people as groups in the form of organisations, people as resources and people as individual and unique human beings.

- **Organisational behaviour is the field of study that investigates the impact that individuals, groups and structure have on behaviour within the organisation for the purpose of applying such knowledge towards improving an organisation's effectiveness.**

A **managerial network** consists of forces and interactions within the internal environment of organisations, as well as the external systems or entities with which an organisation is interconnected. **The internal environment of a manager has both vertical and lateral components**. The vertical relationships involve various superiors and subordinates and lateral relationships involve peers and co-workers. The external environment of a manager consists of forces that directly affect the operations of the organisation and other environmental forces that have an indirect effect on the organisations. The **direct (task/micro) environmental** forces are generated by customers, competitors, suppliers, labour markets, labour unions, and other government or social regulatory bodies. The **indirect (mega/macro) environmental** forces are economic, socio-cultural, political-legal, technological, environmental (ecological or "green issues") and the international/global business and marketing and competitive forces. The organisation cannot survive without being involved in some form of input from these sources or output to these sources.

The Basic Organisational System Model
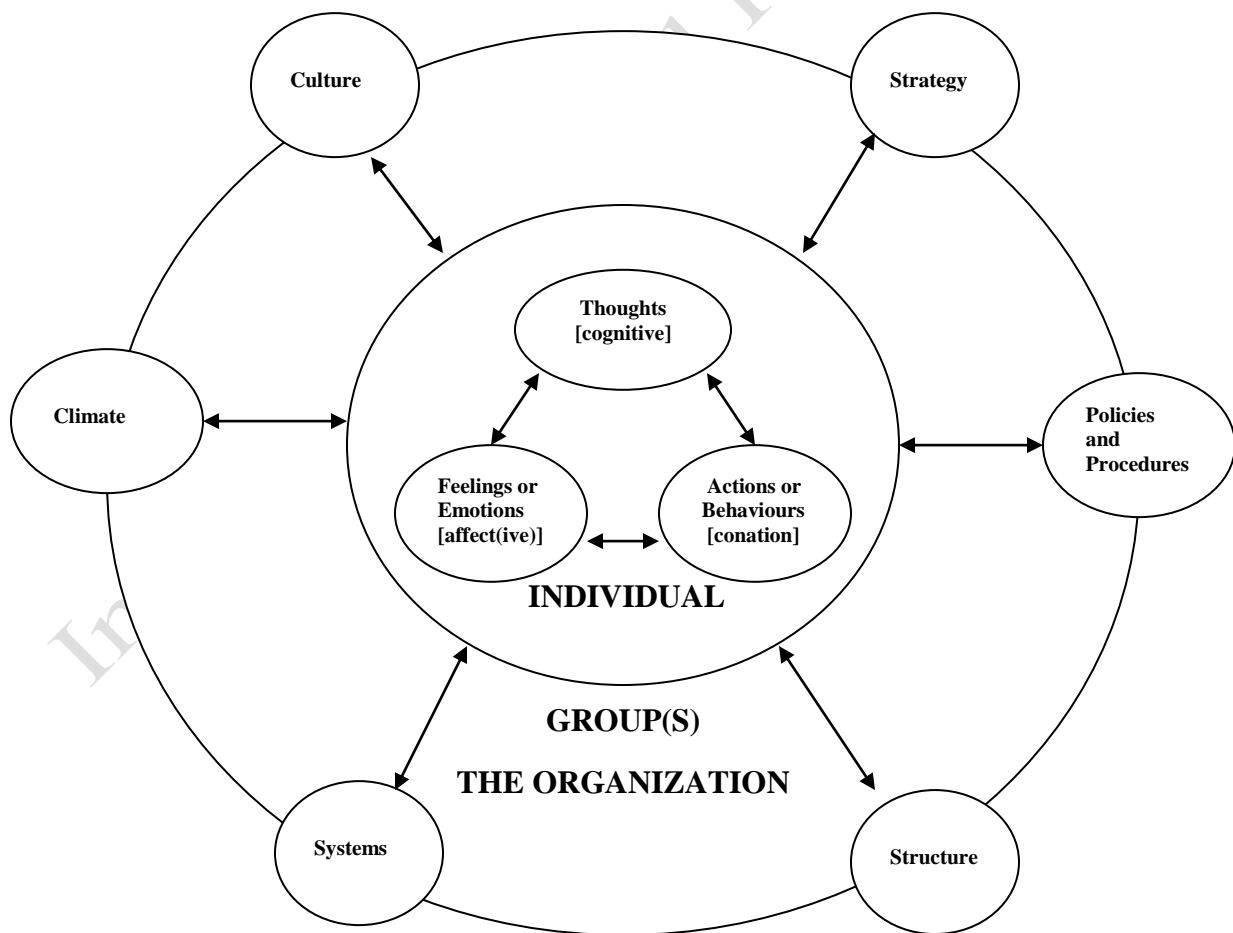
The field or discipline of organisational behaviour is **relatively or comparatively new** as far as an organised and analytical scientific and experimental investigation of the field is concerned. But however, it has provoked considerable interest and challenge not only to management and behavioural scientists but also to many other investigators and academic intellectuals or scholars in different interdisciplinary fields. These interdisciplinary fields are mainly*: General Psychology, Sociology, Social Psychology, Industrial Psychology, Social Anthropology, Political Science, Economics, Engineering, Ergonomics, Cybernetics, Medicine and Semantics.* Each one of these fields has contributed some vital inputs into the progressive development and study of **organisational behaviour** as a distinct, organized and comprehensive social and behavioural science.

Develop the business around the people; build it, don't buy it; and, then, be the best.
- Richard Branson -

Personnel selection is decisive. People are our most valuable capital.
- Joseph Stalin -

The only preparation for prospering in the global economy is investing in ourselves.
- Bill Clinton -

APPROACHES TO ORGANISATIONAL BEHAVIOUR

I believe that corporations should be membership communities because I believe
corporations are not things, they are the people who run them.
- Charles Handy -

Organisation behaviour emerged as a distinct and interdisciplinary field of study in the West after the Second World War in the late 1950's and early 1960's, on the basis of the notion and belief that all managerial and organisational problems **are not technical in nature** (based on overt - hard factors / properties / issues / problems) and an understanding and **predictability of human and group behaviour** (the subtle and covert - soft factors / properties / issues / problems) could help managers better understand their subordinates and their organisation's behaviour and help make their organisations more efficient and effective.

- **Organisational behaviour is the study of the ways in which people behave, their attitudes, and their performance when working together in organisations.**

- **Organisational behaviour studies how organisations functions, in terms of their structure, culture and processes, and how the people within organisations act, individually or in groups.**

The study of human behaviour, being part of **psychology** and to a lesser extent in general management, can be traced back to around **4000 B.C**., when the Egyptian pyramids were built or even way back to the dawn of mankind when people hunted in groups and protected their families or communities against hostile environmental forces. Over the years many scholars and practitioners have contributed towards an organised and formal study of human behaviour within an organisational or industrial environment with special credit going to the well-known U.S. behavioural scientist **Professor Elton Mayo** (1880-1949) and his famous **Hawthorne experiments** (1927-1932) conducted in California, USA. These experiments focussed upon an understanding of human needs and desires and their relationship with human motivation, individual, group and ultimately organisational performance.

More recent research in the field of human behaviour has been directed to establish a "**cause and effect" relationship** to explain social phenomena, so that causes could be identified and manipulated to obtain the desired effects. Various types of research designs and methodologies have been proposed with each design having its own strengths and weaknesses so that the most useful technique can be selected to study a given behavioural situation. There are four general types of research designs. First is the **case study** method (developed by the **Harvard Business School** at Cambridge, Massachusetts, USA) where information is gathered through a review of records, interviews and observations from a given situation. This information is then analysed

by a group or team of students or researchers and conclusions are drawn. This case study approach is only applicable to unique situations. The second technique is taking **surveys** from a **random sample** of a given population and information in collected by asking pertinent questions either trough personal interviews or by mail. The responses are analysed by the researches and inferences made regarding the relevant characteristics of the entire population.

The third technique involves **creating artificial settings** in **a laboratory environment**, as close to the real life situation as possible. The researcher can then observe the effect of changes of some variables in the study while keeping other variables constant, and by manipulating the changes in some variables the researcher can examine their effect(s) on other relevant variables.

Finally, the fourth technique involves the **field experiments**. A field experiment is similar to a laboratory experiment but is conducted in a **real life organisational setting**. **Observations** are made when the **subjects** under study such as the managers and the workers are performing their duties under both normal conditions and abnormal conditions so that conclusions can be drawn based upon facts rather than assumptions or inferences.

The choice of the research method would depend upon the situation and the objectives of the researcher, but the most important aspect of all these methods is that the **data collected should be random, free of biases** and its characteristics should be close to the characteristics of the entire population as much as possible.

FOUNDATIONS OF INDIVIDUAL BEHAVIOUR

People aren't inconsistent, but their behaviour is.
- Mark McCormack -

Human behaviour, being the most complex social and behavioural phenomenon, is the most difficult to assess in quantifiable terms. However, since behaviour constitutes a set of responses to external and internal stimuli, some **relationship** between a given stimulus (**cause**) and its predictable response (**effect**) can be established.

There are two factors that have a direct bearing on human behaviour. One is the **person himself** with regard to some **innate** (genetically inherited) characteristics he is born with or he acquires because of his family value influences. Second is **the environment** to which the person is exposed and the environmental forces that are constantly impacting and shaping his **personality** and behaviour. Both these factors are interlinked so that behaviour cannot be explained in itself by either of these two factors, independent of the other factor.

Behavioural characteristics are therefore considered to be both inherited and learned (conditioned). Inherited behavioural characteristics include physiological aspects, intelligence, sex, age and even religion. Learned characteristics include a person's perceptions about his surrounding environment, his attitude towards life itself and towards other people, his personality and his ethical and moral values. Both the inherited as well as the learned characteristics together have an important bearing on the behaviour of a person and knowing the extent of the influences of these factors on the person, his behaviour may be predictable, to some extent - at least in general terms.

The external environment is known to have a considerable effect on a person's behaviour as a response to a particular stimulus in the external environment. For example if a situation in the environment is hostile to a person's values and established behavioural pattern, then the behaviour may temporarily change as a behavioural response to such a situation. For example, some of the coolest people have been known to have lost their temper under certain hostile situations.

Behaviour can also be considered as an input-output system. This concept assumes that behaviour is not simply a random phenomenon but is goal directed so that a measurable correlation exists between the goals and behaviour. The external stimulus or input excites the internal processes to activate and the behavioural responses occur. This means that behaviour is related to performance and productivity. Performance is a reflection of three characteristics. These are an individuals **"*capacity*"** to perform. His **"*willingness*"** to perform and the extent and nature of the organisational support provided. While organisational support basically

provides an *"opportunity"* to perform which does affect behaviour to some degree, the capacity and the willingness are directly associated with human motivation and behaviour.

When it comes to interpreting other people's behaviour, human beings invariably make the mistake of overestimating the importance of fundamental character traits and underestimating the importance of the situation and context. We will always reach for a "dispositional" explanation for events, as opposed to a contextual explanation.
- Malcolm Gladwell -

ELEMENTS OF SYSTEMS THEORY

A digital nervous system enables a company to do information work with far more efficiency, depth, and creativity.
- Bill Gates -

Systems theory is an attempt to formulate **general principles** that could be applied to any system by a comparative analysis of the structures and functions of as wide a variety of systems as possible.

A system is a conceptual model used to facilitate investigation and analysis of complex social / behavioural or technical phenomena.

- **A system is any series of interconnected elements forming an organized or organic "whole" with a common objective.**

- **A system is an organisation of interrelated and interdependent parts that form a unity or an "integrated whole".**

The study of both organizations and management has been made more scientific and useful by the application of systems theory. As such, the term **system** refers to a group or a **complex of parts** or sub-systems (such as people and machines) interrelated in their actions towards some goals. Typically it is **the inter-relationships** among these system elements, and **between them and the environment**, that is of most interest in system design both for human organizations and for purely physical or technical systems. Although these inter-relationships are difficult to describe fully and precisely for human organizations, we can anticipate that a **systems approach to organisational behaviour and management** provides a useful framework for examining often complex and unpredictable organisational phenomena and behaviour.

Systems are usually treated as though they are not part of larger systems, but in reality **a system is usually an abstraction from a larger system** (and usually contains smaller systems or sub-systems), particularly in the case of social systems. Thus, in reality, **systems are never stable, in perfect equilibrium, or completely predictive**.

The American engineer and mathematician **Norbert Wiener's** concept of **cybernetics** and systems **"control"** states that **open systems** are **"adaptive mechanisms"**. That is systems are not only capable of moving towards an objective but also are **self-correcting** when they fail to progress towards the objective. It is the "**self-correcting**" feature of a system that represents **control**. The feature which makes control possible is **"feedback"** on the controlling mechanism – **feedback of information** on how well the systems **output or performance** is meeting its **standards** and/or its stated objectives. The control function determines the points

toward the corrections in the input to bring output to the ideal or acceptable level so as to conform to the standard(s). In most business systems the **manager** performs the control function while **information systems** of various types provide the relevant feedback information.

1. ## System Elements / Components

1.1   Inputs   (Provides the system with what it needs to be able to operate)
1.2   Processes   (Transform inputs into outputs)
1.3   Outputs   (Results of the operation of a process)

2. ## Features of the Systems Approach (Characteristics of Systems)

2.1   Systems are composed of parts / **sub-systems**.
2.2   These sub-systems **inter-relate / inter-connect** with each other.
2.3   The system can only be explained as a whole (this is known as **'Holism'**).
2.4   Systems are **hierarchical in structure** in that parts / sub-systems are themselves made of smaller parts / sub-systems.
2.5   Every system or sub-system has a **boundary**, which defines it and separates it from its environment.
2.6   A system exists in an **environment**. Anything external to the system belongs to the environment and is not part of the system itself.
2.7   The parts/sub-systems cannot be altered without affecting other parts/sub-systems.
2.8   A system must have one or more **objectives / goals**, as well as **constraints** which restricts its capacity to achieve its objectives.
2.9   The sub-systems should work towards the goal of their **higher level systems** and not pursue their own objectives independently.
2.10 A system accepts inputs from the environment and provides outputs into the environment.

3. ## Types of Systems – Classification 1

3.1 Natural Systems
3.2 Man-made or Artificial Systems

4. ## Types of Systems – Classification 2

4.1 Closed Systems
4.2 Semi-closed Systems
4.3 Open Systems

5. <u>System Boundaries</u>

5.1 Hard Boundaries – a closed system would be encased within a hard boundary.

5.2 Soft Boundaries – an open system would have cross-influences across its environment.

6. <u>Types of Systems – Classification 3</u>

6.1 Deterministic / Mechanistic Systems

6.2 Probabilistic / Stochastic Systems

6.3 Adaptive / Self-organising / Self-regulating / Cybernetic / Organic Systems

7. <u>System Properties</u>

7.1 **Hard Properties** – certainty, clear objectives, easily defined measures of performance, programmed or structured decisions, easily defined measures of control, - e.g. industrial production plant, automated process control systems.

7.2 **Soft properties** – uncertainty, feelings / emotions, objectives are difficult to define, unstructured problems and decisions, control measured difficult to establish, matters of individual values and taste – e.g. organisation where human relations or behaviour may be unpredictable.

8. <u>Control of Systems (The control sub-system)</u>

8.1 <u>Components of an Open System</u>

   8.1.1 Input
   8.1.2 Process (Conversion Process)
   8.1.3 Output
   8.1.4 Sensor / Detector (for measurement)
   8.1.5 Feedback
   8.1.6 Standard
   8.1.7 Comparator
   8.1.8 Effector / Activator / Controller

8.2 <u>Types of Control Sub-Systems (Only for Open Systems)</u>

   8.2.1   Open-loop Systems

8.2.2   <u>Closed-loop Systems</u>

   8.2.1.1 Single-loop feedback
   8.2.1.2 Double-loop feedback

8.2.1.3 Feed-forward control system

8.3 Types of Feedback

8.3.1   Positive feedback
8.3.2   Negative feedback

Any **organisational system** has four major components:

1	**Inputs:**	The various human, material, financial, equipment and informational resources and skills required to produce goods and services.
2	**Transformation Processes:**	The organisation's managerial and technological abilities that are applied to convert inputs into outputs.
3	**Outputs:**	The products, services, waste, and other outcomes produced by the organisation.
4	**Feedback:**	Information about results and organisational status relative to the environment.

The three major characteristics of **open systems** are:

1	**Negative Entropy:**	The ability of open systems to bring in new energy and information, in the form of inputs and feedback from the environment, in order to delay or arrest (positive entropy).
2	**Differentiation:**	The tendency of open systems to become more complex over time.
3	**Positive Synergy:**	The ability of the whole to equal more than the sum of its parts. This is also called the 'assembly effect' and often represented as the **'2+2= 5'** phenomenon.

You know you have built an excellent digital nervous system when information flows
through your organization as quickly and naturally as thought in a human being...It's business
at the speed of thought.
- Bill Gates -

Information flow is the lifeblood of your company because it enables you to get the most out
of your people and learn from your customers.
- Bill Gates-

MOTIVATION AND BEHAVIOUR

Ability is what you're capable of doing. Motivation determines what you do. Attitude determines how well you do it.
- Lou Holtz -

People's work performance depends upon their ability to do their assigned work as well as their **"*will*"** to do so. Stronger "*will*" reflects stronger motivation to achieve a goal. The word motivation is derived from ***motive,*** which is a need, a craving or desire requiring movement towards the goal of achievement of such a need and desire. It is an action, movement or behaviour which must fulfil the unsatisfied need. This idea was well understood by Albert Einstein when he said that "genius is 10% inspiration and 90% perspiration" This "**will**" to do is known as ***motivation.***

The level of performance is often tied with the level of motivation. By understanding a person's ability and his motivation, a manager can forecast his performance level. Motivation and ability interact in a multiplicative manner to yield performance, so that $P = A \times M$:

Performance = Ability × Motivation

This means that if either ability or motivation is zero, then the resulting performance is zero. However, people with less ability and stronger "will" may be able to perform better than people with superior ability and lack of "will", because people with high motivation learn to become capable while superior ability may not induce any motivation. Hence, **motivation is the *process of stimulating people to action*** to accomplish desired goals. As such, motivation results in creating a favourable work environment within an organisation. It adds the ***will to work*** along with the ***ability*** to work for a worker. Motivation acts as an activator and energizer by stimulating and directing the behaviour of persons towards the accomplishment of goals.

Morale is an important element of motivation, and refers to a zeal for action, the overall tone or climate prevailing among workers. If they are happy, cordial and confident, it is a reflection of high morale. If they are poor, restless, irritated, bored and dissatisfied, it reflects their low morale. As such, **high morale speaks of effective motivation** and low morale of lack of such motivation. Morale is an attitude of satisfaction, of a feeling of happiness, of conditions of zeal, hope and confidence. In general, it is an attitude of an employee towards his firm. Improved or high morale increases output, reduces labour turnover, waste and industrial unrest, absenteeism, grievances and accidents.

- **Motivation is a human psychological characteristic that contributes to a person's degree of commitment. It includes the factors that cause, channel and sustain human behaviour in a particular committed direction.**

- **Motivation is that which causes, channels and sustains peoples' behaviour or the process of arousing action, sustaining the activity in progress and regulating the pattern of activity.**

- **Motivation is a person's inner state (or internal force) that energizes and directs behaviour to satisfy a person's need.**

- **The mental processes that arouse, sustain, and direct human behaviour.**

- **Motivation represents an unsatisfied need - which creates a state of tension or disequilibrium, causing the individual to move in a goal directed pattern towards restoring a state of equilibrium, by satisfying the need.**

- **Motivation refers to the complex of forces starting and keeping a person at work in an organisation.**

Motivation may stem from processes taking place within an individual (**intrinsic motivation**), or from the impact of factors acting on the individual from outside (**extrinsic motivation**). In most cases, however, these two influences are continually interacting.

The motivation can be positive which requires appreciating employees' efforts resulting in better performance or it could be negative which induces fear and punishment for underperformance or less efforts. Motivation can also be induced by **external (extrinsic) factors** such as **financial incentives** or rewards for better output or performance or it could be intrinsic in nature, which is inner-generated. This means that accomplishing something worthwhile motivated the employee further and this motivation is independent of financial rewards.

Historically speaking, the concept of motivation can be traced back twenty-three centuries as reflected in the ancient **Greek and Indian** writings. These earlier philosophers proposed that we are motivated to do what brings us the best results for our benefit. Similarly, the **Greek concept of Hedonism** is based upon realising maximum pleasure while at the same time avoiding pain and discomfort. This brings in the classical concept of rationality where our thinking processes and action become utility oriented. These views were held over a long period of time so that the concept of motivation came under scientific study and investigation only in the early 1930's. This study led to a number of theories and models.

The content theories of work motivation explain the nature of motivation in terms of *WHAT* types of needs that people experience. The concept of motivation is explained by the fact that people have certain fundamental needs, both physiological and

psychological in nature and as such they are motivated to engage in activities that would satisfy these needs.

The **American psychologist Abraham Harold Maslow (1908-70) in 1943** built these human needs in order of priority into a *"needs hierarchy theory".* The basic/primary and most fundamental needs being physiological (or survival) needs such as **oxygen, water, food**, sleep and rest, clothing, shelter, sex (although not a survival need), etc…Then in order came higher level needs of safety and security, love and affection/affiliation, need for respect and self-esteem and finally the **self-actualisation need** which is considered to be the ultimate fulfilment in life. Management can motivate workers by identifying their need level and taking steps to help fulfil these needs.

ERG (Existence, Relatedness, Growth) theory, developed by **Clayton Alderfer (1940 -)**, condenses the five needs proposed by Maslow into three. The **Existence needs** (physical and material wants) are roughly comparable to physiological needs and safety needs of Maslow's model and are satisfied primarily by material incentives. **Relatedness needs** (the desire for interpersonal relationships and deeper relationships with the important people in the person's life) roughly correspond to social and self-esteem needs and finally **Growth needs** (desire to be creative and productive in order to realize one's full potential) are similar to primarily self-actualisation needs and partially to self-esteem needs.

Harvard industrial psychologist David C. McClelland's theory of achievement motivation needs is based on the premise that lower level needs in Maslow's model are generally taken care of by business, societal and legal systems and hence are no longer motivators. According to this theory, the most important need from an organisational behaviour point of view is the **need for achievement, power and affiliation**. The individuals with a high degree for need of achievement (**n-Ach**), power (**n-Pow**) and affiliation (**n-Aff**) are highly motivated to move towards fulfilling these needs at the highest levels.

A person with a **strong need for achievement (n-Ach)** tends to exhibit such characteristics as:

1. Regarding the task as more important than any relationship

2. Having a preference for tasks over which they have control and responsibility

3. Needing to identify closely, and be identified closely, with the successful outcomes of their actions

4. Seeking tasks that are sufficiently difficult to be challenging, to be capable of demonstrating expertise, and to gain recognition from others, while also being sufficiently easy to be capable of achievement

5. Avoiding the likelihood and consequences of failure

6. Requiring feedback on achievements to ensure that success is recognised

7. Needing opportunities for promotion

The **need for achievement** is based on a combination of an **intrinsic motivation** (drives from within the individual) and an **extrinsic motivation** (pressures and expectations exerted by an organisation, peers and society). Achievement is also clearly influenced by education, social awareness, cultural background, and values.

Professor Frederick Herzberg's two factor model or **hygiene-motivation theory** classifies all the work related factors into two broad categories. The first category contains **context / extrinsic factors** that are known as **hygiene factors (or maintenance factors also called "dissatisfiers")**. The presence of these factors prevent dissatisfaction but do not by themselves motivate. Some of these factors are: salaries/wages and other benefits, working conditions, organisational procedures, rules and policies, cordial relations with peers and subordinates, job security and so on. These factors are designed to avoid damage to efficiency or morale and are not expected to stimulate positive growth. **Motivational factors** or **"satisfiers"** on the other hand have a positive influence on morale, satisfaction, efficiency and productivity. These are in contrast called **content or intrinsic factors**, which aim to satisfy higher level needs. These are the type of job one enjoys, recognition for employee input and performance, autonomy, a feeling of accomplishment, increased responsibility and authority, growth and advancement with the organisation, etc…

Another **American psychologist Douglas McGregor** (1906-64) put forward his famous **Theory X and Theory Y**, regarded as two conflicting theoretical assumptions regarding the human motivation to work, which have relevance in human resource management. **Theory X** (which is **task-oriented**) is based on the premise that people are inherently lazy, dislike work, and will avoid it if they can. They prefer being directed to accepting responsibility; their only use of creativity is in getting round the rules of the organisation. Because they are motivated to work only by money (financial incentives), they require coercion and tight control to make them function adequately.

Theory Y (which is **employee-oriented**), on the other hand, assume that people wish to be interested in their work and, given the right conditions will enjoy it. Motivated by the wish to achieve, and to have their achievements recognized, most people will work to the best of their capabilities, creativity and ingenuity. They accept

responsibility and the rules of the organisation they work for, imposing self-discipline on their work, given accepted targets. **The generally accepted view is that if management follows Theory Y they will achieve better operational performance with more satisfied employees.**

A number of researchers have held that this **two dimensional (X-Y) approach** is an inadequate explanation of managerial behaviour. There must be a third dimension to give the depth and that was the reason for evolving the **Theory Z.** The most acclaimed Theory Z (The Japanese Model) is associated with the name of **William G. Ouchi**, and according to him the **five broad features of Theory Z** are viz. mutual trust, strong affiliation between the organisation and the employees, employee involvement or participation, absence of formal structure, and the role of the **leader** as a **facilitator** and coordinator of human efforts.

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If you pay peanuts, you get monkeys.
- James Goldsmith -

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MOTIVATION AT WORK

The business of motivation is the motivation of business.
- Nick Thornely -

The **process theories of motivation** put forth hypothesis as to *HOW* motivation occurs and identify some of the variables that induce motivation. One such popular theory is **Victor Vroom's expectancy model**. This model is based upon the belief that motivation is determined by the by **nature of reward** people **expect** to get as a result of their job performance. The nature of reward refers to the **perceived value** that the employee assigns to such a reward. This means that a person will be willing to work hard if he believes that such hard work will lead to reward which the employee values.

Expectancy Theory of Motivation

Motivation = Expectation of Work will lead to Performance (**Expectancy**) $\times$
Expectation Performance will lead to Reward (**Instrumentality**) $\times$
Value of Reward (**Valance**)

M(otivation) = **f (E $\times$ I $\times$ V)**

Another process theory of motivation is the **equity theory**. This theory suggests that employees will be motivated to work hard if they sincerely believe that they are being treated by the management fairly and equitably. This means that employees are not only concerned with the rewards that they receive for their efforts but also with the relationship of their rewards with the rewards received by others and this would determine the fairness of their rewards in their minds.

Goal-setting theory is a relatively applied approach to motivation and is based upon the assumption that the type of goal and the degree of challenge in it would determine the degree of motivation in the individual to achieve such a gaol. The goals are generally specific in nature and comparatively more difficult to achieve. A logical extension of goal setting theory is *Management by Objectives (MBO),* which involves systematic and programmatic goal setting throughout the organisation. It is a process by which managers and subordinates work together in identifying goals and setting up objectives and formulate plans together in order to achieve these objectives. When the subordinates actively participate in the process of gaol setting, they are highly motivated to achieve such goals.

The primary condition of any motivation at any job is that the employee must like and enjoy his job. If the employees are highly dissatisfied with their jobs, their morale would be very low which would adversely affect their motivation. There are certain indicators that reflect job dissatisfaction. These are: employee unrest, excessive absenteeism and tardiness, excessive labour turnover, destructive union

activity, desire of employees to retire early and so on. Management must continually monitor the work environment to see signs of any of the above indicators and take necessary corrective and preventive action.

On the other hand**, motivation is closely tied with job satisfaction** so that management must take steps and offer privileges which would make the employees happy with their jobs. Some of these privileges and benefits include equitable wages and salaries, timely promotions, participative style of leadership, good working conditions, team spirit and so on.

While all these organisational and work related factors are important contributors and **catalysts** for the motivational processes, the most important factor is the person himself. His own **attitude** (whether positive or negative) towards life in general would determine his attitude towards his job. People with generally negative attitudes about life and pessimists always complain about everything including the job. Accordingly, in addition to providing a healthy, safe and stimulating working environment, management must ensure that the employee is generally happy with himself and has a positive outlook in both life and work.
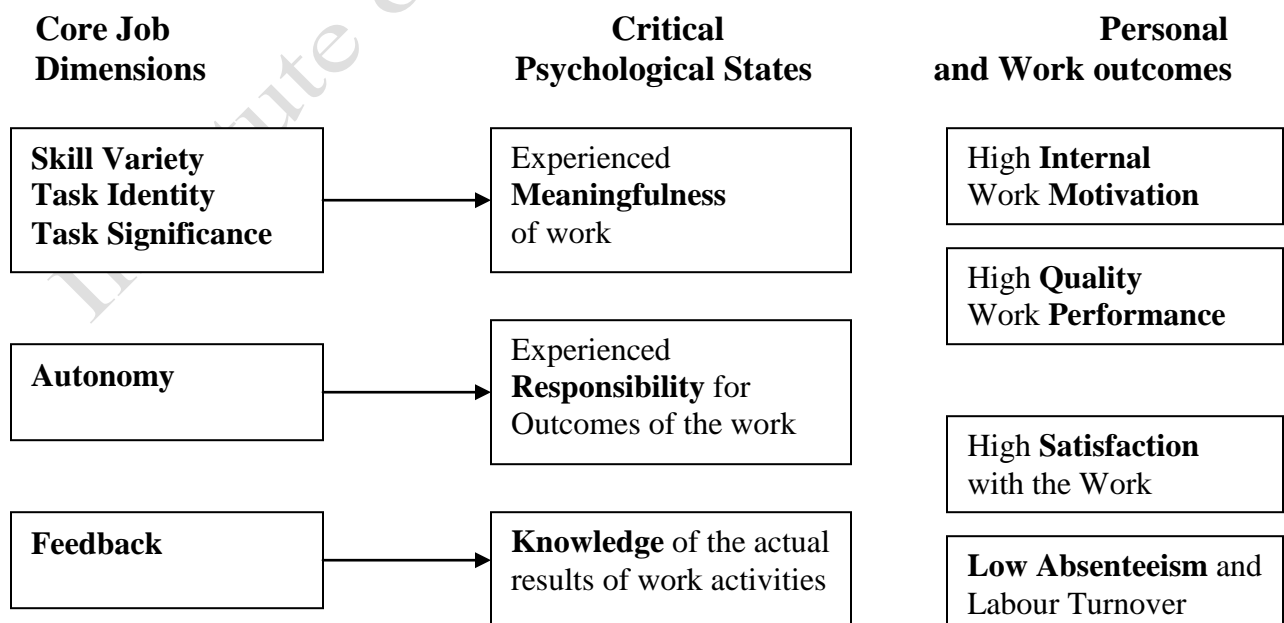
DESIGNING MOTIVATING JOBS

Motivation produces movement...it is the movement which enables us to distinguish between the "quick" and the "dead".
- Nick Thornely -

Motivation is intrinsic to the job itself. Employees get motivated when they enjoy working and consider their jobs as **"*meaningful*"** in their own perception. Accordingly, a job must be restructured, if necessary to make it challenging to the employee. In a study conducted of 56,000 workers requiring them to rate the most important aspect of their job and the aspect with the highest rank was that the work should be **"*interesting*"**. Hence jobs must be designed in such a manner so that they become "interesting" to employees, thus providing a **major source of motivation.**

Historically speaking, job design evolved as a result of scientific management as proposed by **Fredrick Winslow Taylor** - which emphasises specialisation, standardisation and simplification (the 3S's) of work activities so as to optimise productivity. However, this lead to **monotony** and **boredom** which meant little or no challenge or innovation for employees. This resulted in the evolution of the **behavioural school of management** - which emphasised the importance of employee's happiness with and about their jobs. **Prof. Frederick Herzberg**, further confirmed that **the roots of employee motivation were in the job itself (intrinsic)** so that such motivation could be enhanced through changes and improvements in the nature of the job. This could be achieved by giving greater responsibility to employees, giving them more control over their resources, appraising them of their achievement on a continuous basis and giving them opportunity for personal growth and enhancement.

The Job Design Model (JDM)

Core Job Dimensions	Critical Psychological States	Personal and Work outcomes
Skill Variety **Task Identity** **Task Significance** →	Experienced **Meaningfulness** of work	High **Internal** Work **Motivation**
		High **Quality** Work **Performance**
Autonomy →	Experienced **Responsibility** for Outcomes of the work	High **Satisfaction** with the Work
Feedback →	**Knowledge** of the actual results of work activities	**Low Absenteeism** and Labour Turnover

According to the above model, each job has certain **core job characteristics** or dimensions that describe the duties performed. These duties lead to **critical psychological states** within employees that result in a variety of outcomes. **Outcomes** are the visible (overt) manifestations of work performance, while psychological states are hidden (covert factors) in the hearts and minds of people. If the human element is ignored, then quality and efficiency will suffer.

As such, the redesigned job should have three elements concerning the employees. First, the **employee must consider his job as meaningful and worthwhile.** Second, he must feel responsible for the result of his efforts and thirdly, he must get immediate feedback regarding the quality of his output. These three elements are triggered by **five characteristics of the job**, known as **core job dimensions**. These are **skill variety** - which would challenge the various skills of the worker; **task identity** - which shows tangible results of the job performed; **task significance** – which gives the employees the feeling that their work performance is significant in having some positive impact on other people; **autonomy**, where a worker has sufficient freedom and discretion to schedule his work and finally, **feedback** where the worker is continuously aware of the results of his job performance. These five characteristics determine the degree of motivation on the part of the worker. This degree of motivation is known as the **"*motivating potential score*"** or **MPS**. MPS is related to these five characteristics as follows :

$$
MPS = \left[\frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3} \right] \times \text{Autonomy} \times \text{Feedback}
$$

A high MPS score would be determined by high levels of all these five characteristics. Accordingly, management can take steps in redesigning the jobs to ensure a high MPS score.

Some of the other steps that management can take to improve the MPS score of employees are: **job rotation** which means that employees are given a variety of jobs over a period of time to reduce monotony and boredom; the employees can schedule more work hours of work per day and less days per week to have more leisure time; they can practice **flexitime** where their own convenient hours of working within the general policy guidelines; they may work from their home via on-line computer link-ups (**telecommuting**) at least some of the time, if that is possible and finally, employees can voluntarily be encouraged to identify any problem related to the job

and suggest improvements which would be considered by management very carefully. This last concept is known as the Japanese *quality circles (QC's)*. While the concept of job redesign is very useful for worker motivation, it is not free from some problems and negative implications. First of all, **job redesign** is only useful for certain types of jobs and certain types of employees. Putting employees with a **low need for achievement** on an **enriched job** may have negative effects on them in terms of anxiety, frustration and dissatisfaction. Job redesign also requires certain development efforts which can be costly and thus may not be justified. Finally, job redesigning may be resented by management in the sense that **greater autonomy** given to workers erodes the managerial power base which may be demoralising to the managers.

Accordingly, job redesign should be done very carefully and in **joint consultation** with both the mangers and the subordinates with the overall goal of highly motivating all employees for better performance.

THE MOTIVATION THEORIES

1. THE CONTENT THEORIES OF MOTIVATION (the early theorists)

1.1 Elton Mayo's Hawthorne Studies/Experiments

1.2 The Need Theories

    1.2.1   Abraham H. Maslow's Hierarchy of Needs Model
    1.2.2   Clayton Alderfer's E.R.G. Model
    1.2.3   David McClelland's Acquired-Needs / Achievement Motivation Theory

1.3 Frederick Herzberg's Two-Factor Model
    (Dual Factor or Motivation-Hygiene Theory)

1.4 Douglas McGregor's Theory-X and Theory-Y

1.5 Chris Argyris's Maturity-Immaturity Model

1.6 Rensis Likert's Four (Management) Systems/Styles Model
    (The so-called "University of Michigan Studies")

1.7 Edgar H. Shein's Four Model Classification of Motivational Assumptions

2. THE PROCESS THEORIES OF MOTIVATION (the later theorists)

2.1 **Cognitive Theories**

    2.1.1 Victor H. Vroom's Expectancy Model

    2.1.2 J. Stacy Adam's Equity Theory

    2.1.3 Layman W. Porter & Edward E. Lawler's Expectancy Model

    2.1.4 Edwin A. Locke's Goal-Setting Theory

    2.1.5 Harold H. Kelly's Attribution Theory

2.2 Reinforcement Theory (by B.F. Skinner)

2.3 Theory Z (by William G. Ouchi)

2.4 Social Learning Theory (Albert Bandura, et. al.)

HUMAN PERCEPTION

Everything has beauty, but not everyone sees it.
- Confucius -

- **Perception is the process by which organisms *interpret and organize sensation* to produce a meaningful experience of the world. *Sensation* usually refers to the immediate, relatively unprocessed result of stimulation of sensory receptors in the eyes, ears, nose, tongue, or skin. *Perception,* on the other hand, better describes one's ultimate experience of the world and typically involves further processing of sensory input. In practice, sensation and perception are virtually impossible to separate, because they are part of one continuous process.**

- **Perception can be defined as a process whereby, the outside environmental information as input is selected, received, organised, filtered and *interpreted* so that this information becomes meaningful and based upon this perception, rational and intelligent actions can be made.**

The closer our perception is to reality, the more accurate and realistic our decisions would be. Thus perception plays a very important role in our life.

The perceptual process is influenced by **three primary factors**. First involves the **characteristics of the perceiver** such as values, ethics, code of conduct, attitudes, viewpoints, beliefs and so on. The second factor involves the **characteristics of the perceived** object or person as to his appearance, sophistication, behaviour, and so on. Finally, the **characteristics of the situation** would determine our behaviour, which reflects our perception of the given situation.

Perceptual organisation is the process by which we group outside stimuli into recognisable and identifiable patterns and whole objects. This can be done through the figure **ground-principle** whereby objects that stand out against a background get our attention. It can also be achieved through perceptual grouping which reflects our tendency to group several individual stimuli into a meaningful and recognisable pattern. For example, if a number of dots are next to each other in a straight line, we group them together and consider their grouping as a straight line.

Our perceptual processes are very selective and subjective in nature and usually select those stimuli from the environment which are familiar or fit in a known pattern. Either highly familiar or highly unique stimuli get our attention. Some of the attention getters are: size of the object requiring attention in comparison to objects around it, intensity of the object or the message, how often the message is repeated, whether the object is moving in stationary surroundings, whether the object is totally novel or highly familiar and so on.

Since perception can be considered as a **process through which we interpret the stimuli around us**, learning plays a very important part in this process. Learning induces **cognitive awareness** about a stimulus, thus recognising such a stimulus and preparing an appropriate response.

The correctness of a response to a given situation would depend upon the accuracy of the perception regarding such a situation. There are certain barriers in our **stereotyped preconceived ideas** about other people, objects or about situations. For example, we may have preconceived ideas regarding the performance of women or the elderly. Also, we may be used to making common erroneous or false judgments about all the characteristics of a person based upon just one or few characteristics or based upon our first impression about the person (called the **halo effect**).

Our perception is also attributable to the knowledge of certain causes that may cause or trigger a certain type of behaviour. Knowing the cause of a certain behaviour contributes to the accuracy of our perception about such a behaviour. For example, if a supervisor believes that poor productivity is attributed to the poor performance of subordinates, he will have a different behaviour towards them than if he believes the causes of poor performance to be beyond their control. Accordingly, we must ascertain whether the behaviour of other people is due to some of their **inherent characteristics** or whether such behaviour is in response to certain **situational characteristics** (that can easily be changed) or a combination of both. This would affect our perception about people in general.

Every object is the mirror of all other objects.
- Maurice Merleau-Ponty -

Few people realize that they are looking at the world of their own thoughts and the world of their own feelings.
- Wallace Stevens-

I saw it, but I did not realize it.
- Elizabeth Peabody -

Vision is the art of seeing things invisible.
- Jonathan Swift -

Where observation is concerned, chance favors only the prepared mind.
- Louis Pasteur -

HUMAN PERSONALITY

I think, therefore I am.
- René Descartes -

- **Personality refers to the deeply ingrained and relatively enduring patterns of thought, feeling, and behavior.**

Personality usually refers to "that" which is unique about a person, the characteristics that distinguish him or her from other people. Thought, emotion, and behavior as such do not constitute a personality, which is, rather, the dispositions that underlie these elements. *Personality implies predictability about how a person will act or react under different circumstances.*

- **Personality is considered to be a set of characteristics that are stable and do not change either over a period of time or from situation to situation.**

These characteristics account for consistent patterns of behaviour. It is the stability of these characteristics that sometimes assist us in predicting the behaviour of a given person in relation to specific situations.

Personality as been classified into two basic categories. One is **type A** personality where behaviour is generally restless, impatient and with a desire for quick achievement. **Type B** personality is much more easy going, relaxed about time pressure, less competitive and more philosophical in nature. Knowing the personality type of a person makes his behaviour predictability easier and comparatively accurate.

There are many factors which contribute toward the formation of personality. These factors can be classified into two broad categories. One category consists of all such factors which are considered as **hereditary (genetically inherited)**, and the second category comprises of **environmental factors (i.e. the nature vs. nurture debate)**. The hereditary factors are transferred through genes and chromosomes and may reflect physiological built and the nature of the nervous systems. The activity of **endocrine glands** which control the **metabolism processes**, may also be partially hereditary. The environmental factors include the influence of culture, religion, values and ethics, family, education, social interaction and other situational characteristics.

Personality may manifest itself in many forms. The personality may be **authoritarian** in nature where the person believes in obedience and respect for authority and adheres rigidly to conventional values. A **bureaucratic** personality differs from an authoritarian personality in that a bureaucratic person's respect for authority is not total and blind but is based upon his respect for organisational rules, policies, procedures, regulations and discipline and order. Then there is the **Machiavellian** personality (based on the rationale that "ends justifies the means"), which emerges in manipulating others for purely personal gains and gaining and keeping control of

others. Another personality style is highly objective, meticulous and detail oriented. These people are cool, calculating, logical, rational and analytical when responding to various situations.

Since **personality attributes are comparatively stable** and some knowledge of these attributes helps in predictability of behaviours, some theories have been developed to identify some attributes in order to group people into various categories. These theories include: **psychoanalytical theory** based upon the well-known Austrian Psychiatrist and Neurologist **Sigmund Freud's intrapsychic theory** or concept of personality being founded on the unconscious framework of the **id, ego and super-ego** where **id** is the **unconscious animalistic** or **libido** urge to seek pleasure at any cost, while the **ego** and **super-ego censors** keep the **id** in check through social and moral values. Depending upon the strength of the ego and super ego, some personality traits can be identified.

The **type theories** represent an attempt to scientifically describe personality by classifying individuals into convenient categories. **William Sheldon's physiognomy theory** and **Carl Gustav Jung's extravert (outgoing) and introvert (introspective) theory** are two popular examples of type theories of personality.

Then there is the **trait theory** of personality so that people can be described on the basis of traits (**source traits and surface traits**) such as aggressive, flexible, humorous, sensitive, sentimental, impulsive and so on. By observing some of these traits, we may be able to identify a personality.

The third theory of personality is known as the "**self-concept theory"** developed by the American psychologist **Carl Rogers**, which promoted the idea that - *a person's behaviour reflects his own image about himself (his self-image or his self-concept)*. For example, a known flirt is expected to flirt in social situations.

Finally, there is a **social learning theory** (developed more recently in 1969 by the Canadian-born US psychologist **Albert Bandura**, born 1925) – which is based upon the premise that personality development is more a result of **social variables** than biological drives or unconscious desires. Personality as such is a sum total of all that a person has **learned through social interaction** so that the learning process can be manipulated to develop or change a personality.

The background reveals the true being and state of being of the man or thing. If I do not possess the background, I make the man transparent, the thing transparent.
- Juan Ramón Jiménez -

LEARNING AND BEHAVIOUR REINFORCEMENT

- **Learning is a continuous process in life and it can be defined as a** *comparatively or relatively permanent change in our behaviour* **and activities brought about by social conditioning, knowledge of new ideas and skills.**

- *Learning is any lasting change in behaviour* **resulting from experience or through the process of acquiring knowledge or skill, especially conditioning.**

- *Learning* **is the process of** *adjusting* **previous response patterns to newly experienced or perceived environmental changes. Learning involves the** *modification and reorganisation of a person's behaviour* **as a result of new experience or repetition / practice.**

It is an **induced change** and **not a natural change** that occurs as part of a person's maturing (the unfolding of the genetic potential) or growing up, and due to socialization. This change must be a lasting one otherwise it cannot be attributed to the process of learning.

There are four main approaches to learning. The first is known as **classical conditioning (also called Pavlovian conditioning developed by the Russian physiologist Ivan Petrovich Pavlov)**, which is based upon the **stimulation-response (S-R) connection**, where a given and predictable response occurs with a given induced stimulus. It introduces a simple cause and effect relationship between one stimulus and one response. For example, when we get a flat tyre our initial response is to get mad. The second approach is known as **operand conditioning** (also called instrumental conditioning) proposed by the **American psychologist B. F. Skinner** and it suggests that behaviour is a function of the consequences of such behaviour. Desirable consequences result in desirable behaviour. For example if a promotion is given due to hard work on the part of an individual, then hard work becomes a pattern of behaviour for that individual.

The third approach known as **cognitive learning** deviates from the other two in that learning is considered to be the outcome of deliberate thinking about the situation and responding in an objective manner. Cognition basically involves known information and this information provides cognitive cues towards the expected goal. Finally, the fourth approach is called **social learning (theory)** and it integrates the cognitive and operand approaches to learning. It recognises that learning does not take place only because of environmental stimuli or of individual determination but is a blend of both views. This approach emphasises that **learning takes place due to social interaction** or by observing the behaviour of role models in a social setting.

Learning is time oriented and behaviours tend to change slowly over a period of time. Behaviours which involve skills are learned and improved with practice. For example, learning to use a computer may be slow and tedious in the beginning, but under guided supervision, time, and conscious repeated efforts, the skill is slowly improved until the maximum potential is reached.

Certain behaviours can be strengthened or inhibited by appropriate stimuli. This process is known as **reinforcement.** The reward for a desired behaviour is known as **positive reinforcement**. Similarly, **negative reinforcement** induces employees to work hard not so much to get rewards but to avoid being punished or fired. The third approach to reinforcing a behaviour is known as **extinction** and it involves simply ignoring the undesirable behaviour. Finally, the actual **punishment** for undesirable behaviour does sometimes change such behaviour. For example, failing a student for not studying hard sometimes induces the student to work harder to get better grades.

Behavioual reinforcement can be on a continuous basis so that every time a desirable behaviour occurs, a desirable consequence is applied. Or it can be partial and spread over a period of time. It can also be a one-time reward such as a promotion given for a continuous desirable behaviour sustained over a long period of time.

People differ in many ways including their backgrounds, their skills and their expectations. Hence the same type of reinforcement may not bring about similar results for all people. Accordingly, management must recognise these differences and develop tailor-made reinforcement processes and programs with individual employees needs in mind.

Learning organizations may be a tool not just for the evolution of organizations, but for the evolution of intelligence.

- Peter M. Senge -

STRESS AND STRESS MANAGEMENT

Well in body
But sick in mind.
- Plautus -

What is Stress?

- **Stress is an unpleasant state of emotional and physiological arousal that people experience in situations that they perceive or interpret as dangerous or threatening to their well-being.**

- **Stress is believed to be a state of mind as well as body, created by certain biochemical reactions in the human body as well as psychological responses to situations, and it is reflected by a sense of anxiety, tension, and depression and is caused by such demands by the environmental forces or internal forces or both that cannot be met by the resources available to the person.**

- **Stress is a dynamic condition in which an individual is confronted with an opportunity, a threat or a constraint, or a demand related to what he desires and to which the outcome is perceived to be both uncertain and important.**

- **Stress is our internal response to a situation we find hard to manage**.

- **Stress is psychological or physical strain or tension generated by physical, emotional, social, economic, or occupational circumstances, events, or experiences that are difficult to manage or endure.**

Though we often think of stress in terms of tough deadlines, difficult projects, trying bosses, and our overly busy lives, these are, in fact, the **causes of stress**, not stress per se (as such). What we call stress is **not the cause**, but **the effect**. It's **our internal response to difficult situations**. It's how we **mentally react to our problems**, though it often has physical symptoms. And though some amount of stress is necessary in our lives, when we overdo it, we need to find ways of **coping with stress** to maintain good mental and physical health.

The human being responds to physical and psychological stress with a combination of psychic and physiological defences. If the stress is too powerful, or the defences inadequate, a **psychosomatic** or other mental disorder may result.

The word **stress** means different things to different people. **Some people define stress as events or situations that cause them to feel tension, pressure, or negative emotions such as anxiety and anger.** Others view stress as the *response*

to these situations. This response includes physiological changes—such as increased heart rate and muscle tension—as well as emotional and behavioral changes. However, **most psychologists regard stress as a process involving a person's** *interpretation* **and** *response* **to a threatening event.**

The greater the **gap** between the demand for resources and the available resources, the greater is the degree of stress. Environmental events or conditions that have the potential to induce stress are known as "**stressors**".

Stress is an unavoidable effect of living and is an especially complex phenomenon in modern technological society. There is little doubt that an individual's success or failure in controlling potentially stressful situations can have a profound effect on his ability to function. The ability to **"cope"** with stress has figured prominently in psychosomatic research. Researchers have reported a statistical link between **coronary heart disease** and individuals exhibiting **stressful behavioral patterns** designated **"Type A."** These patterns are reflected in a style of life characterized by impatience and a sense of time urgency, **hard-driving competitiveness,** and preoccupation with vocational and related deadlines.

The stress caused by natural pleasant surprises and events, or successful effects is known as "**eustress**" and the stress caused by undesirable outcomes is known as "**distress**". It is the distress that requires adjustment and measures of change. **Any type of stress elicits responses that are psychological, physiological and behavioural in nature.** This bio-chemical process is known as the **General Adaptation Syndrome (GAS)**. Physiological responses which are negative include **increase in blood sugar, increase in heart beat and possible breakdown of the body's immune system.** Psychological and behavioural responses include irritation, depression, a sense of futility, increased use of sugar-based foods, caffeine based products, alcohol, smoking (contains nicotine) and sometimes even addiction to drugs. **Stress is basically manifested in emotional frustrations and anxiety.**

Sources of Stress

There are many sources from where stress can emanate. **There are stress factors which are intrinsic to the nature of the job itself.** The job would be such that the employee would have little control over its operations. The job related stress factors include **conditions of work, role ambiguity, role conflict, role overload, role underload, responsibility for people, responsibility for equipment, job related social interactions** and so on. The personal factors of stress include concerns about job security, geographic relocation because of a transfer or change in job, changes in life structure because of age and family cycle and certain negative expected and unexpected events.

Job stress has negative consequences upon health and psychological well-being. Some of the early symptoms of stress are headaches, back pain, neck pain, irritability,

insomnia, absenteeism from work, alcoholism, heavy smoking and so on. **Continuous stress can lead to serious emotional disorders as well as physiological problems such as ulcers and heart disease.** Deep and continuous depression caused by continuous stress can be fatal and even lead to suicidal tendencies. **Statistics have shown that depressed individuals make up some 60% of all the suicides.**

Stress is directly related to job performance. Performance is poor at low levels of stress and at high levels of stress. Low levels of stress results in disinterest in work and **high levels of stress impairs the ability to make effective decisions** and the cost of a wrong decision can be very high.

Some of the individual strategies for coping with stress include: **readjustment of life goals**, support from family and friends, planning certain events of life in advance and **keeping the body in good physical shape by proper diet, regular exercise, relaxation, yoga, meditation** and **biofeedback.** Some of the **organisational strategies** for coping with stress include organised health maintenance facilities as a part of organisational life, matching of employees qualifications and skills with job requirements, **job enrichment** and **job work redesign,** equitable performance appraisal and reward systems, participation in organisational decision making and **building team spirit** in the sense that there should be no interpersonal conflict within the group.

Various other strategies have been successful in treating psychological and physiological stress. **Moderate stress may be relieved by exercise and any type of meditation (e.g. yoga or oriental meditative forms).** Severe stress may require psychotherapy to uncover and work through the underlying causes. A form of **behaviour therapy** known as **biofeedback** enables the patient to become more aware of internal processes and thereby gain some control over bodily reactions to stress. **Sometimes, a change of environment or living situation may produce therapeutic results.**

All these strategies or a combination thereof should be applied to make the work and general living environment less stressful to a level that is both psychologically and physiologically healthy, positive and challenging.

Disorders due to psychological factors

Psychological factors are important determinants of worker health, well-being, and productivity. Studies have shown the benefits to workers who feel satisfied and stimulated by their jobs, who maintain good relationships with their employers or supervisors and with other employees, and **who do not feel overworked.** Such workers have lower rates of absenteeism and job turnover and higher rates of output than average.

The two **psychological hazards** commonly encountered at work are **boredom and mental stress.** Workers who perform simple, repetitive tasks for prolonged periods are subject to boredom, as are people who work in bland, colourless environments. **Boredom can cause frustration, unhappiness, inattentiveness, and other detriments to mental well-being.** More practically, boredom decreases worker output and increases the chances of errors, rejects and accidents. **Providing refreshment and relaxation breaks** or other outside stimulus can help relieve boredom.

Mental stress often results from overwork, although non-occupational factors, such as personal relationships, life-style, and state of physical health, can play a major role. Job dissatisfaction, increased responsibility, disinterest, lethargy, competition, feelings of inadequacy, role overload, role confusion, job burnout, and bad working relationships can also contribute to mental stress. **Stress affects both mental and physical health, causing anger, irritation, fatigue, aches, nausea, ulcers, migraine, asthma, colitis, or even breakdown and coronary heart disease.** Moderate exercise, meditation, relaxation, employee counselling and therapy can help workers to cope with stress.

Disease has social as well as physical, chemical, and biological causes.
- Henry E. Sigerist -

The cure of many diseases is unknown to the physicians of Hellas, because they are ignorant of the whole, which ought to be studied also; for the part can never be well unless the whole is well.... This is the great error of our day in the treatment of the human body, that the physicians separate the soul from the body.
- Plato -

When the minds of the people are closed and wisdom is locked out they remain tied to disease. Yet their feelings and desires should be investigated and made known, their wishes and ideas should be followed; and then it becomes apparent that those who have attained spirit and energy are flourishing and prosperous, while those perish who lose their spirit and energy.
- Huangdi -

CREATIVITY AND INDIVIDUAL DECISION MAKING

Whenever you see a successful business, someone once made a courageous decision.
- Peter F. Drucker -

- **Creativity can be defined as socially recognised achievement in which there are *novel products* to which one can point as evidence such as inventions, theories and concepts, buildings, published writings, paintings and sculptures and films, laws, institutions, medical and surgical treatments and so on.**

- **The ability to make or otherwise bring into existence something *new*, whether a new solution to a problem, a new method or device, or a new artistic object or form.**

Psychological experiments in the fields of motivation and learning have disclosed the **power of novelty as an inducement to action.** There appears to be an essential and continuing tension in higher organisms between the establishment and maintenance of environmental constancies and the interruption of achieved equilibria in the interest of new possibilities of experience. **Psychological studies of highly creative people have observed this tension in terms of such dualities as intellect and intuition, the conscious and the unconscious, mental health and mental disorder, the conventional and the unconventional, and complexity and simplicity.**

Intelligence

A creative person is usually very intelligent in the ordinary sense of the term and can meet the problems of life as rationally as anyone can, but often he refuses to let intellect rule; **he relies strongly on intuition**, and **he respects the irrational in himself and others.** Above a certain level, intelligence seems to have little correlation with creativity—i.e., **a highly intelligent person may not be as highly creative**. A distinction is sometimes made between convergent thinking, the analytic reasoning measured by intelligence tests, and **divergent thinking, a richness of ideas and originality of thinking.** Both seem necessary to creative performance, although in different degrees according to the task or occupation (a mathematician may exhibit more convergent than divergent thinking and an artist the reverse).

Personality

Many creative people show a strong interest in apparent disorder, contradiction, and imbalance; **they often seem to consider asymmetry and disorder a challenge**. At times creative persons give an impression of psychological imbalance, but immature personality traits may be an extension of a generalized receptivity to a wider-than-

normal range of experience and behaviour patterns. Such individuals may possess an exceptionally deep, broad, and flexible awareness of themselves.

Studies indicate that the creative person is nonetheless an **intellectual leader** with a **great sensitivity to problems.** He exhibits a high degree of self-assurance and autonomy. He is dominant and is relatively free of internal restraints and inhibitions. He has a considerable range of intellectual interests and **shows a strong preference for complexity and challenge.**

The **unconventionality of thought that is sometimes found in creative persons** may be in part a resistance to acculturation (a merging of cultures), which is seen as demanding surrender of one's personal, unique, fundamental nature. This may result in a rejection of conventional morality, though certainly not in any abatement of the moral attitude.

Functions of emotion experiences in relation to increased creativity

Several studies have demonstrated that **positive emotion** facilitates **creative problem solving**. One of these studies showed that positive emotion enabled subjects to name more uses for common objects. Another showed that positive emotion enhanced creative problem solving by enabling subjects to see relations among objects that would otherwise go unnoticed. A number of studies have demonstrated the beneficial **effects of positive emotion on thinking, memory, and action** in preschool and older children.

Creative thinking

Divergent (or creative) thinking has been defined as **an activity that leads to new information, or previously undiscovered solutions, rather than to a predetermined, correct solution (as in convergent thinking).** Some tasks call for flexibility, originality, fluency, and inventiveness, especially for problems in which the individual must supply his own, unique solution. The "problem" might be a personal, emotional difficulty that needs resolution or expression.

Four progressive stages

A number of processes or phases have been identified as typical of creative thinking. In what logically would be the **first phase (i.e., preparation),** the thinker assembles and explores his resources and perhaps makes preliminary decisions about their value in solving the problem at hand. **Incubation** represents the next period, in which he mulls over possibilities and shifts about from one to another relatively free of any rigid rational or logical preconceptions and constraints. **Incubation** seems to be at least partly unconscious, proceeding without the individual's full awareness. **Illumination** occurs when resources fall into place, and a definite decision is reached

about the result or solution. **Verification (refinement or polishing)**, the process of making relatively minor modifications in committing ideas to final form, follows. Often enough, objective standards for judging creative activity (e.g., musical composition) are lacking; an important criterion is the emotional satisfaction of the creator**. Although the four phases have been ordered in a logical sequence, they often vary widely and proceed in different orders from one person to the next.** Many creative people attain their goals by special strategies that are not neatly describable.

The **phases of preparation, incubation, illumination, and verification** are characteristic of **creative thinkers** generally but do not guarantee that a worthwhile product will ensue. Results also depend on whether an individual has the necessary personality characteristics and abilities; in addition, the quality of creative thinking stems from the training of the creator. The artist who produces oil paintings needs to learn the brushing techniques basic to the task; the scientist who creates a new theory does so against a background of previous learning. Further, **creativity intimately blends realistic (objective) and autistic (subjective) processes; the successful creator learns how to release and to express his feelings and insights.**

Creative thinking is a matter of using intrinsic resources to produce tangible results. This process is markedly influenced by early experience and training. School situations, for example, that encourage individual expression and that tolerate **idiosyncratic or unorthodox thinking** seem to foster the development of creativity.

Research

Studies of known living **creative people** and research gleaned from biographies of recognized past creative geniuses have yielded some ideas about the characteristics of the creative process. **The single most important element in the creative process, however, is believed to be *originality*, or uniqueness.** A great deal of research has been carried out on the nature, incidence, and cultivation of creativity, particularly among American psychologists since World War II, when scientific inventiveness became of wide concern.

Creativity and Managerial Decision Making

- **Decision making is the process of identifying and *selecting* a course of action to solve a specific problem.**

- **Decision making is the process of *selecting* an appropriate course of action out of *several alternatives* that may best achieve the objectives or solve the problem in hand.**

- **Decision making may be viewed as the process by which individuals** *select* **a course of action from among** *alternatives* **to produce a desired result. It is a process made up of four continuous interrelated phases; explorative (searching), speculative (analysing), evaluative (weighing) and selective (choice and commitment).**

Creativity and creative decision making is essential for moving ahead in this fast changing competitive world. *Creative thinking is important to bring about novel and unique ideas and critical thinking is necessary to criticise and test these ideas so that they are feasible and optimally beneficial.* Without creativity, organisations would remain stable, stagnant and non-dynamic entities thereby having a negative affect on improvements in work methods, products and services.

Creativity is defined as the *generation of new ideas***, while innovation is defined as the** *translation of these ideas* **into new companies, products, services, processes, and methods of production.** Increasingly, creativity, innovation and quality are seen as the key to survival in an ever-more competitive and global economy. Like individuals, organisations vary in their level of creativity and their ability to translate creativity into usable innovations. **It is therefore important to establish an organisational culture and climate that encourages creativity, innovation and the focus on world-class quality.**

Creativity primarily means *originality of ideas***.** Accordingly, originality can be associated with "those ideas which result in manipulations of variables which have not followed a rigid formula and in which the ideas have other sources of strength". **Creativity is considered to be a function of intelligence** even though the outside social environment has considerable effect on creative thinking and applications.

The creative process as explained above, generally consists of **preparation** - which involves a hard and concentrated look at the problem at hand and its various parameters, and this leads to an **incubation period**, which is a time for thought and reflection. Then comes the **"persistence"**, so that an idea is not dropped due to temporary setbacks. This persistent effort usually leads to (sudden) **insight**, which is the actual point of **breakthrough** achieved as a result of preparation and incubation Finally, the insight or the new idea has to be tested for its feasibility and economic validity, during the **verification stage.**

Creativity of individuals may be enhanced by **brainstorming** or by an approach called **synectics**. Brainstorming consists of a group of people sitting together in a class room setting and generating ideas in the form of free association. The **synectics** approach **looks at a familiar idea from a novel angle** or it looks for familiar traits in a novel idea. However, all efforts should be made to make sure that there are no biases introduced because of fear of evaluation of ideas in a subjective manner or tying financial rewards with the degree of creativity - which can become **anti-**

creative. Furthermore creating ideas for the purpose of meeting competition usually has a negative impact on creativity.

Creative decisions and the quality of such decisions are influenced by many factors. It would depend upon the **quality of the information input** and any prejudices introduced because of our perceptual processes and cognitive constraints. In addition to the outside factors, the **characteristics of the decision maker** greatly affects the quality of the decision. The primary characteristics are the attitude of the decision maker towards **risk and uncertainty** and other personal factors such as intelligence, time constraints that he may be facing and the types of social and cultural influences on him.

There are **ten steps in the individual decision making process** and each step should be looked into and analysed very carefully. These steps are: identifying and defining the problem, collection of relevant data, diagnosis and analysis of the problem, finding the root cause(s) of the problem, identification of resources and constraints, development of criteria for successful solution, generation and development of alternatives, evaluation of alternatives and selection of the best or the optimal alternative, implementation of the decision, and finally monitoring the effects of this implementation (the post-implementation audit or review).

Not all decisions are made fast and correct. There are some common errors that should be avoided when making decisions. These errors arise partially due to an unfavourable environment, but primarily due to certain characteristics of the decision maker. These drawbacks include **indecisiveness** (deciding not to decide) because of the uncertainty regarding the quality of the outcome of the decision, postponing the decision until the very last moment, which means making decisions under time pressure, which may result in the poor quality of decisions, **treating the symptoms of the problem rather than the root-cause(s) of it**, failure to correctly assess and analyse all the available information as well as confirming the reliability of such information. Finally, in order to make a decision an effective one, it is necessary **to be bold in implementing the decision** with the co-operation of everybody concerned and following it through.

Prof. Herbert A. Simon

Professor Simon is an acclaimed **American social scientist** known for his contributions to a number of fields, including psychology, mathematics, statistics, and operations research, all of which he synthesized in a key theory that earned him the **1978 Nobel Prize for Economics.**

He is best known for his work on the **theory of corporate decision making** known as **"behaviourism."** In his influential book Administrative Behavior (1947), Simon sought to replace the highly simplified classical approach to economic modeling—

based on a concept of the **single decision-making, profit-maximizing entrepreneur**—with an approach that recognized multiple factors that contribute to decision making. According to Simon, this theoretical framework provides a more realistic understanding of a world in which decision making can affect prices and outputs.

Crucial to this theory is the concept of **"satisficing" behaviour**—achieving acceptable economic objectives while minimizing complications and risks—as contrasted with the traditional emphasis on maximizing profits. Simon's theory thus offers a way to consider the **psychological aspects of decision making** that classical economists have tended to ignore.

Creativity can provide all the solutions to the complex problems of the workplace. Creative thinking is a positive, generative force that uses imagination to power business.
- Andy Law -

Innovation is a necessary condition for business success—but not a sufficient condition for business success.
- Randall L. Tobias -

Brains are becoming the core of organisations—other activities can be contracted out.
- Charles Handy -

GROUP BEHAVIOUR

As work becomes more complex and collaborative, companies where people work together best have a competitive edge.
- Daniel Goleman -

- **A group consists of persons being together so that they have a common goal with mutual interaction where each person in the group influences and is influenced by each other person.**

- **A group is a cluster of persons related in some way or united by common ties, needs, interests, or threats over a time.**

- **A group consists of two or more persons who are interacting with each one another in such a manner that each person influences and is influenced by each other.**

- **A group is any plurality of persons who have a common identity, at least some feeling of unity, and certain common goals and shared norms.**

Groups form because people are social beings (or animals) having a **gregarious instinct**, which is a **basic social need for togetherness, affection, belongingness**, **association**, respect and affiliation. Also, a group has more power to achieve individual goals for its members than the individual himself alone.

An interesting and contrasting (and controversial) point of view here is that **gregariousness**, in man, is neither an instincts nor a drive, but instead the logical outcome of man's **socialisation** process and the development of the self, which arises and sustains itself primarily in association with others.

There are two types of groups. There are **formal groups** that are purposely formed via a formal authority in order to accomplish an organisational objective or task. A planning committee or a labour union, for example, would be considered a formal group. Then there are **informal groups** that emerge naturally in response to some common interests of organisational members. These informal groups can also be powerful so that some times, even if only one member of the group is fired from the job, all members go on strike in support of such a member of the group. Members of the informal groups become personal friends and they support each other, thus making the group a cohesive one. **Group cohesiveness** defines the **degree of attraction, closeness or bondage** that unites, links and is felt by all the members in the group.

The **cohesiveness of the group** is increased when:

- Members spend more time together
- Group size is neither too large or too small
- The members of the group are carefully selected so that it is not easy to join the group
- There is a threat to the common group goal
- There is greater similarities of values and attitudes (homogeneity)

A cohesive group is more powerful and has greater influence. The greater the unity of the group, the greater is the strength in achieving its goals.

The formal groups which are in the form of task forces and committees have a number of advantages. There is a polling of opinions of different members and the committee members may represent various segments of the work force so that a committee decision could be considered as objective and free of bias, thus having a better chance of being accepted by all members of the organisation.

On the other hand, **a committee has its disadvantages**. The major disadvantage is the time lost in listening to every one and this can be very costly. Furthermore, there is a tendency to **compromise with the majority view** in the committee and this can lead to a mediocre decision. Disagreements within the committee proceedings can lead to **personal prejudices**, putting strain on inter-personal relations. To use the committees more effectively, the members of the committee should be carefully selected so that they look at the issues objectively and with the sole purpose of arriving at the best possible and pragmatic solution.

The success of a business turns on its esprit de corps.
- Elbert Hubbard -

Teams are now the primary force of organizations. They are worth cultivating at their core.
Their core is the *mind* of each team member.
- Nancy Kline -

GROUP DECISION MAKING

It's man who decides, not heaven.
- Chen Yi -

Because of the **complexity inherent in many unique and unstructured problems**, it is unlikely that an individual with natural constraints on the number of variables that he can handle at any time - can make an effective and correct decision to solve such a problem. In such a situation a group of experts is more suitable in looking at the problems from various different angles and reach a correct and feasible solution or conclusion. For this reason, **the group can evaluate problems and ideas better than single individuals**. Decisions made by individuals can often be biased, resulting in resentment by those who may have to implement such decisions. In such cases group decisions are more easily acceptable. Groups such as committees, study teams, task forces, review panels, are *especially useful for non-programmed decisions,* such as **corporate, creative** or **strategic and long-term decisions** because these decisions are complex and unstructured and few individuals have all the knowledge and skills necessary to make the best decisions.

There are many advantages of group decision making. First, the group members are generally broad based with different specialities bringing more knowledge and information into the decision making process. Secondly, the process is more participative and democratic in nature and thus, the decisions are more easily accepted by organisational members.

On the other hand, the **group decisions are not necessarily bias free.** A more **dominating leader** may have his viewpoint accepted by the majority members of the group even if such a viewpoint is of a mediocre value. There may be a tendency for **political manoeuvring** to influence the final outcomes. The process is also time consuming as well as costly and may not be suitable for emergency or crisis situations. Furthermore, **the tendency for group cohesiveness whereby the agreements are made for the sake of togetherness may inhibit some critical individual thinking.**

These problems can be avoided if some clear guidelines are followed in making the group decision making process more effective. The purpose of the group and the agenda for discussion should be clearly defined. The group members should be representative of all areas where the decisions will be implemented and they should be able to communicate with each other freely without fear of disagreements. **The leader of the group should be highly skilled in inter-personal social skills and should be both task/problem-oriented and people/relationship-oriented.**

There are many techniques that the group can adopt in making decisions, depending upon the type of problems under consideration. **Brainstorming** can be used where

members of the group are encouraged to throw away any idea that comes to their mind, irrespective of the suitability or adoptability of such an idea. The **Delphi technique** is used for problems of a general nature such as future energy shortages or the consequences of a nuclear disaster. Experts in a given are located wherever they are and are asked to give their opinions on and issue in writing. These opinions are received by a central co-ordinator who separated the similar opinions from those that re dissimilar. Then the **dissimilar opinions** are sent back to the experts for further refinements. This process is repeated until a **consensus** is reached.

Some of the other group decision making techniques include the **Nominal Group Technique (NGT)** which is similar to brainstorming but more structured. In the **Fishbowling** technique, each member sits in the centre of a circle formed by the group members and gives his opinion and answers any questions from the group. The **Didactic Interaction** approach is used when a choice is to be made whether to go ahead with an action or not.

In general, **group decisions are superior to individual decisions** in situations that are extraordinary and are not prone to solutions by known methodologies. On the other hand, **individual decisions are faster to make and implement** and are sometimes the only practical approach in crisis or emergency situations.

Diversity raises the intelligence of groups.
- Nancy Kline -

<u>INTER-GROUP RELATIONS AND CONFLICT</u>

A man's greatest battles are the ones he fights within himself.
- Ben Okri -

"Man is not an island", some one said and as such no one can simply live in isolation. People have to interact with each other individually and groups of people also have to interact with other groups of people for one reason or another (the **gregarious instinct**). In an organisational setting, various departments or units depend much upon each other and for resources, work or information. Even if these units do not depend upon each other directly, they do depend upon each other indirectly in that they all contribute towards the realization of the common organisational goal(s). In such a situation, **conflicts are an inevitable feature** of organisational life. Newman pointed out that **"life is not a ground harmony; conflicts exits"**.

- **A conflict is a mutual opposition of opposing forces.**

- **A conflict is a process in which an effort is deliberately made by one person / group or unit to block another person or party that results in frustrating the attainment of other's goals or the furthering of his or her interests. Thus the conflict arises when one party seeks to meet its goals at the cost of the other party.**

- **Conflict is direct and conscious struggle between individuals or groups for the same goal.**

Wherever, there is interaction or interdependence, conflict is very likely to occur. This conflict occurs because of **competitive but incompatible goals** or differences in attitudes towards methods of operation. Even though, some degree of **conflict can be constructive by inducing challenges** - which can bring about positive results, continuous and excessive conflict is highly detrimental to the health of the organisation. Accordingly, management must always be alert to the existence and degree of conflict that might be evident so that it can be kept under control and resolved when necessary.

Conflict exists in many forms. It can be within an individual where role playing is inconsistent with the beliefs held by the individual. It can also be between one person and another where both of them are competing for the same goal with the same limited available resources. There can be **conflict between an individual and a group** when the individual disagrees with the group goals or its methodology. Finally, the **inter-group conflict** occurs between competing organisations, between labour unions and management, between buyers and suppliers and so on.

Conflict can be caused by poor communication (miscommunication) where the intent of the message sent is different than the interpretation received. It is also caused by personal biases regarding such factors as culture, religion, race, sex, or social status. The structural design of an organisation can also be a contributory factor towards conflict resolution. These structural aspects include the size of the organisation, relationship between line and staff, poorly defined working roles, misuse of authority and so on.

The **behavioural conflict** can be resolved by simply showing respect for opposing viewpoints or simply ignoring the conflict as being trivial in the grand design of things. An independent and an impartial **arbitrator** may be appointed to help solve the conflict between two individuals or two groups. Conflict can also be eliminated by simply overpowering the opposing party, if such a power exists.

The **structural based conflict** may be handled by making changes in the organisational format whenever necessary. This change may involve **decentralisation of power and authority** or it may require reduction in interdependency of groups upon each other. It will further help in the resolution of conflict, if policies, procedures and rules are clearly established and **all communication channels are kept open** so that each person knows exactly what role he is assigned and how he has to play his role in the organisational structure.

If there is a single contributory factor that helps in reducing and/or eliminating **negative or destructive conflict**, it is **trust**. **Mutual trust** or lack of it governs our inter-personal behaviour to a large extent. Our ability to trust each other has great impact on our working lives, on our family interactions and our achievement of personal and organisational goals. In order to create trust and be trustworthy, it is necessary to avoid aggressive and dishonest behaviours and at the same time develop supportive behaviours where **people are respected for what they are or what they believe in and are treated equally without bias or prejudice**. In case a conflict develops at nay level, it should be resolved as soon as possible with mutual benefit in mind.

We are dancing on a volcano.
- Comte de Salvandy -

Trust...is the foundation for innovation and coordination of the supply chain, customer interaction, and market, product and service development.
- Peter Keen -

Dividing enemy forces to weaken them is clever, but dividing one's own team is a grave sin against the business.
-Henri Fayol -

INTRODUCTION TO GROUP DYNAMICS

We must combine the power of corporate teamwork and cooperation with the creativity and agility of the entrepreneur, without slipping into the excesses of either corpocrat or cowboy.
- Rosabeth Moss Kanter -

- **Group Dynamics is the study of group behaviour, especially the dynamic interactions that occur among persons in small groups involved with business or social activities.**

- **Group dynamics refers to the complex set of forces that determine group formation, its size and structure, conflict and cohesiveness, interaction and behaviour.**

- **Group dynamics is the study of small groups, of the patterns of interaction within a group, and of the interrelationships between a group and its environment, including other groups.**

- **Group dynamics is an applied discipline dealing with such concerns as effective leadership, communication, and decision processes, in industry and business.**

The term was first introduced in the **U.S.A by the German-American psychologist Kurt Lewin**, who established the Research Center for Group Dynamics - at the Massachusetts Institute of Technology (MIT) in 1945.

Kurt Lewin in the 1940s and 1950s demonstrated that **the group is more than the sum of its parts, and hence synergistic.** He showed that groups could be innovative and that the style of leadership and the resulting **group atmosphere** were more important than personality characteristics in determining how group members behaved. Lewin's research established the group dynamics tradition that studies **leadership, group structure, and communication processes.**

Group behavior affects many aspects of life. **Group dynamics is concerned with the structure and functioning of groups and with the types of roles played by members.** Roles are flexible and may change with time, changing goals or activities. The study of group dynamics is important in order to understand and facilitate this movement so that it will be productive and beneficial to corporations and to society in general.

The people we get along with, trust, feel simpatico with, are the strongest links in our networks.
-Daniel Goleman -

COMMUNICATION

If there is one general law of communication it is that we never communicate as effectively
as we think we do.
- Charles Handy -

"Communication is the lifeblood of an organisation". Communication forms the basis for all **social interaction**. Effective and compassionate communication is the backbone of good inter-personal relations as well as organisational survival, growth and effectiveness. It plays an important role in all walks of human life as well as organisational life.

- **Communication can be defined as the process by which people seek to share meaning via the transmission of symbolic messages.**

- **Communication involves an exchange of facts, ideas, opinions, or emotions of two or more people. It is a process of passing information and understanding from one person to another.**

- **Communication is the transmission of information, ideas, attitudes, or emotions from one person or group to another (or others) primarily through symbols.**

- **Communication may be broadly defined as the meaningful process of meaningful interaction among human beings. More specifically, it is the process by which meanings are perceived and understandings are reached among human beings.**

- **Communication is the sum of all the things one person does to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding.**

Thus, communication is the most significant factor for imparting or interchange of thoughts, emotions, opinion, or information by speech, writing or signs. From the above definitions, **it is clear that the word "communication" has the features of interaction, interchange, sharing and commonness.**

The term "communication" is derived from the **Latin** word *"communis"* which means *"common"*. This stands for **the sharing of ideas in common**. Communication of ideas establishes a common ground for understanding. It is the process by which a person, group or organisation (**the sender**) transmits some type of information (**the message**) to another person, group or organisation (**the receiver**). The process of communication is important to managers because it enables them to effectively carry

on the management functions of decision making, planning, organising, staffing, directing (leading and motivating), and controlling. The activity of communication, particularly oral/verbal communication, takes up a large portion of a manger's work time.

Effective management is therefore a function of effective communication. It is through communication that the workers become aware of their duties and responsibilities, and their feedback communicated correctly to the management enables the management to make an objective assessment about the quality of operations and level of performance at all levels of the organisation.

The communication model consists of the **sender** of the communication who wants to transmit his ideas or needs to a pre-determined **receiver**, the **encoding** of the message in the form that can be and understood by the receiver, suitable choice of the **channel or medium** of communication, **decoding** the message upon receipt by the receiver, and making sure that proper action is taken on the intent of the communication by follow-up and getting the **feedback.**

The communication can be **verbal/oral, written or even non-verbal communication (NVC).** The oral communication is very convenient and the strength of the message can be justified by facial expressions and **non-verbal cues**, even though the message can be misunderstood because there is no written record of it for the purpose of verification. Written communications can seem **formal and authoritative** but very useful for long and statistical messages and it provides a permanent record of the communication.

The pattern or **network of communication** would depend upon the type of organisational structure. For example, in a typical traditional *bureaucratic structure,* the communication is vertical from the top downwards and the feedback is from the bottom upwards. In a typical *democratic and participative style of management,* there is **two-way communication** at all levels of management. In addition to the formal communication network, there is the informal communication network, also known as the **"grapevine"** and is built around social interactions among members. Sometimes, the feelings of the workers are better communicated to the management via these informal channels.

The **vertical communication** can be downwards, filtered down from the top management to the workers through various hierarchical communication centres in between or it can be upwards from workers to the management through the same channels as the downward communication and is designed by the management to receive feedback from the operational management levels. There is also **the horizontal communication** among the equals (**peers**) of different departments such as managers of production, marketing and finance departments. In more participative styles of management**, transactional communication** is encouraged which is mutual

and reciprocal so that each person is constantly sharing the necessary information with each other person.

In order for communication to be effective, the receiver must receive and **interpret** the communication as sent, no less, no more. However**, communication can be distorted** or diluted on the way due to **a number of barriers** that exist between the sender and the intended receiver of the communication. These could be **noise barriers**, which include poor timing of communication, inappropriate channel, improper or inadequate information, information overload, physical distractions such as telephone calls during face-to-face conversations, organisational structure where the channels of communication are not clearly established, network breakdown and so on.

These barriers could also be **interpersonal** in nature, which include **semantic barriers** because of **different perceptions** and **cultural backgrounds**, credibility of the sender of the communication, emotional state of the receiver at the time the message is received, use of ambiguous, jargon or multi-meaning words, feedback barriers and so on. These barriers that cause **miscommunication** must be eliminated as much as possible so that the receiver exactly understands the true content of the message and the real intent of the sender. This means that the communication should be complete, timely, clear and unambiguous and the sender of the communication may even assist the receiver to make sure that the receiver understands exactly what is expected of him.

British management doesn't seem to understand the importance of the human factor.
- Charles Prince of Wales -

POWER AND POLITICS

Even if your anger is justified, don't ever sever relationships, especially business relationships.
- Estée Lauder -

The current prevalent interpretation of both power and politics creates a very uneasy feeling in our minds. **Politics usually describes the processes by which people and institutions exercise and resist power.** Power is usually associated with enforcing your views over others and politics is generally considered as **unethical manipulation** of other people and the concept of corruption is almost always associated with politics**. Power and the ability to exercise power - brings with it a sense of egotistical satisfaction.** The fact that a person achieves power gives him a sense of achievement and success, both personal as well as professional. Empirical studies disclose that generally managers strive for **power, status, authority** and self-fulfilment.

- **Politics means the pursuit of individually held objectives by doing reciprocal favours or by using influence, power or authority to reward or punish. It refers to the** *process of the use of power* **to affect definition of goals, directions and other major parameters of the organisation.**

- **Power is the ability of an individual or group to carry out its wishes or policies, and to control, manipulate, or influence the behaviour of others, whether they wish to cooperate or not.**

Power can be a function of authority, which can be legitimately given to a person because of his position in the organisation such as president of the organisation, or this power can be legitimately given by the society such as the President of the country. The authority to reward others for acceptable behaviour and the authority to punish others for unacceptable behaviour also indicates a sense of power in the person. Such people can exert power in a given area simply because they are experts in that area, such as a doctor prescribing a medicine to a patient. Some people feel they have power because they know powerful people. **Power can also be associated with the ability and authority to make organisational decisions to allocate resources or to provide information.**

Since politics involves manipulation of people and resources, all organisations display political behaviour to some degree. With scarcity of resources and technological dynamics, organisational politics may be necessary even for survival. Resources and technology create competition and **competition creates opposition** and as a result political behaviour is designed to and initiated to overcome such opposition**. If there is no opposition then there is no need to play politics.**

How can a person be in a position to **play politics**? Usually, the position of power is obtained through slow climb up of the corporate ladder. It is necessary to make friends with those at the top who can pull you up. Being nice to all people always helps in moving ahead, since you never really know whose help you might need at any given or future time. Build your image as a cool, understanding, positive and compassionate friend and a leader to look up to. Control dissemination of information and channels of communication in such a manner that it promotes your self-interest.

Even though, some **devious political tricks** or tactics can help you gain power fast, these should be avoided because the fall from political grace is also sudden and total if any of the tricks misfire. For example, the **"divide and rule"** policy does not last long especially when the people involved in it find it out. Similarly, ignoring or excluding opposition from decisions does not have a positive impact on organisational operations**. It may be better and more political to win oppositions by persuasiveness and compassion.**

Much of the political behaviour is proposed and explained by **Niccolo Machiavelli, an Italian political philosopher and statesman of the fifteenth century,** and it includes the use of any **tactics** that are necessary in order to get what you want irrespective of its **ethical** or social implications, also known as the **"ends justifies the means"** approach or concept of moral behaviour or ethics. A political person/manager would look for opportunities that are beneficial to him and will attempt to exploit these opportunities to any extent to derive the most benefit.

The relationship between politics and ethics has been a constant source of discussion and debate. **Can you be a smart politician and have ethical standards as well?** Power and authority used in the line of duty and within the prescribed guidelines of organisational behaviour is considered to be ethical and is accepted by all who are affected by it. **Such power is considered as non-political in nature**. If such power is misused or abused for personal benefit, then it becomes political in nature and would be subjected to ethical questioning.

The **political behaviour**, even if it is outside the accepted guidelines may be considered ethical if it help other people and if it does not violate the rights of other people with regard to freedom and justice.

In business you get what you want by giving other people what they want.
- Alice Foote MacDougall -

A promise made is a debt unpaid.
- Robert W. Service -

A well-run business must have high and consistent standards of ethics.
- Richard Branson -

When an executive has the authority and his subordinate has the responsibility...the subordinate in effect, then, is only a glorified clerk.
- Charles Thornton -

Modern companies collaborate to compete.
- Tony Blair -

There is a general absence of political competence within most business organizations that results in an inability to attract public support for issues affecting the interest of business.
- Harrison W. Fox, Jr. -

In business we cut each other's throats, but now and then we sit around the same table and behave—for the sake of the ladies.
- Aristotle Onassis -

Ethical traps are more common now than a generation ago...In a volatile world, it is easy to step over moral boundaries.
- John P. Kotter -

Pull off a coup and you're a national hero, fail and you're an evil criminal; in business it's the same difference between bankruptcy and making a fortune.
- Jeffrey Archer -

LEADERSHIP IN ORGANISATIONS

"Real leaders are ordinary people with extraordinary determination"

The aim of leadership should be to improve the performance of man and machine, to improve quality, to increase output, and simultaneously to bring pride of workmanship to people.
- W. Edwards Deming -

Leadership - which is one of the most fascinating and **ancient subjects** (since even Plato's writings have discussed it), is an important subject for managers because of the **critical role leaders play in group and organisational effectiveness.** As such, wherever the human factor exists, it has to be properly directed.

- **Managerial leadership can be simply defined as "the** *process of influencing and directing* **the task-related activities of** *group members***."**

- **Leadership is the exercise of** *influence* **and** *authority* **within a** *social relationship* **or** *group* **by one or more members.**

Leading is the process of actuation. It provides an *electrifying influence* to the organisation, makes people action-oriented and bridges gaps within the organisation. Joseph Massie states that directing concerns the total manner in which managers can **positively influence** the action of subordinates, and therefore the entire organisation is activated with leadership.

It is worth noting that although leadership is highly related to and important in management, however **leadership and management are not one and the same concepts**. To dramatise the difference, leadership writer Professor **Warren Bennis** has said that, *"most organisations are overmanaged and underled".* A person can serve as an effective manager – a good planner and decision maker, a fair and organised administrator – but lack the motivational skills of a leader. Others can serve as effective leaders – **skilled in inspiring enthusiasm and devotion** – but lack the managerial skills to channel the energy they arouse in others. As such, given the challenges of a dynamic and competitive business environment, many organisations are putting a premium on managers who also posses leadership skills – in other words on "*managerial leaders".*

Bruce Henderson, founder of the **Boston Consulting Group (BCG)**, defined a way of distinguishing leadership from management. He said that, "the management function deals with what the organisation ought to do. The leadership function deals with the motivation of the organisation to do that which it ought to do". Warren Bennis echoes this distinction by saying, **"Managers do things right. Leaders do the right thing."**

- **Leadership can also be defined as the *art* of *influencing* and *inspiring* subordinates to perform their duties *willingly,* competently and enthusiastically using *non-coercive* means in order to achieve the desired group and organisational goals.**

- **Leadership is one form of dominance, in which the followers more or less *willingly* accept the *direction* and *control* by another person.**

- **Leadership is the *process of influencing* the activities of an organised group in efforts toward goal setting and goal achievement.**

- **Leadership is the *process* of *inducing* a subordinate to behave in a desired manner.**

- **Leadership is *effective influence*. In order to influence effectively, a leader requires on the job learning about his or her influence.**

- **Leadership is essentially a continuous *process of influencing* behaviour. A leader breathes life into the group and motivates it toward goals. The lukewarm desires for achievement are transformed into a burning passion for accomplishment.**

- **Leadership is the *process of influencing* group activities toward the accomplishment of goals in a given situation. Leadership is a function of the leader, the followers and other situational variables.**

- **Leadership is the ability of the manager to *induce* subordinates to work with confidence and zeal.**

- **Leadership is the ability to *persuade* or direct men without the use of the prestige or power of formal office or external circumstances.**

- **Leadership is *interpersonal influence*, exercised in situations and directed, through the communication process, toward the attainment of a specified goal, or goals.**

- **Leadership is the *process* of providing *direction* in group activities and *influencing* others to achieve group objectives.**

The above definitions postulate that:-

1. Leadership is a relationship between two or more people in which influence and power are unevenly distributed.

2. Leaders do not grow in a vacuum.

3. Leadership is a function of the leader.

4. Leaders gain their authority over a group by the consensus of the group.

5. Leadership is a continuous process of influencing behaviour.

6. A leader **breathes life into the group and inspires and motivates** it towards accomplishment of the goals.

7. Leadership is more of something that a person acquires rather than something he has inherited by birth – **no one is born a leader**.

8. Leadership is something that emerges, that grows through one's own enterprise towards achievement of a goal.

As such, leadership is unanimously agreed to be a psychological *process of influencing followers* and *providing guidance* to them. A dictatorship under which subordinates have to perform - would not be considered as leadership. **"*There is no leadership without followership*"***,* someone once said. Leading will become meaningful and effective only if there is good leadership. A true leader *motivates* the followers to follow and *induces a belief* that the followers will gain by the policies and decisions of the leader.

Renowned late **management guru** and scholar **Prof**. **Peter F. Drucker** states that in business institutions, there can be only **leadership groups** and not individual leadership. Managers of these institutions can collectively be the leadership groups. But individually a manager is just another employee.

It is important to have the element of *"willingness"* **in the above definition**. This element differentiates successful and effective leaders from the "common run of the managers". Motivating and influencing people to move towards a common goal are all essential elements of management but the **"willingness" of the followers to be led,** highlights a special quality that puts a leader apart high above the others.

Based on these elements of a leadership definition, leadership may be defined as a function of the following five factors/variables:

$$L = f (F, G, I, W, S)$$

where Leadership (**L**) is a Function (**f**) of:

F = **followers** (group members)
G = **goal(s)** – of the group or of its leader
I = the degree of **interpersonal influence** (relationship)
W = a measure of **willingness** on the part of the followers/subordinates, and
S = a given/specific **situation,** or **situational parameters**

In *Leaders, The Strategies for Taking Charge*, Professor **Bennis** lists four competencies that leaders need to develop:

1. Forming a **vision** which provides people with **a bridge to the future**;

2. Giving **meaning to that vision** through **communication**;

3. Building **trust**, "the **lubrication** that makes it possible for organisations to work";

4. Searching for **self-knowledge** and **self-regard**. In this context Bennis says "I think a lot of the leaders I've spoken to give expression of their feminine side. Many male leaders are almost bisexual in their ability to be open and reflective…*Gender is not the determining factor*."

The worst problem for leaders, says Bennis, is "**early success**. There's no opportunity to learn from adversity and problems".

Generally speaking, leaders are known to possess energy and drive, intelligence, personality – height and build, self-confidence, sociability, tact and diplomacy, patience, maturity and a **charismatic** appearance and attitude. *Whether these characteristics (traits) are inherited or learned or both, is still a subject of debate.* Which ones of these characteristics is important and necessary for leadership is not explainable. Many of these traits are also exhibited by followers and it is not explained as to why followers could not become leaders.

Leaders are also judged by their **behaviours as leaders** irrespective of their characteristics. If a manager has high consideration for the welfare of his subordinates and his policies, procedures and work assignments are all acceptable to the subordinates then such a manager would be considered as a good leader.

The **behavioural theories** of leadership look at leaders in terms of **"what they do".** This is in contrast to the **trait theory -** which seeks to explain leadership in terms of **"who the leaders are"**. Thus according to the behaviour theory, leadership is shown by a person's acts more than by his traits. **Leadership effectiveness is then determined in term of leader-subordinate interaction and outcome.**

Contingency theories of leadership propose that leadership can also be a function of the situation, so that the effectiveness of the leader's behaviour is contingent upon the demands imposed and parameters of the given situation. This approach defines leadership in terms of the leader's ability to handle a given situation and is based upon his skill in that particular area and time. This means that a successful leader under one set of circumstances may be a failure under a different set of circumstances. For example, Winston Churchill was an effective leader of Britain during war-time but failed to sustain such leadership during peace time.

It is also possible to become a leader if **you know what the followers want** and if you have the resources and the know-how to satisfy these needs and wants, irrespective of the traits of the leader himself. This approach is known as the **path-goal theory.** The leader sets up a clear path and clear guidelines through which the subordinates can achieve both personal as well as work related goals and assists them in achieving these goals. The job of the leader becomes even easier when the subordinates are sufficiently mature, where the maturity of the subordinates can be defined as their **ability and willingness** to take responsibility for directing their own behaviour in relation to a given task.

There are three different types of leadership styles. There are the traditional **autocratic leaders** who make their own **unilateral decisions** and expect the subordinates to implement these decisions and accept no deviation from it. Then there are **democratic types of leaders** where the leaders ask the subordinates for input and feedback before making **bi-lateral decisions** and such input and feedback is taken into consideration very seriously. Finally, there is the **laissez-faire style of leadership,** the **non-interventionist approach** where the leader is simply the provider of information and resources and the subordinates are free to chart their own courses of action and activities. The leader lets the subordinated to develop their own techniques for accomplishing goals within the generalised organisational framework of policies and objectives.

Bradford and Lippitt (1954) have referred to **four styles of leadership**:

1. **The hard-boiled autocrat**
   He is a rigid disciplinarian, uses strong and negative influences, issues directions and wants their immediate acceptance. He is status minded and demands complete submissiveness. He does not appreciate initiative on the part of the subordinates.

2. **The benevolent autocrat**
   He is domineering and sets standards of work by using good techniques of positive influence. Those who do not come to his expectations are regarded as disloyal or inefficient. Some employees however dislike his behaviour. They are submissive and do not do anything on their own.

3. Laissez-Faire Leaders

They are the so-called good-fellows who do not bother the subordinates. They will make no decisions, set no goals, offer no guidance or advice and employees are free to work according to their dispositions. Employees are less productive, feel directionless and insecure, frustrated and dissatisfied.

4. Democratic Leaders

He takes the group into confidence in goal setting, planning and decision making, and allows the employees to play their role in these matters, shares his concern with the group and values their view and strives to satisfy their needs.

All leaders are expected to be able to inspire and motivate others. ***They should posses the skills of problem solving and effective communication as well as the skill in the art of negotiation and compromise.*** They should be emotionally mature ad should be able to understand the human behaviour. They should be dedicated to the purpose of achieving the group and organisational goals and objectives and should be willing to take limited **calculated risks** when making decisions and during the decision implementation process.

Key Leadership Skills:

1. **Visioning** – leadership starts with **a vision**
2. Ability to **inspire trust** and **motivate**
3. Ability and **willingness to listen** (**empathy**)
4. Strategic, systems, abstract, critical and **creative thinking**
5. **Interpersonal communication** skills
6. Emotional stability and intelligence (**EQ/EI**)
7. **Technical mastery** or competency
8. Teaching or Training (or **coaching or mentoring**) ability
9. Understanding of core processes and products
10. Understanding ICT as a powerful business development tool
11. Presentation and public speaking skills
12. Entrepreneurial skills (risk taking and innovative skills)
13. **Self-Confidence,** self-awareness and self-knowledge
14. Intelligence (IQ) and aptitude
15. **Originality** and flair
16. Analytical / diagnostic and **decision-making / problem-solving skills**
17. **Learning** from past mistakes, situations, experiences and from others
18. **Negotiating** skills
19. **Political and diplomatic** skills
20. Integrity and honesty.

The **transformational style of leadership**, emphasises that:

1. Leadership is about **taking people to where they've never been before**
2. It's about **inspiring** ordinary people to produce **extraordinary results**
3. It's about creating an image for the future (a **vision**) that **inspires enthusiasm and commitment**
4. It's about responding to the **deep emotions of people** as they cope with the journey
5. It's about **encouraging learning** by experimentation and tolerating mistakes

This style is about convincing others of the risks and rewards involved in achieving a successful transformation. Neither fiat nor fear can deliver a company's vision. It calls for **a style that is strong on strategic thinking and people management.**

These **leadership skills** are important because they underpin **six leadership attributes** that differentiate **winners from losers**:

- **Vision** – because people want to know **where** their company is **going**
- **Passion** – because leaders must posses **conviction** and **belief in their vision** if they are to **inspire** others
- **Persistence** – because the journey to the **promised land** is always full of obstacles
- **Empathy** – because leaders must **listen** to others; no one has a monopoly on wisdom
- **Action** – because **deeds** speak louder than words; in today's workplace hype provokes corrosive cynicism
- **Accountability** – because being the **guardian of corporate vision** carries new responsibility in its delivery

The Leadership VCM Model

The VCM leadership model proposes that the following **three characteristics** are part of a leader's personal profile:

- **V**ision
- **C**ommitment
- **M**anagement skills

Leaders take teams on a journey of continuous improvement, but leaders are also on a journey of ongoing personal and professional development. No one is simply born knowing how to lead.
- Dean Tjosvold -

THE LEADERSHIP THEORIES

1. **Trait Theories** (based on the genetically inherited personal qualities of leaders)

2. **Behavioural or Style Theories**

   ### 2.1 Authoritarian Vs. Democratic Styles
       2.1.1   Douglas McGregor's Theory-X and Theory-Y
       2.1.2   Rensis Likert's Four Management Styles
       2.1.3   Tannenbaum and Schmidt's Leadership Styles Continuum

   ### 2.2 People (employee / relationship) Vs. Task (production) Orientations
       2.2.1   The University of Michigan Studies (led by Rensis Likert)
       2.2.2   The Ohio State University Studies
       2.2.3   Robert R. Blake & James S. Mouton's Managerial/Leadership Grid
       2.2.4   William J. Reddin's 3-D Grid Theory
       2.2.5   The Harvard University Studies

3. **Contingency or Situational Theories**

   3.1 Fred E. Fielder's Contingency or L.P.C. Theory
   3.2 John Adair's Functional or Action-Centered Leadership
   3.3 Robert J. House's (also Martin G. Evens and Terrence R. Mitchell) Path-Goal Theory
   3.4 Victor H. Vroom & Philip Yetton's Vroom-Yetton Model, revised and extended in 1988 by Vroom & Arthur G. Jago into the Vroom-Yetton-Jago (VYJ) Model
   3.5 Paul Hersey & Kenneth H. Blanchard's Three Dimensional Model
   3.6 The Leader-Member Exchange (LMX) Model
   3.7 Life Cycle Theory (by Paul Hersey and Kennet H. Blanchard)
   3.8 Gibson's Integrative Model of Leadership (by James L. Gibson, et al.)

4. **New Concepts on Leadership**

   4.1 Charismatic Leadership
   4.2 Transactional Leadership
   4.3 Transformational Leadership
   4.4 Substitutes for Leadership
   4.5 Visionary Leadership Theory
   4.6 Entrepreneurial Leadership

5. **The Three main Leadership Styles**

   5.1 Autocratic / Authoritative / Directive Style (Traditional approach)
   5.2 Democratic / Participative / Consultative Style (Modern approach)
   5.3 Laissez-Faire / Free-Reign Leadership Style

<u>ORGANISASTIONAL STRUCTURE AND DESIGN</u>

Not many people really do know how to design an organisation that is not a machine.
- Charles Handy -

A central task of management is to motivate individual workers and **coordinate their collective efforts in ways that achieve the organization's goals.** Over the years the concepts and methods used to **structure work and to design organizations** have changed considerably. In fact, it has been noted that an organization's age can often be predicted by the way work is structured, as work practices tend to reflect the **organizational design theory** in vogue at the time the organization was founded.

- **Organisation is the process of combining the work, which individuals or groups have to perform with the facilities necessary for its execution, that the duties so performed provide the best channels for efficient, systematic, positive and coordinated application of the available resources and efforts.**

Organisational structure involves the arrangement of activities and assignment of personnel to these activities in order to achieve the organisational goals. It is the way by which various parts of the organisation are ties together in a coordinated manner and it illustrates the **network of vertical authority-responsibility relationships** among various levels of the hierarchy within the organisation and the horizontal relationships among various aspects of the organisational operations. ***The process of developing an organisation structure is called organisation design.*** The structure can be graphically shown in an ***organisation chart,*** which basically is a line diagram that depicts the broad outlines of an organisation structure.

- **An organisation chart or organisation tree is a schematic or pictorial representation of the formal relationships between functions and people in an organisation. Line or executive responsibility is usually indicated by linking functions with continuous lines, while staff or advisory relationships are usually indicated by dotted lines.**

A well planned and designed organisation structure results in better use of resources.

- **The organisational structure refers to the formal patters of interactions and co-ordination designed by management to link the tasks of individuals and groups in achieving organisational goals.**

- **Organisation structure is a means to a given end – a tool by which selected goals are attained. It is a method of reducing the variability and unpredictability in behaviour of those who work for the organisation. It is a method of regulating behaviour in order to achieve a common purpose in a coordinated manner.**

- **The structural relationships in an organisation can be shown through organisation charts. These charts depict the intended final relationships at a given time in a static way.**

- **Structure has two dimensions, one horizontal and the other vertical. The horizontal aspect defines the variations in manager's responsibility areas - through departmentalisation. Vertical aspects of structure relate to the creation of a hierarchy of superiors and subordinates leading to the establishment of a management structure. Taken together they set the formal structure of the organisation.**

The type of structure of an organisation has considerable impact on the motivation and productivity of employees. **In a good organisation structure each person is assigned a role, responsibility and necessary authority.** Each person is expected to co-ordinate his activities with others in order to achieve the common organisational goals. Each employee is expected to do his assigned job to the best of his ability and in an optimal manner, so that **waste is minimised and the performance is optimised**.
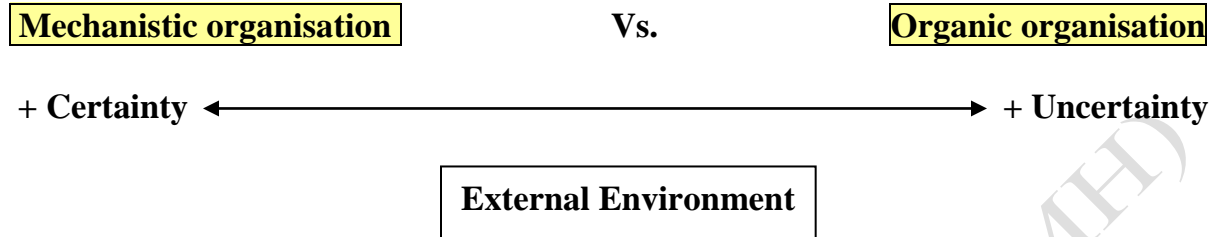
The Logical Relationships between Division of work, Departmentalisation, Hierarchy, and Coordination

Managers make decisions about organising by working with **four conceptual building blocks**: the division of work, departmentalisation, hierarchy, and coordination. Division of work, also called job specialisation, is based on the observation that productivity increases when tasks are specialised, although oversimplifying tasks can lead to **work alienation**. Jobs defined by dividing the work can then be logically grouped into departments. The arrangement of departments depends on how wide a span of management control if feasible for an organisation's managers. This arrangement in the form of levels is known as a **hierarchy**. Coordination is the process that reconciles organisational goals and the inevitable specialisation that goes with division of work and departmentalisation. **Coordination** therefore involves creating channels of communication among people who perform different kinds of work and who view the organisation differently, depending on the kind of work they perform.

Mechanistic or Organic Structures and Characteristics

Basically, the **organisation structures** fall into **two broad categories**. According to **Tom Burns and G. M. Stalker** the structures can either **be mechanistic or organic in nature.** The **mechanistic structure** (also referred to as a "closed" or "formal" organisation) is similar to the traditional **bureaucratic** structure or model - which is formal and rigid with clearly assigned roles and responsibilities at each level of the organisation hierarchy. Here, **decision making** is more or less **uni-lateral** and

centralised. The division of labour is by **functional specialisation**, where each person knows exactly what he has to do and no deviation is permitted from strictly following rules, regulations and procedures so that organisations are very rigid and a high degree of discipline is maintained.

| Mechanistic organisation | **Vs.** | Organic organisation |

+ Certainty ←——————————————————————→ + Uncertainty

External Environment

Organic structures ("open systems" called an **"adhocracy"**)**,** on the other hand are very **flexible** and there are built-in provisions or buffers to cope with the rapidly changing environments. **Decision making is bi-lateral and decentralised** and the departmental boundaries are flexible and the organisational atmosphere is more collegial. While **mechanistic structures are highly centralised** in that the policy making and decision making authority rests with the top management, the organic structure encourages decentralisation where decisions are made at the point of operations.

There may develop an **informal organisation** within the formal framework on the basis of social interactions and interpersonal relationships. They have their own structure, their own norms and their own leaders and their own working patterns. **Informal organisations** are testimony to people's ingenuity in carrying out their work and to their desire to work in a complex web of relationships.

The formal structures can be either flat or narrow (tall), depending upon the span of management/control - number of subordinates under any given manager. Management writer and consultant **Lyndall F. Urwick** proposed that for optimum efficiency, the **number of subordinates under one manager should not exceed five or six.**

The type of ideal organisation structure is a function of the **external environment** of the business, the **size** of the organisation, **technological complexity** and **interdependence**, and the philosophy (culture) and **strategy** of the organisation itself. A large organisation using sophisticated technology lends itself to an organic type of structure.

Centralisation versus Decentralisation

Centralisation is the extent to which power and authority are retained or **concentrated** at the top levels of management.

Decentralisation on the other hand is the extent to which **power and authority** are **delegated** to lower levels of management.

Given that both approaches have advantages, how does top management decide on the degree of centralisation versus decentralisation? There are four main factors that tend to tilt the scale away from the centralisation side of the continuum and toward the decentralisation side:

1. **Large size:** it is more difficult for top management in large organisations to have the time, information and knowledge to make all major decisions.

2. **Geographic dispersion:** top executives of ten find it impossible to keep abreast of the details of operations at various locations.

3. **Technological complexity:** it is typically difficult for upper management to keep up technologically.

4. **Environmental uncertainty:** the fast pace of change interferes with top management's ability to assess situations with the speed required for timely decisions.

Types or Forms of Organisational Structures

Various types of organisational structures include the **line structure** which is a very simple hierarchical type where all people are directly involved with the production of goods and services and with its income generating activities. There is also the more common **line and staff structure** where specialist staff (functions) are added to support the line managers, without the authority to enforce its recommendation. Then there is the popular **functional structure,** which permits a specialist in a given area to enforce his directive within the clearly defined scope of his authority. For example, a quality control manager can enforce his standards on all production areas. The functional form of departmentalisation is most often used by medium size organisations that are too large to co-ordinate their activities without some type of formal structure, but are not so large as to make co-ordination across functions difficult.

The **divisional organisation structure** is more suitable for **larger firms** – which can be based and differentiated by products, by customers, by geographical area or by working shifts.

The **hybrid structure** adopts **parts of both functional and divisional structures** at the same level of management. A hybrid structure tends to be used in organisations that not only face considerable environmental uncertainty that can best be met through a divisional structure, but also require functional expertise and efficiency. Typically,

the **hybrid structure is reserved for medium or large organisations** that have sufficient resources to justify divisions as well as some functional departmentalisation.

Organisational structures can also be based on a given **project**. The project can be temporary in nature such as a project to build an airport or it can be more permanent in nature such as the American space program for which a matrix type of organisation is more suitable. *A matrix structure is a combination and interaction of project and functional structures in which cross-functional teams of specialists are used.* Both functional managers and project managers are specialists and jointly control all aspects of the operations. **Matrix designs** are not suited for many organisations. Matrix designs are usually appropriate when the following 3 conditions exist:

1. There is considerable pressure from the environment that necessitates a simultaneous and strong focus on both the functional and project/divisional dimensions.

2. The demands placed on the organisation are changing and unpredictable.

3. There is pressure for shared resources.

The famous Canadian Professor, **Henry Mintzberg**, devised another influential classification of organisational or **corporate structures**. He identified **five basic** structures.

1. **The simple structure** *(basically no structure)*
    This is the young company, before its entrepreneurial founder has had to let go some of the strings. It is often **autocratic** and, as Mitzberg points out, vulnerable to a single heart attack. Before the industrial revolution it was the only structure around.

2. **The machine bureaucracy** *(dominated by technical/specialist priorities)*
    This is the company with many layers of management and a mass of formal procedures. It is **slow to react to change** and seems ill-equipped for the 21st century.

3. **The professional bureaucracy** *(dominated by skills of core staff)*
    This is the organisation that is cemented together by some sort of professional expertise, such as **a hospital or a consultancy**. It is usually the **most democratic**, partly because it is often set up as a partnership. The decisions, like the profits are shared.

4. **The divisionalised form** *(dominated by products / outputs)*
This is the machine bureaucracy that has shed much of its bureaucracy. It is a structure where there is little central authority, but whatever there is, is clearly defined.

5. **The adhocracy (Matrix, Hybrid, Network and Amorphous structures)**
(shared dominance of core staff and support services)
This is the type of organisation frequently found in the computer world, full of **flexible teams** working on specific **projects**. It is also the structure found in Hollywood and, says Mintzberg, it **is the structure of the future.**

Analysis of Organisational Structure

Two approaches to the analysis of organisational structures that have been put forward recently are those of Handy (1993) and Mintzberg (1983). Handy looked at organisations in terms of their **cultures** and identified four structures that supported the cultures he was describing. These **four structures** are imaginatively described as follows:

- The **web structure**, where power is centralised in the hands of a few key individuals, and which is suited to most small organisations.

- The **Greek temple**, which is based on functional specialisms and defined roles, and is generally seen as a bureaucracy.

- The **net**, which is essentially a matrix organisation, in which project teams are coordinated by line and functional units, and where the emphasis is on the task.

- The **cluster**, or **galaxy**, which is constructed around relatively independent and self-supporting individuals, such as in a professional practice of some kind (doctors, architects, accountants, academics, etc…)

In a less imaginative but pragmatic manner, **Mintzberg** developed his rational concept of an organisation as composed of **five segments**, summarised as follows:

- A **"strategic apex"** compromising the chief executive and directors

- A **"middle line"** of operational managers

- An **"operating core"** of those directly involved in supplying the firm's goods and services

- The **"technostructure"** comprising of functional specialists and advisors

- The **"support staff"**, who provide corporate or support services

Strategic Organisational Design

Members of an organisation need a stable, understandable framework within which they can work together toward achieving organisational goals. **Organisational design is the decision making process by which managers choose an organisational structure appropriate to the strategy of the organisation and the environment in which members of the organisation carry out that strategy.** Organisational design thus has managers looking in two directions simultaneously: inside their organisation and outside their organisation. Gradually, the "outside world" or the external environment part of the organisational design equation has been given more and more managerial attention in the recent past. This is firstly because both strategies and environments tend to change over time, and as such organisational design is an ongoing process. Secondly changes in structure usually involve trial and error and political considerations.

- **Organisational design is the determination of the organisational structure that is most appropriate for the strategy, people, technology, environment and tasks of the organisation.**

The process of developing an organisational structure is sometimes referred to as organisational design. In designing organisational structures, what factors do managers need to consider? One important issue is said to be an organisation's strategy.

Which Comes First – Strategy or Structure?

It is possible that there are causal linkages each way between structure and strategy. Structure may follow strategy at one point; then the new structures may influence the development of new strategies. **Alfred D. Chandler's** work into strategy and structure suggests that a mismatch between strategy and structure can lead to organisational difficulties.

Weighing Contingency Factors

Contingency theory argues that appropriate managerial action depends on the particular parameters of the situation. Researchers came to recognise that the best structure for a given organisation depends on such contingency factors as technology, size and environment.

1. Technology

Technology refers to the knowledge, tools, equipment, and work techniques used by an organisation in delivering its products or services. Two critical aspects of technology are technological complexity and technological interdependence.

1.1. Technological Complexity

Joan Woodward determined 3 different types of technology were reasonably predictive of the structural practices of firms in her studies:

- **Unit and small batch production:** a type of technology in which products are custom-produced to meet customer specifications or they are made in small quantities primarily by craft specialists.

- **Large-batch and mass production:** a type of technology in which products are manufactured in large quantities, frequently on an assembly line.

- **Continuous-process production:** a type of technology in which products are liquids, solids, or gases that are made through a continuous process.

1.2. Technological Interdependence

This is the degree to which different parts of the organisation must exchange information and materials in order to perform their required activities. There are 3 major types of technological interdependence:

- **Pooled interdependence:** a relationship in which units operate independently but their individual efforts are important to the success of the organisation as a whole.

- **Sequential interdependence:** a relationship in which one unit must complete its work before the next unit in the sequence can begin work.

- **Reciprocal interdependence:** a relationship in which one unit's outputs become inputs to the other units and vice versa.

2. Size

Four trends have been identified by studies of size effects on structure:

2.1.   As organisations grow, they are likely to add more departments and levels, making their structures increasingly complex. Such growth creates a pressure for a change to some type of divisional structure.

2.2.   Growing organisations tend to take on an increasing number of staff positions in order to help top management cope with the expanding size.

2.3.   Additional rules and regulations seem to accompany organisational growth.

2.4.   As organisations grow larger, they tend to become more decentralised.

3. Environment

Tom Burns and G. M. Stalker discovered firms had different structural characteristics, depending on whether they operated in a stable environment with relatively little change over time or an unstable environment with rapid change and uncertainty.

Matching Strategy and Structure

In addition to considering contingency issues, managers need to think about how they can match strategy and structure to achieve optimum effectiveness. **Danny Miller** attempted to match strategies similar to **Michael Porter's competitive strategies** with appropriate structures. He considered four main strategies:

- **Niche differentiation:** this strategy is aimed at distinguishing one's products and services from those of competitors for a narrow target market.

- **Cost leadership:** this strategy emphasises organisational efficiency so that products and services can be offered at prices lower than those of competitors.

- **Innovative differentiation:** this strategy is aimed at distinguishing one's products and services from those of competitors by leading in complex product or service innovations.

- **Market differentiation:** this is a strategy aimed at distinguishing one's products and services from those of competitors through advertising, prestige pricing, and market segmentation.

Major Matches of Structure and Strategy

Type of Departmentalisation / Structure	Associated Strategy
Functional	Niche differentiation or focus
Functional	Cost leadership; possibly market

	differentiation
Divisional or hybrid	Market differentiation or cost leadership at divisional level
Matrix, integrators	Innovative differentiation

Restructuring and Downsizing

In the recent past, managers at numerous U.S.-based organisations have practiced a kind of organisational design process that gives significant emphasis to conditions of their organisational environments. This kind of decision making is known generally as **restructuring**. Today, restructuring usually involves shrinking the organisation or, more descriptively called **"downsizing"**.

Downsizing results in decreasing the size of the organisation and often results in a **flatter organisational structure**, this is one way organisations convert to leaner, more **flexible structures** that can respond more readily to the pace of change in global markets.

Downsizing has exacted a significant cost on people who have lost their jobs, and have left what some observers believe to be a permanent mark on organisational designs of the future.

Promoting Innovation: Using Structural Means to Enhance Prospects

Jay R. Galbraith, a specialist on organisational structure, offers guidelines for **adjusting structures to enhance the prospects for innovation**. In discussing Galbraith's ideas, we consider four major aspects of structuring organisations to facilitate innovation: the vital roles necessary for innovation, the differential paradox, the need for innovative units called reservations and the transfer process.

1. Vital Roles
The innovative process is much more likely to occur in an organisation that has individuals who fulfil three vital entrepreneurial roles: idea champion, sponsor, and orchestrater.

- An **idea champion** is an individual who generates a new idea or believes in the value of a new idea and supports it in the face of numerous potential obstacles.

- A **sponsor** is a middle manager that recognises the organisational significance of an idea, helps obtain the necessary funding for development of the innovation and facilitates its actual implementation.

- An **orchestrater** is a high level manager or Director who articulates the need for innovation, provides funding for innovative activities, creates incentives for middle managers to sponsor new ideas and protect idea people.

2. Differentiation Paradox

The idea that although separating efforts to innovate from the rest of the organisation increases the likelihood of developing radical ideas, such differentiation also increases the likelihood that the radical ideas will never be implemented.

3. Reservations

Reservations are organisational units that devote full time to the generation of innovate ideas for future business. Reservations can be temporary or permanent. New venture units are either separate divisions for specially incorporated companies created for the specific purpose of developing new products or business ideas and initiatives. New venture teams are temporary task forces or teams made up of individuals who have been relieved of their normal duties in order to develop a new process, product or program.

4. Transfer Process

The more that innovators are separated from the rest of the organisation, the more difficulty an organisation may encounter in ultimately turning innovations into marketable products or services. To innovate on a consistent basis, organisations need to foster innovative efforts and provide for the transfer of new ideas from the innovative units to the rest of the organisation.

Emergence of the Virtual Organisation of the Future

The possibility that traditional organisational design process and the resulting traditional (and often bureaucratic) organisational structures can **discourage creative action and innovation** together with poor or slow responsiveness to the environment has spawned numerous experiments in short-duration, ad hoc, often smaller organisational forms.

Today's joint ventures and strategic alliances may be an early glimpse of the business organisation of the future: the **virtual corporation**. It's a temporary network of companies that come together quickly to exploit fast changing opportunities. James Brian Quinn calls these organisations **"intelligent enterprises"** because their most import product or asset is **knowledge**, packaged as valuable services.

The so-called "virtual corporation" is a common approach to what **Tom Peters** calls **"necessary disorganisation"**. It is a temporary network of independent companies (suppliers, customers, etc.) linked by information technology and **computer**

networks to share skills, costs, and access to one another's markets. It will not have a central office, organisational chart, hierarchy, or vertical integration.

Internet-driven electronic commerce is essential for organizations entering a virtual distribution marketplace and wishing to survive in it.
- Robert Edelman -

In the future the optimal form of industrial organization will be neither small companies nor large ones but network structures that share the advantages of both.
- Francis Fukuyama -

Organizations can be less heavily structured through internal architectures and more through interfaces. To grow it may be more efficient to spread like amoeba, or fungi, than like a building.
- Geoff Mulgan -

Most organisations are not designed, they grow.
- Charles Handy -

Synergy takes place best in structure.
- Nancy Kline -

Large, centralized organizations foster alienation like stagnant ponds breed algae.
- Ricardo Semler -

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ORGANISATIONAL CHANGE AND DEVELOPMENT

If you are unwilling to change, you've already reached your maximum potential.
- **Phil Erramehe -**

The important issue of **organizational change** has always been a central topic of interest to theorists of industrial relations and organizational behaviour. Early studies focused on a presumed **resistance to change** among employees. It soon became apparent, however, that much of the resistance could be overcome or avoided by involving those affected in the design and implementation of the change. But it was also discovered that the **management of change** is an ongoing and **complex political process that requires considerable leadership** and resources.

We live in an age of transition, and as such change is normal, natural and inevitable. One of the few things of real permanence in our environment is change, and as a result **the only certainty seems to be uncertainty.** Change is a normal, natural and an inevitable part of any organisation's environment**. Change** simply means the **"alteration of the status quo"**.

Status quo for any organisation is never conducive for growth, and without growth success is always limited. For continuous growth and success, organisations must change and develop to meet and adopt changes that are brought about by the very dynamics of the environment**. This would require that management must continuously monitor the external environment and its forces that are consistently impacting the internal environment of the organisations.** Ample evidence exists where organisations failed because they were unable to anticipate the changed environment and thus were caught unprepared or because they were too slow to react to these changes.

The most widely acclaimed theoretical model of the change process was developed in the **1940s by social psychologist Kurt Lewin**. He argued that successful organizational changes move through three stages, or cycles. Once the need for a specific change has been established, **Kurt Lewin's three-step sequential model can be used to initiate the change process.** The first step is the **unfreezing** of the situation. This process is similar to **brainwashing** of prisoners of war where the established beliefs and processes are completely wiped out of the system. It is like cleaning the slate to write new material. Once the groundwork has been prepared, steps are taken to bring the members of the organisation into confidence so that they come to believe firmly that change would be beneficial both to the organisation as well as to the members. This second step is called **changing** – which involves discovering and adopting the new attitudes, values and behaviours. A trained change agent leads individuals, groups, or the entire organisation through the process. During this process, the **change agent** will foster new values, attitudes and behaviours through the processes of *identification* and *internalisation*. Organisational members

will identify with the change agent's values, attitudes, and behaviours, internalising them, once they perceive their effectiveness in performance.

- **A change agent is a third person, acting as a catalyst, who assists in the achievement of the smooth introduction and implementation of change.**

The third step is **refreezing**, where the change becomes permanent and a normal way of life. This change must be continuously reinforced and supported so that this new acquired behaviour of the members becomes the new norm and does not diminish or extinguish.

Research has shown that each stage of change can take on the characteristics of an **intense political process**, in which those advocating the change must attract sufficient support from top management, union leaders, and rank-and-file workers to keep the process moving forward and to avoid the tendency of organizations to fall back into past patterns or practices. The job of a contemporary **manager** or **union leader**, therefore, has been described as a **change agent**. As the pace of technological and social change intensifies, the ability to **manage organizational change and innovation** successfully grows in importance.

- **Planned change can be defined as the systematic attempt to redesign an organisation in a way that will help it adapt to changes in the external environment or to achieve new goals.**

- **Planned change is the deliberate design and implementation of a structural innovation, a new policy or goal, or a change in operating philosophy, climate or style.**

Another methodology to induce, implement and manage change again proposed by **Kurt Lewin** is called the **"force-field-analysis"** approach. This analysis is based on the **assumption that we are in a state of equilibrium** when there is a balance between forces that induce change and forces that resist change. **To achieve change, we must overcome this status quo.** The **change forces** are known as **driving forces** and the forces that resist change are known as **restraining forces** as shown below:

Driving forces	⟹	**Equilibrium (status quo)**	⟸	**Restraining forces**
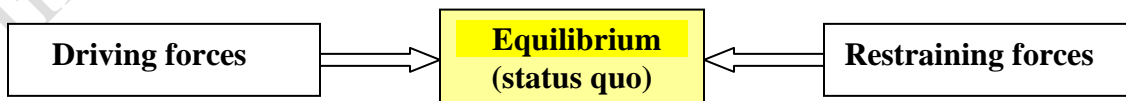
Managers who are trying to implement change must analyse this balance of driving and restraining forces and then **strengthen the driving forces** or weaken the restraining forces sufficiently so that change can take place.

This type of change would depend upon the type of environment that an organisation is facing. The change could be **strategic** which involves changes in the goals and long-term policies of the organisation or it could be **structural** in nature where the internal structure of the organisation may have to be realigned. The change could also be in the **process of operations (operational)** where to meet the **technological developments (technological)** and challenges or it could be oriented towards **socio-cultural** or **behavioural changes** among members where such changes are directed towards performance improvement, **group cohesion**, dedication and loyalty to the organisation as well as developing a sense of self-actualisation among the members, or changing the beliefs, attitudes and values of the organisation.

These changes must be properly planned and members should be properly prepared to accept these changes enthusiastically. Such changes can be brought about by outside pressure such as governmental laws and regulations or these can be internally generated either by the members themselves or by the management. **The person or force that brings about the change is known as the change agent.** If the change agent is a consultant he must develop a close and trustworthy relationship with the members. He must be an expert in motivational skills as well as inter-personal relationships. The closer the members are to the change agent, the easier will it be to induce change.

Change is always difficult to adopt because of the unknown consequences of such change. **There is a natural tendency for human beings to resist change,** and therefore we feel very comfortable with the familiar environment and any change is usually resisted. The change will be resisted by members if they feel insecure with it and the proper ramifications of change have not been properly communicated to the members and also if such change would mean shift in power and authority which would be resented by those who loose such power and authority. Accordingly, the change should be introduced gradually **(incremental approach)** and the members should participate in all decisions requiring such change. The change should be introduced at a proper time when the members would be more receptive to such change and the members must be convinced that such change would be beneficial to all.

- **Organisational development (OD) is an intervention strategy to use group processes to focus on the whole organisation in order to bring about planned change.**

- **Organisational development (OD) is a planned, managed and systematic process to change the culture, systems and behaviour of an organisation in order to improve the organisation's effectiveness in solving its problems and achieving its objectives.**

- **OD is a response to change, a complex educational strategy intended to change the beliefs, attitudes and structure of organisations so that they can better adapt to new technologies, markets and challenges.**

- **OD is a long-term, systematic, and prescriptive approach to planned organisational change. It applies the concepts of the social and behavioural sciences to the problems of changing an organisation; in doing so it treats the organisation as a complex social and technical system, which should have enough flexibility to change its design according to the nature of its tasks and external environment.**

- **Formally OD has been defined as a top-management supported, long-range effort to improve an organisation's problem-solving and renewal processes, particularly through a more effective and collaborative diagnosis and management of organisational culture - with special emphasis on formal work team, temporary team, and inter-group culture - with the assistance of a consultant-facilitator and the use of the theory and technology of applied behavioural science, including action research.**

- **It is a modern training and development (T&D) technique aiming at changing behaviour to effect planned change. It specially focuses on team building, group problem solving, and hence on human resource development (HRD) to cope with the challenges of change.**

The change must be for the better so that it develops the organisation and such **organisational development (OD)** should be directed towards the improvement of the organisational health and welfare of the members. The basic purpose of such development is **to improve the operational as well as the interpersonal skills** of employees, to improve communication channels at all levels of the hierarchy, and to **build team spirit** among workers so that their inter-group relationships and effectiveness is improved.

Dialogue is the oxygen of change.
- Jim Maclachlan -

Leaders have to break out of old habits and stereotypes to build organizations that continually improve quality and reduce costs to prosper in the turbulent marketplace.
- Dean Tjosvold -

Dialogue cannot create the need to change, but it certainly facilitates the process of change.
- Edgar H. Schein -

One of the lessons from the Darwinian world is that the excellence of an organism's nervous system helps determine its ability to sense change and quickly respond, thereby surviving or even thriving.
- Bill Gates -

To be a catalyst is the ambition most appropriate for those who see the world as being in constant change, and who, without thinking that they can control it, wish to influence its direction.
- Theodore Zeldin -

Anyone in a large organization who thinks major change is impossible should probably get out.
- John P. Kotter -

ORGANISATIONAL CULTURE AND CLIMATE

The beliefs that mold great organizations frequently grow out of the character, the experience, and the convictions of a single person.
-Thomas Watson, Jr. -

Culture means *cultivated behaviour,* and since culture is a **social** and an **anthropological** term, in an organisational sense**,** it refers to the **set of *shared* values and beliefs - which forms the pattern of work behaviour among the employees.** It consists of shared norms, values and unwritten rules of conduct as well as management styles, priorities and interpersonal relationships**.** This culture is commonly referred to as **"the way we do things around here." In essence the** *culture of an organisation is the dominant pattern of shared beliefs and values.* A strong culture lets people know as to what type of behaviour is expected from them. A culture can be highly conservative where employees behave by the rules of the book or it could be more liberal where the employees have the freedom to be more innovative and creative. **Hence the corporate culture of an organisation refers to** *the distinctive behavioural patterns that give a corporation its unique identity.*

- **From a sociologist's perspective culture is described as "*shared* meaning, *shared* understanding and *shared* sense-making…".**

- **Organisational culture is a system of *shared beliefs and attitudes* that develops within an organisation and guides the behaviour of its members.**

- **Organisational culture is a system of *shared values*, *assumptions, beliefs and norms* that unite the members of an organisation.**

- **Organisation culture represents a common perception *shared* by the members of an organisation.**

- **The *values, customs, rituals and norms shared* by all the members of an organisation, which have to be learned and accepted by new members of the organisation.**

- **Culture is the collective programming of the mind - which distinguishes the members of one human group from another.**

- **A pattern of *shared basic assumptions* that a group learned as it solved its problems of external adaptations and internal integration, that has worked well enough to be considered valid and, therefore, [desirable] to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.**

- **It is a complex mix of important understandings, assumptions, behaviours, norms, values, attitudes, beliefs, stories, myths, metaphors, and other ideas that are *shared by organisational members* and that fit together to define what it means to work in a particular organisation.**

Organisational culture generally develops around the ideas proposed by the founders of these organisations. For example Henry Ford made it clear to all executives that he was in charge of the company and he alone would make decisions. On the other hand, Edwin Land, the founder of the Polaroid instant camera believed in innovation and risk taking and such characteristics are still evident in the company.

The differences in organisation culture are very visible when a comparison of American management style is made with Japanese management style. The economic success of Japanese society is generally associated with Japanese culture where employees consider their organisations as their own extended families and the emphasis is on team spirit as against **American culture** where individual achievements are encouraged, recognised and rewarded.

However, the specific practices found in one country are hard to imitate exactly in another. To understand why and to explain why practices vary among nations, one needs to consider **differences in national cultures, political and economic conditions, timing of the industrialization process, and key historical events that affect different countries.** Japan and West Germany are two countries which are often compared with the United States because they have both achieved high rates of economic growth, productivity, labour peace, and improvements in workers' standards of living, yet these results have been achieved with very different institutions and cultural practices.

- **Indoctrination is the socialisation process of explaining to the subordinates the philosophy, policies, procedures, and standard practices of the enterprise and infusing them with beliefs and attitudes to make them amenable to the company's doctrines and viewpoints.**

Organisational culture has three levels. The first level is the most observable and consists of the material and man-made **artefacts / artifacts** of culture, **stories about its founders and other leaders, rituals and ceremonies** such as graduating ceremonies at colleges, material symbols such as luxury automobiles given as a reward for extraordinary performance and so on. The second level is comparatively more subjective in nature and primarily consists of **espoused values** - which reflect a person's beliefs as to what should be and what should not be. Finally, the last level of culture known as the **basic underlying (common) assumptions** reflects a deeper sense of ethics, norms and beliefs which are learned through social interaction over a period of time and these beliefs are carried into the workplace.

While a *dominant culture* expresses the core values that are shared by almost all the members of the organisation, some groups or departments within the organisation, develop their own pattern of behaviour or **"sub-culture"** which may not be consistent with the provisions of the dominant culture, and may bring about changes in such culture. In contrast, **countercultures** have a pattern of values and beliefs that sharply contradict and oppose the dominant social norms, values and behaviour patterns of the organisation.

- **"Just as individuals in a [national] culture can have different personalities while sharing much in common, so too with groups and organisations…. Organisations are mini societies that have their own distinctive pattern of culture and subculture(s)…Such patterns of beliefs and shared meaning…can exert a decisive influence on the overall ability of the organisation to deal with the challenges that it faces."**

In order to maintain these cultural values, it is desirable and important that managers play strong role models. Employees generally emulate leader behaviour and look up to the leaders for guidance. By being **strong role models** and by guiding, coaching and teaching, leaders reinforce the values that support the organisational culture. A strong leader also learns how to handle crisis situations without compromising the values and without causing conflict.

High moral standards and ethical codes of conduct are integral parts of the dominant culture. All employees must be made aware of the ethical behaviour expected of them. Managers themselves must have high standards of ethical behaviour and must not tolerate deviation from such **ethical standards** set by the organisation. These standards will reinforce the quality and integrity of the dominant culture.

Culture is no longer a regional domain, where a given society expresses and adheres to a stable set of cultural characteristics. High levels of mobility, advanced telecommunication processes and simultaneous transfer of information from one place to another globally has brought the world closer to itself. Regional or geographical thinking in no longer adequate and hence managers must develop a global view of culture where diversity in beliefs and values and increasing *multiculturalism* and **cross-cultural sensitivity** must be developed and respected. The knowledge about **cultural diversity, where the emphasis is on unity and creativity in diversity** can be obtained through seminars, training sessions and in the case of multinational corporations, by rotating personnel through different positions in different countries.

Therefore, organisational culture certainly has a profound and pervasive effect on individual, group and organisational performance, employee morale and motivation, productivity, the recruitment process, decision-making processes and the perception of change.

Davis and Newstrom have provided a **socialisation-individualisation (four cell/window) [culture] matrix** to explain the interaction between the influence of the organisation on individuals, and the influence of individuals on the organisation. **Socialisation is the influence of the organisation on individual behaviour. Individualisation is the opposite – the influence of the individual on the behaviour of the organisation.**

High	REBELLION	**CREATIVE INDIVIDUALISM**
Low	ISOLATION	CONFORMITY

INDIVIDUALISATION

Low   High

SOCIALISATION

- **Socialisation is the process, beginning in infancy, whereby one acquires the attitudes, values, beliefs, habits, behaviour patterns, and accumulated knowledge of one's society, through child-rearing, education and training, and modification of one's behaviour to conform with the demands of the society or group to which one belongs.**

- **In an organisational sense socialisation is the process that helps the employee to quickly adjust and adapt to the organisation's environment and culture, i.e. to its objectives and policies, and work culture so that he cultivates a feeling of belongingness to the group or organisation.**

Low socialisation and high individualisation leads to *rebellion* which, from the point of view of the organisation is destructive. High socialisation and low individualisation results in *conformity*, which is slavish devotion to existing procedures and rules. Low socialisation and low individualisation results in *isolation* which, results in lack of communication, co-ordination and integration. High socialisation and high individualisation results in *creative individualism*, which means a willingness to question, to challenge, to experiment, to create and innovate, to constructively change without being unduly destructive to the organisation. This creative individualism is, in a dynamic environment, essential for the long-term survival and long-term success of the organisation.

- **Organisational culture is concerned with the *nature* of beliefs and expectations of organisational life, while climate is an *indicator* of whether these beliefs and expectations are being fulfilled.**

- **Organisational climate reflects a person's perception of the organisation to which he belongs. It is a set of characteristics and factors that are perceived by the employees about their organisations - which serve as a major force in influencing their behaviour. These factors include leadership styles, decision making processes, internal structure, delegation, motivation and morale, communication, goals, policies, control processes and so on.**

The organisational climate is the atmosphere created in an organisation by the prevalent management style and the way in which managers and staff work together.

The **organisational climate** can be described in terms of:

1. The amount and **quality of teamwork and cooperation** within the organisation
2. The degree of **commitment** among the members of he organisation
3. The effectiveness of **communications**
4. The extent to which **planning** and **creativity** are encouraged
5. The way in which **conflicts** or **differences of opinion** are resolved
6. The extent to which employees **participate** in decision making
7. The extent to which the organisation relies upon **mutual confidence** and **trust** between mangers and subordinates rather than relying on bureaucratic authority-obedience relationships

Organizations are becoming like insects: their ethos, which is equivalent perhaps to a kind of cultural DNA, is held internally, but their structure is like the insect's exoskeleton, carried on the outside not the inside.
- Geoff Mulgan -

The number one impediment to cultural change in large organizations is a lack of urgency fostered by too much historical success.
- John P. Kotter -

Apple has to be more pragmatic and less religious. And the only one who can do that is the person who created the religion in the first place.
- John Sculley -

If networks are to be more efficient...this will come about only on the basis of a high level of trust and the existence of shared norms of ethical behavior between network members.
- Francis Fukuyama -

INTRODUCTION TO INDUSTRIAL PSYCHOLOGY

The object of psychology is to give us a totally different idea of the things we know best.

- Paul Valéry -

Introducing Psychology

- **Psychology is the scientific study of human behaviour and thought, the mind and experience – that is, the study of how human beings and other species sense, think, learn, know, communicate and interact.**

- **Psychology is the scientific study of the nature, functions, and phenomena of human behaviour and mental experience.**

With its broad scope, psychology investigates an enormous range of behavioural phenomena, such as: learning and memory, sensation and perception, motivation and emotion, thinking and creativity, language, personality and social behavior, intelligence, infancy and child development, health promotion and practices, mental illness, abnormal behaviour, stress management and much more. Modern psychology is devoted to collecting facts about human behaviour and experiences and systematically organising such facts into psychological theories. These theories aid in understanding and explaining people's behaviour and sometimes in predicting and influencing their future actions.

Industrial Psychology

- **Industrial Psychology also known as Industrial-Organizational Psychology (I-O psychology) is the study of people's behaviour, thoughts, and feelings in relation to their work, and the application of various psychological techniques to the workplace and other organizations.**

- **Industrial or Organizational Psychology is a field of applied psychology in which the results of basic and applied psychology into the well-being and efficiency of people at work is applied to problems arising in industry and in non-industrial organizations. Work in this field focuses on vocational guidance and selection, problems of work motivation and job satisfaction, absenteeism in organizations, improvement of communication within organizations, design and implementation of training courses, teaching of social and human relation skills, improvement of promotion structures, evaluation of job performance, and problems of safety and welfare. Its major branches are personnel psychology, ergonomics or human factors engineering, and organizational psychology. It corresponds roughly to occupational psychology, the term often preferred in the UK and the rest of Europe, and it falls under the umbrella of work psychology.**

- **Organizational Psychology is the field of psychology devoted to the structures and functions of organizations and the activities of the people within it. It is applied not only to industrial organizations, but also in schools, hospitals, prisons, military units and other non-industrial organizations. It focuses on such psychological problems as job satisfaction, employee attitudes and motivation, and their effects on absenteeism, labour turnover, and oganizationl productivity and efficiency.**

- **Work psychology is an umbrella or collective term for all aspects of occupational psychology and industrial/organizational (I-O) psychology.**

As such, industrial psychology also called **occupational psychology** is the application of the concepts and methods of **experimental, clinical, and social psychology** to industry. The primary concern of industrial psychology is with the basic relations in industry between worker and machine and the organization.

I-O psychology is therefore the methodological **application of psychology to work** and aims to improve understanding and management of people at work.

Industrial Psychologists advise businesses and organisations on a variety of subjects: the selection and training of workers; how to promote efficient working conditions and techniques; how to boost employee morale, productivity, and job satisfaction; and the best ways to evaluate employee performance and create incentives that motivate workers. I-O psychology first became prominent during World War II (1939-1945), when it became necessary to recruit and train the large number of new workers who were needed to meet the expanding demands of industry.

There are many areas of application within industrial psychology. Industrial psychology is actively involved in the design, execution, and evaluation of selection and recruitment, as well as in the development of the psychological tests and procedures such as interviews that are used in the selection of employees. Industrial psychology assists the design of engineering and computing systems and its safe and effective interaction with human operators (better known as **ergonomics**) so that they come closer to being readily used by people. Industrial psychologists are involved in counseling on career development, as well as in the design and evaluation of training. They also investigate and apply *theories of motivation* through the design of more satisfying work environments and the development of organisations so as to meet human needs.

The selection of workers for particular jobs is essentially a problem of discovering the **special aptitudes** and **personality characteristics** needed for the job and of devising

tests to determine whether candidates have such aptitudes and characteristics. The development of tests of this kind has long been a field of psychological research.

Once the worker is on the job and has been trained, the fundamental aim of the I-O psychologist is to **find ways in which a particular job can best be accomplished with a minimum of effort and a maximum of individual satisfaction.** The psychologist's function, therefore, differs from that of the so-called efficiency expert or the work-study officers, who places primary emphasis on increased production. Psychological techniques used to lessen the effort involved in a given job include a detailed study of the motions required to do the job, the equipment used, and the **physio-psychosocial conditions** under which the job is performed. These conditions include ventilation, heating, lighting, noise, work group structure and impact, job stress and anything else affecting the comfort or morale of the worker. After making such a study, the I-O psychologist often determines that the job in question may be accomplished with less effort by changing the routine motions of the work itself, changing or moving the tools, improving the working conditions, or a combination of several of these methods.

Industrial psychologists have also studied the effects **of fatigue** on **workers** to determine the **length of working time** that yields the **greatest productivity**. In some cases such studies have proven that total production on particular jobs could be increased by reducing the number of working hours, or by increasing the number of rest periods, or breaks, during the day. Industrial psychologists may also suggest less direct requirements for general improvement of job performance, such as establishing a better line of communication between employees and management.

History

Industrial psychology in Britain had its origins in the **Industrial Fatigue Board,** which was formed in 1915 to investigate the personal health and efficiency of workers attempting to meet the needs of the armed forces during World War I. At this time, the extremely long hours worked each week, particularly by women, often led to accidents, high stress levels and illness. The Industrial Fatigue Board operated principally at a general level to inform government policy. **In 1921 the National Institute of Industrial Psychology was founded.** This worked much more at the level of individual companies, examining work practices and developing selection techniques.

In the United States, the principal sources of motivation for industrial psychology were the writings of **Walter Dill Scott** (1901) and the research of psychologist **Hugo Münsterberg** (1879), both of whom had direct connections with **German physiologist Wilhelm Wundt**, who was the founder of modern **experimental psychology** in **1879** and was based in **Leipzig,** Germany. Even from its early beginnings, industrial psychology was diverse in its range of activities.

<u>**Some Major Research Areas of I-O Psychology**</u>

1. Social and Technical Systems

This approach seeks to obtain the best possible match between social and technical systems. The work of the **Tavistock Institute of Human Relations** in the United Kingdom was foremost in developing this technique, by examining the consequences of changes in methods of production in coal mines. The traditional method of mining involved small teams, working closely together both independently and in competition to extract coal, predominantly by hand. Technological developments in coal cutting and re-moving, led to mines being organised into larger specialised groups. The larger groups involved miners being spread over greater distances within mines, therefore making management communication difficult. It also led to conflict between the teams of miners and to low productivity. The Tavistock Institute suggested that a composite method of organising production would be preferable. This method utilised all the team-based ways of working around the new technology. The new method of working facilitated higher output, less absenteeism, and greater satisfaction for the miners.

The Tavistock Institute's influence is still felt in contemporary industrial psychology, with the concept of **socio-technical choice** being applied to the organization of work in computing and information technology. Passing too much decision capacity to computers leads to operators not being able to function when an emergency occurs in the system. It also leads to operators becoming stressed by the boredom of work in which few decisions remain with them. Socio-technical choice suggests that an optimal balance in task allocation between operator and machine should be found. Research in social psychology is very influential in this area of application.

2. **Training and Development (T&D)**

Social and technical change now occurs so rapidly that organisations must react swiftly or they may be left behind and fail completely. Industrial psychologists have been in the forefront of drawing the needs of training and development to the attention of governments and companies. They have also been vigorously involved in designing programmes for training and development. Individual workers are expected to take responsibility for utilising their own training and skills, while companies in the United States and Britain spend relatively small amounts of money on training.

At the level of evaluation, psychologists have developed techniques such as **utility analysis** which allow employers to see precisely what the benefits and costs of training are. The techniques are vital when organisations and governments are faced with questions like **"Should older workers be retrained?"; "How can we re-skill the unemployed?"; or "How can the handicapped be supported in the world of work?"** These evaluations enable individuals themselves to make decisions about the

costs and benefits of particular programmes. **Developmental psychology** and research into learning methods are crucial to good training design.

3. Employee Selection Procedures

The large number of selection procedures in use in organisations are not all equally effective in predicting whether candidates would be likely to be successful if they were to be appointed. Industrial psychologists working in this area analyse the components of jobs so as to be able to identify the appropriate range of abilities and perhaps **personality factors** necessary for successful job performance. At the same time, they assign criteria for the estimation of success. Where this occurs, selection procedures such as **intelligence and ability tests, as well as structured interviews**, can play a significant part in choosing the right person for the job. When the procedures of industrial psychology are not applied, or are applied wrongly, selection for jobs can become simply a matter of chance.

Today's organisations have to be concerned not just with accurate selection but also with fairness (equal opportunity and non-discrimination) in employment. **Chance cannot be fair**. There are many thousands of psychological tests of personality, intelligence, ability and **psychometric testing.** These tests draw heavily on psychological theories of individual difference. Research in **social psychology** has much to offer our understanding of processes that may occur in interviews, such as how we form impressions of candidates. Such knowledge can usefully be employed in **training interviewers** as well as preparing interviewees applying for jobs. Industrial psychologists are involved in assisting organisations and individuals to adapt to wide-scale changes in the economies of the world.

4. Ergonomics (Human-Factors Engineering)

Ergonomics or human engineering is the science dealing with the application of **information on physical and psychological characteristics to the design of devices and systems for human use.**

The term human-factors engineering is used to designate equally a body of knowledge (BoK), a process, and a profession. As a body of knowledge, human-factors engineering is a **collection of data and principles about human characteristics, capabilities, and limitations in relation to machines, jobs, and environments.** As a process, it refers to the **design of machines, machine systems, work methods, and environments to take into account the safety, comfort, and productiveness of human users and operators**. As a profession, human-factors engineering includes a range of scientists and engineers from several disciplines that are concerned with **individuals and small groups at work**.

The terms **human-factors engineering** and **human engineering** are used interchangeably on the North American continent. In Europe, Japan, and most of the rest of the world the prevalent term is **ergonomics**, a word made up of the **Greek** words, **ergon**, meaning "**work**," and **nomos**, meaning "**law**." Despite minor differences in emphasis, the terms human-factors engineering and ergonomics may be considered synonymous. Human factors and human engineering were used in the 1920s and '30s to refer to **problems of human relations in industry**, an older connotation that has gradually dropped out of use. Some small specialized groups prefer such labels as **bioastronautics**, **biodynamics**, **bioengineering**, and **manned-systems technology**; these represent special emphases whose differences are much smaller than the similarities in their aims and goals.

The data and principles of human-factors engineering are concerned with **human performance, behaviour, and training in man-machine systems; the design and development of man-machine systems; and systems-related biological or medical research**. Because of its broad scope, human-factors engineering draws upon parts of such **social or physiological sciences as anatomy, anthropometry, applied physiology, environmental medicine, psychology, sociology, and toxicology**, as well as parts of **engineering, industrial design, and operations research.**

5. Human Motivation at Work and Designing Motivating Jobs
   (Please refer pages 17 to 27 for a discussion of this area)

6. Psychological Aspects of Work Study (Time Study and Method Study) and Industrial Engineering

7. Corporate & Occupational Stress Management (Please refer pages 33 to 36 for a basic discussion of stress and stress management)

Psychology as the behaviorist views it is a purely objective experimental branch of natural science. Its theoretical goal is the prediction and control of behavior.
- John B. Watson -

INTRODUCTION TO COACHING, MENTORING AND COUNSELLING IN THE ORGANISATION

1. Coaching (Guided Experience)

- Coaching is a form of **employee development**, usually is applied to **management staff**, in which an experienced and skilled individual (a coach or a mentor) helps a colleague to apply knowledge and techniques in practice.

- Coaching refers to **formal on-the-job development or training of an employee** by his or her immediate supervisor – which is by far the most effective management development technique used today.

- Coaching refers to the activities that a manager / trainer (a leader) undertakes **on- the-job** to **help his subordinates to improve their abilities** (to accept delegation and to delegate to others). It is a training based on example.

- Coaching is a method of **on-the-job training** where a supervisor teaches job-knowledge and skills to the worker. A coach is entrusted with **the responsibility of training workers** while they are on the job. It provides guidance to the worker.

- Coaching is **individual or small-group management training** characterized by **on-the-job training**, continuous assessment and **personal counselling** and tuition or guidance.

- Coaching means **tutoring a student or groups of students** for a specific purpose such as preparing for a special examination or assignment.

Common general dictionary definitions of *"coach"* and, by implication, *"coaching"* usually refer to *intense skill training* of one or more persons by another who uses instruction, demonstration and practice as his or her prime methods. Unlike other forms of instruction, which are often concerned with passing on *facts or theoretical knowledge*, coaching is about helping others to learn *how to do things*. Not surprisingly coaching is most often associated with sports and other practical skills, such as playing a musical instrument. **It is centered around a skilled individual who passes on his or her skills in a fairly intimate way to an individual or small group.** Coaches, by implication, have to be people who are already skilled to a high level; people who have already proven themselves to their peers and their public.

In past times coaching was a central feature of the system of apprenticeships that grew up all over Europe in order to retain and develop key crafts. The model was a work-based one where a **skilled craftsman** passed on his specialised technical **knowledge** and **skill set** of how to perform the craft to acceptable standards for a lifetime career.

Nowadays the idea apprenticeships is returning with **Modern Apprenticeships** – open to both sexes – being offered in order to improve standards and quality in key skill areas. Parsloe (1992) identifies **four distinct coaching roles**, which can be summarized as follows:

1. The *"hands-on"* basic instructor (inexperienced learners)
2. The *"hands-off"* high performance instructor (experienced learners)
3. The *"supporter"* of learners using flexible learning packages
4. The *"qualifier"* helping learners to develop specific competencies for a formal qualification

In management development the "hands-off" and the "qualifier" roles are the most in usual, with the latter often merging into a *"mentor"* role (see below). Managers typically need to develop skills and competence in areas such as communication skills, group leadership, staff appraisal, handling grievances, planning and budgeting, etc…These are all aspects in which the job-holder often fells exposed and vulnerable, and where constructive or practical help is required to build confidence and ability levels. The presence of a skilled and valued colleague to help talk through how to handle selected situations can avoid embarrassment and major errors of judgment whilst new learning is taking place. **Coaches clearly have to be selected rather carefully**. A in other areas of teaching-learning, it is not only *what* a person knows and can do that is required, but most important of all is the *ability to communicate and effectively transfer personal insights and skills to others.*

Unfortunately, **many managers are unable or unwilling to coach those they supervise**. To be meaningful, **on-the-job coaching** must be tempered with considerable restraint – employees cannot develop unless they are allowed to work out problems in their own way. **Managers too often feel compelled to tell their employees exactly what to do, thereby negating the effectiveness of coaching.** In addition, some managers feel threatened when asked to coach an employee, fearing they are creating a rival. Actually, the manager has much to gain from coaching, since a manager frequently will not be promoted unless there is a successor available to take his or her place. Many companies have even replaced manager titles with coach tiles. At AT&T, Jere Sted is the *"head coach"* of the Global Information Solution division.

Many firms make a point of training their managers in **the fine art of coaching.** Conscientious managers often keep a "development file" for each of their employees, indicating the training they are receiving, the skills they are acquiring, and how well they are performing. A record of *critical incidents* – situations in which an employee displayed desirable or undesirable beaviour – may be included. In discussing these incidents with the employee, managers can **reinforce good habits** ("You really handled the customer's complaint well"), gently point out bad habits ("Do you think you should be firmer with the supplier?"), and identify areas in which the employee needs further development.

2. <u>Mentoring</u>

- A mentor is an expression which refers to **a mature and experienced person** – other than an individual's line manager – who is entrusted with the personal development and workplace learning of one or more less experienced persons in the organisation.

- A mentor is **an experienced manager or trainer nominated to advice, coach** and be available for counselling of a particular trainee or young manager.

- Mentors are **individuals who pass on the benefits of their knowledge to other individuals** who are usually younger and less experienced.

- Mentoring is a **method of management training / development** in which junior managers are assigned a specific individual senior manager to whom they have privileged access for advice and guidance. A bit like the tutorial system practiced in older universities.

The expression *"mentor"* originates from Greek mythology, where Ulysses (Odysseus), before leaving for the Trojan wars, entrusts his son, Telemachus, to the care and direction of his old and trusted friend, Mentor. **Thus a mentor has become to mean someone mature and experienced who advises (and gives practical assistance when required) to a younger and less experienced person.** The term "protégé" comes nearest to describing the role of the person being mentored (i.e. protected, guided and advised). **Mentoring is a learning relationship - which is broader than that involved in coaching.** The latter is definitely skills or competency focused, whereas the former is concerned with passing on knowledge, insight and attitudes as well as skill. **Mentors, it should be pointed out, are not the line managers of those concerned but some other senior managers in the organization.** This enables mentoring to proceed in a relatively friendly fashion without the stress of accountability being present.

The following example is a case in point. In 1990, female employees at the US telephone giant, NYNEX Corporation, formed *mentoring circles* to assist women in moving up the in the corporate advancement ladder. NYNEX women created these informal groups independently and outside management auspices. The groups encourage, recognize, and strengthen the bonds of women at all levels of the company. The NYNEX employees turned to the group format because there was a shortage of female upper-level managers to serve as mentors. However, participants believe the **group process** is actually better than **one-to-one mentoring**. In the circles, which have a minimum of eight participants and a maximum of twelve, the mentored women have an increased exposure to different ideas and an increased network.

Organisations that are using **mentoring and coaching approaches in their management development** are attempting to gain added value from the talent, experience and wisdom of their senior staff by encouraging them to pass off their store of **KSE (knowledge, skills and experience)** to junior colleagues, and to do so in the workplace rather than at a business school, staff college or some other external provider. The development of these approaches ha led recently (e.g. Senge, 1990) to the idea of a *"learning organization"*, which positively values and builds on the experience of its own staff as well as using external sources of employee training and development.

3. Counselling

- Counselling is a **skilled activity** in which the counsellor helps the "client" to understand their problems, take responsibility for them and develop ways of overcoming them using their own inner resources.

- A personnel / HRD function concerned with **giving practical help to employees** on personal problems both at work and in their private lives.

- It is the process of **talking to the subordinate about his job performance** and helping him to help and improve him / her-self by knowing his / her strengths and weaknesses. It is an important part of the training process.

- Counselling, sometimes also called Guidance, is **the process of helping an individual discover and develop his educational, vocational, and psychological potentialities** and thereby to achieve an optimal level of personal happiness and social usefulness.

- The **skills of helping people cope with personal or work-related difficulties** through interviews and other procedures, with the aim of allowing them to reach solutions to those difficulties themselves.

- Counselling is the practice or profession **of applying psychological theories and communication skills to clients' personal problems, concern or aspirations.** Some form of counselling also involves **advise-giving**, but the dominant ethos is one of **providing facilitation without directive guidance**.

The term covers a wide spectrum of **therapeutic** activity, from **practical advice** given during one or two meetings to **sympathetic attention** over months or years. Counsellors may specialize in particular areas, such as **bereavement, trauma** after **battle or disaster**, or living with serious illness. Other counsellors help particular groups, such as teenagers, the unemployed, or refugees. Married couples in difficulties or troubled families may seek counselling together.

Historical Development

People have always turned to others for help in crisis. In the 20th century, perhaps with the decline in formal religious belief in Western cultures, there has been a growth in the **helping professions**, such as counselling. Within counselling, approaches vary widely. The **client-centred approach**, advocated by **Carl Rogers**, an American psychologist, stressed the relationship between therapist and "client" (rather than "patient"), and emphasized **three skills: genuineness; unconditional positive regard for the client; and accurate empathy**; that is, being able imaginatively to experience the feelings of the client. This reduces the gulf between the client's idealized belief in what they ought to be and what they can be.

The **existential approaches** to counselling stress awareness of the immediate situation. The best known is **Gestalt therapy** which focuses on the **psychology** of **perception**, and deals with **images as a whole**, rather than a composition of parts. In a crisis, people are not always able to distinguish "figure" (important detail) from "ground" (everything else).

Active techniques of counselling, such as visualizing the distressed part of a person and talking to that part, may be used; other methods derive from ideas such as those of the American psychologist **Abraham Harold Maslow**, which **encourage people to fulfil their potential**. These methods may have spiritual emphases.

Behavioural and psychological methods are well researched. Many evaluative studies of outcome and process support **Rogers's "three skills"** as essential components of **effective counselling**.

Concepts

Most people have times in their lives when they are **distressed**. Changes (sometimes known as **life events**) involving bereavement, loss of status because of unemployment, and ill health can cause serious questioning of life's purpose. Persistent losses overwhelm **a person's ability to cope**; this inability can cause difficulties at work, school, and college, and in relationships. If help is not available from a **supportive network (friends or family),** this may lead to physical illness, **anxiety, depression**, or chronic maladaptive behaviour, such as **addiction to alcohol, drugs, food, gambling, work, or sex.**

Counselling methods are influenced by **theories of behavioural psychology** and **psychoanalysis.** Counsellors may assume that it is how people interpret events that causes their **anxiety**, rather than, or more than, the events themselves. A basic idea is that **disordered behaviour** can be changed by increasing an individual's awareness of **motivation**, need, and freedom of choice. **Accepting, recognizing, and clarifying what the client is feeling is critically important as is creating conditions that enable the client to make independent decisions.** When their feelings overwhelm them, some people lose the ability to deal with them in a way appropriate to their age; they regress, **wanting someone else to act as a parent**.

Problems in dealing with crises may persist if there have been faults in learning one's basic self. These may have been caused by a lack of parenting skills in a person's upbringing; by developmental trauma; or by emotional, physical, or sexual abuse in childhood.

Methods

Counsellors offer a confidential setting, reliability, consistency, and a **sustained and therapeutic relationship**. **Methods are pragmatic, practical, and problem-solving.** Setting, duration, and cost are negotiated, then assessment takes place. **Receptive listening,** reflecting on what is said, **paraphrasing, and summarizing** help the counsellor find a rational explanation for the **client's distress.** New information is given to deal with that **distress**, and practical tasks to practice between sessions may be suggested. Problems may arise through lack of rapport, failures of trust, or perceived inequalities in power between the people involved.

Training

At present, there is no recognized European qualification or minimum standard qualification. Some counsellors will have had no previous **mental health training** and can qualify after only a year; others have degrees in psychology and extensive clinical experience. Good basic training includes principles of **psychotherapy** and **psychiatry**, including how to recognize more serious **mental disorders**, as well as learning **counselling techniques**. It is recommended that people seeking counselling check the qualifications of their prospective counsellor and possibly discuss the problem with their general practitioner first. Serious psychotic mental disorders, such as **schizophrenia**, are not curable by counselling, but sufferers can be helped by its support and strategic approach.

Organizations such as the **Samaritans** provide befriending services for people who are suicidal, despairing, or in distress. These services, and other, more specialized ones (such as London Friend, which offers counselling help to homosexual people), depend on trained volunteers who can give callers absolute confidentiality and anonymity, and will listen to them without judging them or trying to influence their beliefs.

Counselling and Guidance

The concept of counselling is essentially democratic in that the assumptions underlying its theory and practice are, first, that **each individual has the right to shape his own destiny** and, second, that the relatively mature and experienced members of the community are responsible for ensuring that each person's choice shall serve both his own interests and those of the society to which he belongs. It is implicit in the philosophy of counselling that these objectives are complementary rather than conflicting. The function of those who guide children and young people is not to effect a compromise between the requirements of individuals on the one hand

and the demands of the community on the other. It is rather to orient the individual toward those opportunities afforded by his environment that can best guarantee the fulfilment of his personal needs and aspirations.

Guidance, in this sense, is a pervasive activity in which many persons and organizations take part. It is afforded to individuals by their parents, relatives, and friends and by the community at large through various educational, industrial, social, religious, and political agencies and, particularly, through the press and broadcasting services. A part of such guidance may be the giving of information that enables the person to increase the scope of his exploratory behaviour. The **guidance counsellor**, for example, may give him information about his own abilities and interests as determined by psychological tests or about educational opportunities and the requirements of various occupations. The competent counsellor does not attempt, however, to solve the person's problems for him. **Adjustment is an individual matter** that each person must discover for himself, and the counsellor tries mainly to clarify the person's own thinking.

Professional counsellors and **counselling psychologists** are commonly found in institutional settings such as high schools and colleges, private industry, counselling centers or agencies, community agencies, business organizations, prisons, and the military, as well as in private practice.

- **Vocational guidance** – an assessment of an individual's abilities and aptitudes followed by advice on matching these effectively with appropriate education, training, occupations and long term career goals. A specialist involved in vocational guidance is the occupational psychologist.

- **Vocational education** – refers to activities designed to contribute to occupational proficiency.

- **Vocational education and training** – Learning activities which contribute to successful economic performance by preparing people for employment. Concerned with attitudes and adaptabilities, as well as skills.

- **Vocational training** – training designed to equip the trainee with the skills and knowledge to undertake a particular kind of work.

- **Career guidance** – also called placement assistance, it is the process of advising or counselling individual students or others on the ideal choice of occupation or further and higher education suitable for them.

Counselling Services at work

It is becoming increasingly common nowadays for organizations to provide professional counselling facilities to employees. According to **The Chartered Institute of Personnel and Development (CIPD) – U.K.,** in a Statement on Counselling in the Workplace (1992), counselling at work is:

- **where one individual uses a set of techniques or skills to help another individual take responsibility for and to manage their own decision-making whether it is work related or personal.**

The individual here is either a **professional counsellor** or a **manager trained in counselling** techniques. The **CIPD** statement notes that colleagues while being sympathetic may unwittingly make quite unhelpful suggestions to the person under stress. Therefore **trained helpers** are required and **since most managers do not posses either the talent or the training for counselling**, the most they can be expected to contribute is an awareness of when counselling may be appropriate for an employee.

Egan (1990) describes counsellors as:

- *skilled helpers* **who are effective "…to the degree that their clients [people suffering stress], through client-helper interactions, are in a better position to manage their problem situations and/or develop the unused resources and opportunities in their lives more effectively.**

The implication that individuals have within themselves the potential to overcome their problems is significant, for **counselling can enable people to find their personal reserves**, identify external opportunities and then deploy both to work successfully through stressful situations.

Essentially, counselling is a process in which **the counsellor helps the client** to:

1. Identify the "real" problem causing distress, and the "root-cause(s)" of the problem,
2. Agree what would be the ideal or preferred outcome,
3. Consider ways by which the outcome might be achieved.

So, for example, if an employee seeks help because **his marriage has broken down** and he cannot concentrate on his work or cope with many of the usual pressures of his work, how might a trained counsellor help such a person? Firstly, it is likely that the counsellor would **try to get the client to name the particular issues that are worrying him**, both at work and in his domestic situation. Then the counsellor would try to draw out from the client what it is that he now wants from the counselling

process, e.g. repair his marriage / accept the inevitability of divorce or separation / contribute fully to his work role once again etc. The next stage is for the counsellor and client between them **to investigate the range of possibilities that could be drawn on to help bring about the desired outcomes.** Counsellors can be very helpful at this stage by extending the range of possibilities for their clients e.g. "have you considered so-and-so", "what about going to a priest, marriage guidance counsellor, solicitor etc.?" "How do you think your own manager might be able to help you?" In each case, however, **the counsellor leaves the client to decide what he may do and in what order of priority.**

Organisations which provide counselling services for their employees may provide an **in-house service using their own trained counsellor(s),** or may hire the services of an **external counselling organization**. One approach relying on external assistance in the UK is the Employee Assistance Programme, in which an employer contracts a specialist counselling service to provide counselling support to its employees. This usually takes the form of a **telephone counselling service** - which employees can ring at any time of the day or night to seek for work problems or personal problems. There is usually a limit to the number of occasions that the service can be used by any one employee. Where appropriate the counselling session can be of a **face-to-face kind in an off-the-job location**. Client confidentiality is guaranteed, and the only information that is fed back to the contracting employer is the rate of calls, the type of problem raised and other general information which does not identify individuals in any way.

Why do employers provide such an employee welfare service? The answer is primarily one of **enlightened self-interest**, i.e. unhappy, anxious, or over-stressed employees are not going to be able to achieve high performance in their jobs, they may take more time off work for sickness and may even decide to change their jobs, leading to increased labour turnover and decreased productivity and quality of work. It is therefore in an organisation's best interest to avoid or minimize such uneconomic use of their valuable human resources / capital, and **the provision of free (employer sponsored) counselling services** may be one way of sustaining or improving employee performance, achieving business targets and showing greater commitment to employees as individuals.

ENTREPRENEURSHIP IN BUSINESS

Markets are not created by God, nature, or by economic forces, but by businessmen.
- Peter Drucker -

Introduction

Every year, millions of people around the world engage in what is referred to as entrepreneurship. These people use **innovation, creativity and self-determination** to provide the vital spark for economic development throughout the world by choosing to own and manage their own firm. The leadership that is provided by these entrepreneurs enables economies around the world to benefit from all of the positive effects of economic growth.

In this essay, I intend to discuss the nature and value of entrepreneurship by reviewing some of the current literature and published research on entrepreneurship, its benefits to the society in general and the motivations, barriers and challenges that entrepreneurs must face. I also have analyzed some of the critical issues and **relationships between entrepreneurship and small businesses** and between **entrepreneurship, management and leadership**. I have also discussed briefly about the new proposed **team-based process approach to entrepreneurship**.

From the economics viewpoint an **entrepreneur** is one who assumes the responsibility and the **risk** for a business operation with the expectation of making a profit. The entrepreneur generally decides on the product, acquires the facilities, and brings together the labor force, capital, and production materials. They raise the necessary financial backing, acquire a physical site for the business, assemble a team of workers, and manage the overall operation of the enterprise. They accept the risk of losing the money they spend on the business in the hope that eventually they will earn a profit. If the business is successful, they receive all or some share of the profits. If the business fails, they bear some or all of the losses.

In his writings, the Austrian-American economist **Joseph A. Schumpeter** stressed the role of the entrepreneur as an **innovator**, the person who develops a new product, a new market, or a new means of production. One important example was **Henry Ford**. In the industrialized economies of the late 20th century, giant corporations and conglomerates have largely replaced the individual owner-manager. There is still a place for the entrepreneur, however, in small businesses as well as in the developing economies of the Third World nations.

Many people mistakenly believe that anyone who manages a large company is an entrepreneur. However, many managers at large companies simply carry out decisions made by higher-ranking executives. **These managers are not entrepreneurs** because they do not have final control over the company and they do not make decisions that

involve risking the company's resources. On the other hand, many of the nation's entrepreneurs run small businesses, including restaurants, convenience stores, and farms. These individuals are true entrepreneurs, because entrepreneurship involves not merely the organization and management of a business, but also an individual's willingness to accept risks in order to make a profit.

Some entrepreneurs use information that is generally available to **produce something new**. Henry Ford for example, for example, invented neither the automotive nor the division of labor, but he applied the division of labor to the production of automobiles in a new way – the assembly line. Other **entrepreneurs see new business opportunities**. Akio Morita, the president of Sony, the Japanese consumer electronics giant, saw that his company's existing products could be adapted to create a new one – the Walkman personal stereo. "Basically, the entrepreneur sees a need and then brings together the manpower, materials and capital required to meet that need" (Jules Backman, 1983).

U.S. Entrepreneurs

Throughout its history, the United States has had many notable entrepreneurs, including 18th-century statesman, inventor, and publisher Benjamin Franklin, and early-20th-century figures such as inventor Thomas Edison and automobile producer **Henry Ford**. More recently, internationally recognized leaders have emerged in a number of fields: **Bill Gates of Microsoft Corporation** and **Steve Jobs** of Apple Computer in the computer industry; Sam Walton of Wal-Mart in retail sales; Herb Kelleher and Rollin King of Southwest Airlines in the commercial airline business; Ray Kroc of MacDonald's, **Harland Sanders** of Kentucky Fried Chicken (KFC), and Dave Thomas of Wendy's in fast food; and in motion pictures, **Michael Eisner** of the Walt Disney Company as well as a number of entrepreneurs at smaller independent production studios that developed during the 1980s and 1990s.

The Importance of Entrepreneurship

Entrepreneurship is now an important area of study and research, and currently a very popular topic among students and scholars of management and economics. However, it was not always so. Before 1960, most economists had understood its importance, but they tended to underrate it because the attention was devoted to big companies that obscured the fact that most new jobs were created by newer, smaller firms. Moreover, the function of the entrepreneur – organizing new productive resources to expand supply – seemed unimportant to the dominant school of economics, which was chiefly interested in managing consumer demand by inducing consumers to buy more products.

In the 1970's, the mood changed again when economics concerned primarily with consumer demand failed to prevent the constant inflation of the decade. Economists

began to worry about the fact that productivity was increasing much less rapidly than it had earlier. This made them more interested in the supply of new goods and services – the entrepreneurs sphere – and less interested in managing demand. The Japanese Nissan and German Volkswagen challenges to the American auto industry's "Big Three" (Chrysler, Ford, and General Motors) doomed the management of consumer demand as a manager's byword.

Slower growth in general made those sectors of the economy that were still rapidly growing stand out: medical services, electronics, robotics, computing, genetic engineering, and a few others. These are all high-tech industries in which many companies are small **start-ups** founded by people who wanted to **change** the business world – entrepreneurs. What George Guilder calls **"heroic creativity of entrepreneurs"** (Gilder, 1981) came to be seen essential to our economic well-being, especially in a **global economy**. In the next section we will look at the ways entrepreneurship benefits society.

The Benefits of Entrepreneurship

Entrepreneurship has at least six social benefits, as given below:

1. **Fostering economic growth**
   Entrepreneurship leads to the creation of many new businesses that help fuel economic growth. A series of recent studies has identified that the industry structure is generally shifting towards an increased role for small enterprises. Acs (1992) states that smalls firms play an important role in the economy, serving as agents of change by their entrepreneurial activity, being the source of considerable innovative activity, stimulating industry evolution and creating an important share of the newly generated jobs.

2. **Generating employment opportunities**
   The economic impact of small business job growth is likely to be the greatest during times of economic slowdown, when larger companies are cutting back. But David Birch adds, "Not all small businesses are job creators. The job creators are the relatively few younger ones that start up and expand rapidly in their youth, outgrowing the "small" designation in the process" (Birch, 1981). Birch has also found that new companies – and therefore the jobs they create – are increasingly found in the **service sector of the economy** rather than in the manufacturing sector (Birch, 1979; Birley, 1986; Littler and Sweeting, 1990).

3. **Increases productivity**
   Higher productivity is mainly a matter of improving production techniques and reducing wastage, and this task according to John Kendrick, is "the entrepreneurial function par excellence." Two keys to higher productivity are research and development (R&D) and investment in new plant and machinery.

According to Kendrick, "there is a close link between R&D and investment programs, with a higher entrepreneurial input into both" (Backman, 1983).

4. **Innovation: creates new technologies, products and services**
   Entrepreneurs have introduced many new technologies, products and services that have changed the way we work and live.

5. **Changes that rejuvenates market competition**
   Entrepreneurs stir up the waters of competition in the marketplace. Zoltan Acs calls small businesses created by entrepreneurs "agents of change in a market economy" (Acs, 1992). The international market also provides many entrepreneurial opportunities for companies and to-be entrepreneurs. Researches describe today's markets as "dynamic markets" that feature **innovation-based competition**, price/performance rivalry, decreasing returns, and the "creative destruction" of existing competencies (Venkataraman, 1997; Santora et al., 1999).

6. **Opportunities for women and minorities**
   Entrepreneurship offers an alternative avenue into business for women and minorities.

Other writers have also stated that entrepreneurship can be seen as a vehicle for **personal growth and development** and can also help in resolving social issues.

Entrepreneurship and Small Businesses

Entrepreneurship and small business are related but certainly not synonymous concepts. On the one hand, entrepreneurship is a type of behavior concentrating on opportunities rather than resources (Stevenson and Gumpert, 1991). On the other hand, small businesses can be a vehicle for both a Schumpeterian entrepreneurs introducing new products and processes that **change the industry** and for people to simply to simply run and own a business for a living (Wennekers and Thurik, 1999).

There is ample evidence that economic activity moved away from large firms to small firms in the 1970's and the 1980's. In today's world small businesses, and particularly new ones, are seen more than ever as a **vehicle for entrepreneurship**, contributing not just to employment and social and political stability, but also to **innovative** and **competitive power** (Wenneckers and Thurick, 1999).

Carlsson (1992) proposes two explanations to the **global shift towards smallness.** The first deals with the fundamental changes in the world economy from the 1970's onwards. These changes relate to the intensification of global competition, the increase in the degree of uncertainty and the growth in market fragmentation. The second explanation deals with the changes in the character of technological progress.

Carlsson shows that **flexible automation** has various effects, resulting from a shift from large to smaller firms.

Audretsch and Thurik (2000) point to the necessary shift towards the **knowledge-based economy** being the driving force behind the move from large to smaller businesses. In their view **globalization and technological advances** are the major determinants of this challenge of the Western countries.

The Entrepreneur

Because entrepreneurs have the potential to contribute so much to society, researches have tried to analyze their personalities, skills, and attitudes, as well as the conditions that foster their development. Research has shown that certain psychological and sociological factors are characteristic of entrepreneurs.

1. Psychological Factors

In the mid 1980's Thomas Begley and David P. Boyd studied the psychological literature on entrepreneurship in an effort to distinguish between entrepreneurs and people who manage existing small businesses. They ultimately identified five dimensions:

1.1 *Need-achievement*. Entrepreneurs score high on McClelland's motivation concept of need achievement. McClelland found that certain types of people had high need achievement and that certain types of societies tended to create high need achievement.

1.2 *Locus of control*. This is the idea that individuals – not luck or fate – control their own lives.

1.3 *Tolerance to risk*. Entrepreneurs who are keen on taking more calculated risks seem to earn higher return on assets than entrepreneurs who either take no risks or take extravagant risks.

1.4 *Tolerance for ambiguity*. Compared to managers, entrepreneurs face more ambiguity and uncertainty, since they may be doing certain things for the first time – ever – and because they are risking their very livelihood.

1.5 *Type A behaviour*. This refers to the drive to get more done in less time and – if necessary – despite the objection of others. Both founders and managers of small businesses tend to have much higher rates of Type A behaviour than do other business executives.

Ellen Fagenson provides a different angle on the psychological differences between entrepreneurs and managers (Fagenson, 1993). According to her, **entrepreneurs tend to value self-esteem, freedom, a sense of accomplishment, and an exciting lifestyle.** Managers, on the other hand, tend to value true friendship, wisdom, salvation, and pleasure. She concludes, "Entrepreneurs want something different out of life than managers."

Other researchers have studied the entrepreneur's motives and goals, which seem to include **wealth, power, prestige, security, self-esteem, and service to society** (Wilken, 1979).

2. Sociological Factors

Often members of minority groups feel employers discriminate against them – either directly or indirectly. To succeed in the corporate culture, some minorities feel that they must "sell their souls" by giving up their racial, ethnic, or sexual identity. Others bump their heads against the glass ceiling. These frustrations, amongst others, have left many minorities thirsting for an environment that suits their needs and allows them the latitude to create and thrive. This desire coupled with the perennial enticements of entrepreneurship, have made **minority entrepreneurs** common in today's business world (King, 1988; McCall, 1989; Nathans, 1990; Swoboda, 1990).

For African Americans, this can mean an opportunity to move out of what has been a white, male dominated corporate culture. Increasingly African Americans are seeing the **new service sector-businesses** ranging from advertising to architectural services – as a place of opportunity and growth. One advantage of the small business service area is that it is less capital intensive. Another benefit is that more and more corporations are **contracting out services (outsourcing)** traditionally provided in-house.

Today women are forming small businesses at nearly twice the rate that men are. In the U.S. in 1994, women owned or controlled about 6.5 million small businesses – nearly one third of the total. Currently one in ten workers is employed by a woman-owned company (Chandler and Murphy, 1994; Ehrlich, 1990).

Barriers to Entrepreneurship

Why do entrepreneurs fail? The most common reason, says Karl Vesper, **"is lack of a viable concept"** (Vesper, 1983). Another common problem is lack of market knowledge. Sometimes it is hard to attract the people with the best information because they already have good jobs, are chained to their present employers by "golden handcuffs," or are too complacent to feel a need to do truly first-rate or important work. Even a lack of technical skills can be a problem, according to Vesper.

Then, there is also the difficulty of finding the $25,000 to $100,000 **start-up capital** typically needed. Capital is even harder for women to come by, because women often start businesses in the service sector where, although start up costs are lower, banks make less money on the smaller loans. Women borrowers also complain about discrimination, especially among venture capitalists.

A certain number of entrepreneurs fail after start-up because they lack general business know-how. Some would-be entrepreneurs are deterred from entering certain lines of work – for example, housecleaning – by what they see as a social stigma. In all, Vesper has identified **twelve common barriers to entrepreneurship**, as follows:

1. Lack of viable concept
2. Lack of market familiarity
3. Lack of technical skills
4. Lack of seed capital
5. Lack of business know-how
6. Complacency, non-motivation
7. Social stigma
8. Job "lock-ins", "Golden-handcuffs"
9. Time pressures, distractions
10. Legal constraints, regulation, red tape
11. Protectionism, monopoly
12. Patent inhibitions

Other researchers have identified that **attitudinal and cultural barriers** are significant obstacles to new enterprise growth and development. As such, intangible factors such as society and culture are likely to have a significant influence as barriers on entrepreneurial activity (Gartner and Shane, 1995). There is also the problem that many small business owner-managers are reluctant to seek, or accept, external advice (Garter and Shane, 2000).

Entrepreneurship verses Management

Entrepreneurship is different from management. Paul H. Wilken explains that **entrepreneurship involves initiating change** in production, whereas management involves the ongoing coordination of the production process. He states, "entrepreneurship is a discontinuous phenomenon, appearing to initiate change in the production process…and then disappearing until it reappears to initiate another change" (Paul H. Wilken, 1979).

Entrepreneurship is, above all, about **change**. "Entrepreneurs see change as the norm and as healthy. The Entrepreneur always searches for change, responds to it, and exploits it as an opportunity." These words were written in 1986 by Peter Drucker, a well-known contemporary management scholar and writer, but they might just as

easily have come from the pen of Schumpeter, the economist quoted earlier, who popularized the **French term "entrepreneurship"**. For Schumpeter, the whole process of economic change depended on the person who makes it happen – the entrepreneur" (Wilken, 1979).

A Team-Based Process Approach to Entrepreneurship

Gartner et al. (1994) reviewed six major papers in entrepreneurship and identified a **meta-theme that entrepreneurial activity resides in a group**, instead of in a single person. Other researches also suggest that any entrepreneurial venture involves a team of individuals, not just one entrepreneur, and that it is the nature of the team, not just of the individual, that is important. This would be suggestive of a **positive synergy effect** in a team based entrepreneurial process or activity that could outperform a single individual entrepreneur in the process of entrepreneurship.

Research in entrepreneurship has thus far failed in identifying a definite trait or behavior that defines entrepreneurs. Instead, it is now apparent that entrepreneurship is more of a **multidimensional construct** that can be seen as an event rather than personality. The success (or failure) of this event also is viewed as resting on a team of individuals rather than the single entrepreneur.

ESP, Leadership and Entrepreneurship

In the context of strategic management and leadership, an **entrepreneurial strategic posture (ESP)** is a "strategic posture" that organizational leaders adopt to implement a strategy to compete in dynamic markets. ESP represents the leader's, the founder's, or senior management's chosen strategic posture, rather than the shared values, beliefs, and norms of organizational members.

Researchers have recently stressed the important need for a new entrepreneurial approach to leadership to enhance the firm's performance, its capacity for adaptation, and its chances of long-term survival considering the challenges posed by rapid changes in today's global **"dynamic markets"** (Brown and Eisendhardt, 1998; Bettis and Hitt, 1995). Some are calling this new type of leadership as **"entrepreneurial leadership"** and explain that it exhibits both entrepreneurial and leadership characteristics and behaviors (Ireland and Hitt, 1999; McGrath and MacMillan, 2000; Meyer and Heppard, 2000).

When we review the study of leadership styles and how they influence the organization, one of the significant differences that emerged is the distinction between the **transactional and transformational leadership** (Burns, 1978). Whilst the traditional transactional leadership approach is based on an economic means of exchange between the leader and the followers, transformational leadership is based on the leader's ability to recognize the followers' needs, demands, and motivations as

well as satisfy the followers higher level needs in a way that utilizes the full potential of the individual. As such, **transformational leaders create change** in organizations through behavioral patterns that are different than those exhibited by transactional leaders (Bennis, 1980; Conger, 1989; Conger and Kanugo, 1987; Sashkin, 1990).

Sashkin and Rosenbach (1998) have developed an overall integrative approach to leadership known as **"Visionary Leadership Theory"** which defines transactional and transformational leadership measures through their visionary leadership theory as encompassing communication, trust-building, caring, and creating empowering opportunities for behaviors and self-confidence, and vision for characteristics. The **contextual factor is culture.**

They argued that the first and perhaps most import basic characteristic of transformational leadership is **self-confidence**. The visionary leadership approach of Sashkin and Rosenbanch (1998) views the **"vision"** as one based on the ability to first mentally and then behaviorally construct the future. According to them visionary leaders don't simply arrive at a vision and sell it to followers. The idea of vision aligns well with the organization's entrepreneurial strategic posture, meaning that the leader can develop a crystal clear vision and communicate it to their staff, which will allow the organization to be more proactive, innovative, and risk-taking.

Further, **transformational leadership behaviors** include elements of **Creative Leadership** which is called "creative" because it refers to the extent to which leaders create opportunities for followers to be empowered and achieving goals in which they have been empowered. It also includes **Credible Leadership** which establishes **trust** by taking actions that are consistent both over time and with what the leader says, and **Principle-Centered Leadership** which emphasizes that the most importance thing leaders do is construct culture (Schein, 1985).

From the study and review of the present literature on leadership and entrepreneurship, this essay suggests that organizations that exhibit an **entrepreneurial strategic posture (ESP)** may have CEO's that exhibit similar leadership characteristics and behaviors as described by Sashkin and Rosenbach (1998). This may help define and operationalize the emerging concept of **"entrepreneurial leadership"** and how this can help develop the organization's strategic posture and in turn the organizational performance.

Conclusions

It can be argued that the **organizational archetype of the future will be entrepreneurial.** Its leadership, strategies, culture and structure should therefore reflect entrepreneurial thinking. Clearly, much remains to be done in clarifying the role and characteristics of tomorrow's leaders. **New organizational designs**, new

thinking patterns, and new information systems will require new leadership styles. **Entrepreneurial leadership** may offer one answer.

Government policy should change to encourage more businesses to grow and thrive. Access to resources – financial, human, physical, and information should be made available to encourage future entrepreneurs-to-be to start their own small business ventures. As such, the central role of government policy in the entrepreneurial economy should be enabling in nature. The focus should be to foster the production and commercialization of knowledge. Rather than focus on limiting the freedom of firms to contract though antitrust, regulation and public ownership, government policy in the entrepreneurial economy should target education, increasing the skills and human capital of workers, facilitating the mobility of workers and their ability to start new firms, lowering administrative and bureaucratic burdens for small business and promoting knowledge transfer to innovative new enterprises.

In the final analysis, the success of private enterprise rests with the ambitions, willingness, creativity and the managerial and leadership ability of the individual entrepreneur. The future of entrepreneurship within a given country is depended upon the entrepreneur's willingness and ability to combine personal values with market potentials, financial resources, entrepreneurial leadership, and business efficiency.

Entrepreneurship will become a core skill which all our young people will need to exploit the opportunities emerging from science and technology, culture and communications.
- Tony Blair -

A company's ability to innovate is rapidly becoming the primary source of competitive success.
- Christopher A. Bartlett -

A Quitter Never Wins & A Winner Never Quits
- Napoleon Hill –

He who doesn't take risks, doesn't drink champagne.
- Alexander Lebed -

We must combine the power of corporate teamwork and cooperation with the creativity and agility of the entrepreneur, without slipping into the excesses of either corpocrat or cowboy.
- Rosabeth Moss Kanter -

The challenge in a start-up is that you always have to spread your wings pretty far to see what will work.
- Michael Dell -

The best way to predict the future is to invent it.
- Phil Erramehe -

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DIVERSITY MANAGMENT

What is Diversity Management?

Introduction

In order for a company to be successful, the careful management of diversity is needed in order to be proactive in managing problems. Public and private sector organizations are involved in a number of activities that seek to reduce cultural and communication barriers to create a more productive work environment. Employee potential is maximized through self-awareness and understanding combined with management and leaderships' commitment to provide a safe environment for employee development. Working along with the company's diversity, discovered through self-awareness, employees can realize improved self-management skills and increased job satisfaction.

Since diversity management was introduced in Europe in the late 1990s, it has been debated whether this new concept would act as a catalyst of organizational change in favor of underprivileged groups. This assignment argues that diversity management is interpreted in a specific societal and organizational context, and indicates how strong institutions make their impact on global versions of diversity management. On the basis of a case study of the implementation of diversity management in a specific organization, the authors analyze how discourses of diversity management and corporate social responsibility are combined. The study suggests that this version of diversity management potentially leads to changes in the positions of ethnic minorities, primarily in the form of assimilation, as it maintains a focus on the sameness of people, not on the value of difference or otherness.

Defining Diversity

Diversity refers to the differences between individuals. People differ on all kinds of aspects, both visible and non-visible. Examples of differences are gender, age, sexual preferences, skills, tenure, learning styles etc. We find these differences in every workplace, though not all differences are always recognized or seen as relevant.

Diversity can be defined as a situation that includes representation of multiple and ideally all groups within a prescribed environment, such as a workplace (University of Maryland, 2000). The success of an organization depends on the workforce of the organization. A workforce made up of diverse individuals from different backgrounds can bring the best talent to an organization. There are many types of diversity and demographic characteristics and each one has an impact on individual behavior. Ethnicity, gender, age and personality traits diversity will be discussed along with an examination of the impact each of these have on individual behavior, skills and increased job satisfaction.

Defining Ethnicity

Ethnicity can be defined as a quality assigned to a specific group of people historically connected by a common national origin or language. Ethnicity is a word commonly used to describe race. When considering the impact ethnicity has on individual behavior a person has to consider all races. Ethnic groups are the minority in a workforce and the impact these groups have on the workforce is dynamic. Ethnicity plays a role on individual behavior in positive and negative ways.

Defining Multiculturalism

Multiculturalism as it applies to management can be defined as the view that there are many different cultural backgrounds and factors that are important in organizations, and that people from different backgrounds can coexist and flourish within an organization. Usually multiculturalism refers to cultural factors such as ethnicity, race, gender, physical ability, and sexual orientation, but sometimes age and other factors are added. Robert Hughes has argued that multiculturalism is a basic premise of American society.

Multiculturalism and Organizational Success: Taylor Cox's Six Arguments

Most organizations have realized that diversity exists and that the culture of any organization must pay attention to the needs of a set of very diverse employees. In short, many managers especially in large multinational corporations are grappling with how to make their corporate culture more in tune with the challenging and often subjective issues of multiculturalism.

It now well recognized and accepted that effectively managing the issues of diversity and multiculturalism is crucial to organizational success. Professor Taylor Cox of the University of Michigan in the USA has suggested six arguments to support his belief that managing cultural diversity can improve organizational performance.

The *cost argument* says that if organizations do a poor job in managing multicultural issues they will have higher costs. The revolving door syndrome (short tenure at work occurring, for example, when minorities can get into an organization but do not stay because they feel uncomfortable in the organization's environment) is expensive. When women and minorities leave, the organization gets no return on the investment it has made on them. In addition, if multicultural issues aren't managed well, then people are not as comfortable as they could be in the work environment and they spend time and energy worrying about discrimination, harassment, and other issues rather than their jobs.

The *resource acquisition argument* says that companies that handle multiculturalism well will have an advantage over other companies in hiring multicultural workers.

The *marketing argument* says that organizations that manage multicultural issues well have an insight into markets consisting of minority group members and women. Markets, too, are diverse, and cultural issues have some effect on the busying decisions of customers.

The *creativity and problem-solving argument* holds that groups of people from diverse backgrounds can be more creative than groups with homogeneous backgrounds, and are better at solving problems.

Finally, the *system flexibility argument* says that the ability to manage diversity increases the adaptability and flexibility of an organization. External and internal issues can be responded to more quickly. In addition, to manage diversity successfully, an organization must question outdated policies and procedures that emerged in days when multiculturalism was not a large concern for the organization.

Diversity in the Workplace

Diversity Management is a comprehensive managerial process for developing an environment that works for all employees. It encourages managers to enable, empower and influence employees to reach their full potential. It ensures that organizational systems, policies and practices do not benefit one group more than another. The idea of "inclusiveness" is central to Diversity Management and it addresses workplace behaviours and understanding differences while focusing on an organization's culture and climate. Managing diversity in the workplace enables organizations to better serve their customers and clients because it gleans a better understanding of their needs.

Elements of Successful Organizational Diversity Management

Why is organizational diversity important? Historically, diversity in the workplace has been recognized as an employment equity issue. Now, however, diversity in the workplace is being recognized as a benefit that will contribute to an organization's bottom line. Increased employee and customer satisfaction end up as increased productivity, all of which are measurable outcomes (Goff, 1998). Diversity goes beyond employment equity to nurturing an environment that values the differences and maximizes the potential of all employees, one that stimulates employee creativity and innovativeness (U.S. Merit Systems Protection Board (U.S. MSPB), 1993). To create an organizational culture that supports workforce diversity involves several important elements. These elements include a needs analysis, administrative and management support and commitment, education and training, culture and management systems changes and continuous follow-up and evaluation.

Needs Analysis

In many of my resources, a needs analysis was the second crucial element after senior management support and commitment. I feel a needs analysis should be prepared first to provide information to senior management in sequestering their support as well as to adequately determine workforce and organizational needs for creating a diverse workplace. First, find out what employees are concerned about. Most often used for this are focus groups and surveys. The needs and expectations of a diverse workforce can vary by organizational and functional levels, location, ethnicity, and gender (Baytos and Delatte, 1993). Second, determine the needs of the organization. By asking certain questions, an organization can determine its needs based on its culture and resources (U.S. MSPB, 1993). Does the organization have trouble retaining employees who would add to its diversity? In an organization with diversity, which, if any, areas of the workforce are being treated inappropriately? Has the organization impressed upon its leaders and managers the benefits that come from managing diversity appropriately? By using a survey that focuses on these questions you can ascertain where administration and management feel the organization presently is regarding diversity.

Administrative and Management Commitment and Support

Administrative and management support is critical for diversity change efforts. An important role for senior management is to provide leadership through development of a vision and goals for a diverse workplace (Lapid-Bogda, 1992). To gain support from administration you need to directly link diversity to the business. Be specific as to where the diversity issues lie. Are they employee or customer issues? Or both? Provide data regarding the diversity opportunities in the marketplace, workforce and organization (Prism International, 2000). Benchmarking best practices related to diversity from other organizations, demographic data, briefings regarding complaints, potential lawsuits, and hiring and retention problems are all relevant sources of data.

In general, the organizations experiencing the greatest success with diversity training are more likely to view diversity as a business issue rather than a social issue (Profiting from others', 1994).

Link diversity to other organizational initiatives, such as quality management or career development (Lapid-Bogda, 1992). Discuss both your initial assessment of what will be required for implementation and institutionalization of diversity management and the known elements in the organization that will promote and/or hinder the successful achievement of diversity management (Prism International, 2000). Finally, administrative support and commitment is essential also for the means to provide the programs and resources necessary for diversity education and training. You'll never survive the first round of budget cuts without the support of administration.

Education and Training

Organizations that successfully manage diversity distinguish between the differences of education and training. Education is a building of awareness and creating a base of general understanding. At the administrative and management levels, educational efforts can spawn interest and an awareness of need, which can then extend the change process throughout the organization (Baytos and Delatte, 1993). Education provides a setting to define issues, develop consistent language and to discuss the nature and source of biases that hinder our ability to perceive others clearly.

Training involves activities designed to build usable skills. Training targets in on specific issues to develop the skills necessary to effectively and sensitively deal with an issue. For example, training might teach managers how to conduct performance appraisals with employees from a different culture. By using the information gathered during the needs analysis, an organization can target in on the specific diversity issues they need to address with training.

What has worked well for many organizations is to hire outside trainers for a short period of time to "train the trainer" and assist with the initial training workshops. Outside trainers tend to be more objective and are more likely to receive respect from employees, which is valuable in the initial diversity training effort. Before an organization hires an outside trainer, it should thoroughly review the trainer's credentials. Ask for references, and follow up on them. It's also wise to ask candidates to prepare a proposal that outlines how they will link their training to the organizational culture and business strategy. The advantage of internal trainers is that they understand the organization's culture and can manage the training process (Caudron, 1993). Having training programs conducted by a diverse group of trainers produces a more relevant, creative product and one that demonstrates the organization's value of diversity (Gardenswartz and Rowe, 2000).

Mandatory training across all levels sends a convincing message about the organization's commitment to diversity and increases the likelihood that what lower-level employees learn will be role-modeled and reinforced by their managers. Findings clearly indicate that it is the attendance of managers, not employees, that makes the most positive impact on training outcomes (Profiting from others', 1994).

If the training is not relevant to the needs of the workforce, more harm than good may occur. For example, an organization that had a large gay and lesbian population decided to conduct diversity training without learning about the concerns and expectations of the employees. Their training program focused on racial issues (which weren't a problem at this company) and ignored homophobia (which was a problem). Gay employees left the training feeling as if management didn't consider their issues to be important (Caudron, 1993).

Diversity training needs to be effective. There is a substantial foundation of knowledge and expertise associated with understanding the effects of diversity in organizations. The trainer needs to be proficient in the subject matter and possess good facilitation skills in order to provide high quality training (Cox, 1994). Some examples of ineffective training include training that attempts to fix the victim, by trying to get these individuals to conform to the organization's culture, training that tries to force politically correct language onto workshop participants and training that focuses on confronting stereotypes without giving importance to developing the skills needed to bring awareness of these stereotypes back to the workplace. Raising awareness is important, but you have to tell employees how to apply that awareness to their jobs (Caudron, 1993). Needless to say, education and training are absolutely necessary, but will be ineffective if an organization does not change its systems (Johnson, 1992).

Culture and Management Systems Changes

Diversity needs to be a way of life, not just an organizational buzzword. Bond (1998), states that articulated values and team structures are important but not sufficient to support diversity in an organization. This element should include an assessment of the organizational culture and human resource management systems of the organization. Effective organizational diversity management needs to go beyond programs, processes and activities to develop a culture that recognizes and rewards those who value, promote and facilitate workplace diversity (Wong, 1999). The formation of a diversity team, consisting of predominantly non-management members from all areas of the organization with the leader of this group a person trained in diversity, is crucial. Management has to then create avenues that allow this group to make the changes they identify as necessary (Johnson, 1992).

An organization should take stock of all training and development provided and then assess diversity's link to the content and process of the training. Consider how diversity concepts such as cultural differences, stereotypes, and assumptions relate to the training's topic; also, think about how differences in background, styles and culture influence participant receptivity and comfort. Next, adapt both content and process to suit the needs of a wide variety of employees working in a diverse environment (Gardenswartz and Rowe, 2000).

Policies and practices need to be systematically reviewed to see how they can incorporate diverse needs and preferences and then, if necessary, changed to move diversity beyond the personal awareness level and integrate it into the company culture (Johnson, 1992).

Managers need to know what their role is in supporting diversity. Many organizations provide continuous education and training regarding diversity principles and diversity skill development for all managers. These principles and skills include recruitment

and retention, diversity conflict resolution, diversity performance coaching, and career development. Most importantly, though, is that management must "walk the talk". Managers and supervisors must transform their attitudes into actual behavioral changes, and the organization must promote and accommodate new attitudes and behavior (Morris, Romero and Tan, 1996).

Follow-up and Evaluation

Many of the successful organizations practice some type of long-term follow-up and monitoring to maintain the positive effects of training efforts. These efforts include: establishing a committee and/or developing a newsletter to track progress, highlight various cultures, etc.; periodically administering a survey to gauge results; and meeting regularly with managers and administrators to review these efforts (Jordan, 1999). Other organizations have established employee development and mentoring programs, to help a broader range of employees move up in the organization (Caudron, 1993).

By evaluation I am referring to measuring the outcomes of diversity efforts and change. Results can be measured through increased employee retention, improved accountability and increased alignment with the organization's mission (Black and Prudente, 1998). Diversity often has both tangible and intangible benefits (such as "increased job satisfaction" or "reduced conflict") and an attempt to quantify these benefits should be made (Gardenswartz and Rowe, 2000). As Albert Einstein said, "Not everything that can be measured counts and not everything that counts can be measured." Finally, continuously review your initiative by asking those within your organization: Is this working? If it is, find out what's working and keep doing it. If it's not, re-evaluate what you're doing and why you're doing it.

Conclusion

Building a truly effective diversity program requires a comprehensive, long-term commitment from administration, human resources, managers and employees. Creating an organizational culture that supports workforce diversity involves several crucial elements. The needs and expectations of both the workforce and the organization must be ascertained. These needs and expectations are important to secure administration and management support as well as to ensure that the training will have relevance. Continuous follow-up of the training and initiatives is important to reinforce what has been learned as well as to demonstrate commitment and to "keep the fires burning". Measuring the tangible and intangible outcomes of diversity management keeps the process flowing and links the initiative to the business strategy. More than simply a training program, diversity must be woven into the fabric of the organization. By learning from other organizations successes, you can plan your course of action and help improve the process of managing diversity in your organization.

Building the Case for Diversity Management

Since the early 1990s evidence has been mounting to suggest that there are numerous benefits associated with the adoption of sound diversity management programmes by employers. You will need to understand the benefits for adopting such an approach, if and when you decide to start building the case for implementing a diversity management programme within your organisation.

Over the last number of years, a variety of researchers have detailed the benefits of adopting a diversity management approach such as:

- Improved performance/productivity (Agocs and Burr, 1996; Richard, 2000)
- Increased creativity/flexibility (Cox and Blake, 1991; Robinson and Dechant, 1997)
- Higher quality problem-solving (Cox and Blake, 1991; Hubbard, 1999)
- Improved understanding/penetration of markets (Cox and Blake, 1991; Robinson and Dechant, 1997)
- Increased staff morale and job satisfaction (Agocs and Burr, 1996)
- Improvements in staff retention/less absenteeism (Agocs and Burr, 1996; Robinson and Dechant, 1997)
- Less law suits (Robinson and Dechant, 1997)

Human Resource associations have also identified benefits of diversity management. According to the Society for Human Resource Management (USA), the following are five key factors that make diversity initiatives important to businesses:

Diversity initiatives can:

- Improve the quality of your organisation's workforce and can be a catalyst for a better return on your investment in human capital.
- Capitalize on new markets since customer bases are becoming more diverse.
- Attract the best and the brightest employees to a company.
- Increase creativity.
- Increase flexibility, ensuring survival.

In 2000 and 2001, Diversity Consulting conducted a survey of business leaders throughout Europe and found that the four benefits of diversity most often mentioned were:

- Improved team effectiveness and cooperation (interpersonal)

- Increased productivity (individual)
- Improved customer intimacy (consumers and markets)
- Broader access to labour markets (recruitment)

Results from this survey were analysed and all the benefits of Diversity and Diversity Management were summarised in the following table:

	Externally		**Internally**
Consumers/ Markets	Increased market share Ease of entry into new markets Improved customer intimacy	**Individual**	Increased productivity Improved morale and commitment
Shareholders	Enhanced rating Improved attractiveness	**Interpersonal**	Improved team effectiveness and cooperation Easier integration of new staff
Labour markets	Broader access to labour markets Improved employer image	**Organisational**	More openness to change Enhanced effectiveness of complex organisation
Community	Improved public image		

Source:
Michael Stubor (2002): 'Corporate Best Practice: What some European Organizations are Doing Well to Manage Culture and Diversity'. In G. Simmons (Ed.), Eurodiversity: A Business Guide to Managing Difference, Butterworth-Heinemann, London

Alongside the benefits outlined above there are other background forces that drive the adoption of a diversity management approach by employers. Two common forces are described below:

Labour Force Supply Issues

The composition of the labour force in the EU is changing on an ongoing basis. Two of the most important changes in recent years are:

- The ageing of the workforce

- The enlargement of the EU giving rise to a larger presence of ethnic minorities

As a result, employers need to be able to successfully accommodate a more diverse range of employees.

Costs of Discrimination Cases

Although, anti-discrimination legislation has now been introduced in a number of European countries, employees are still facing prejudices that circulate in the workplace. This gives rise to employees taking discrimination cases against their employer, which can be damaging for the employer in terms of negative public opinion and high costs. An effective diversity management approach should give rise to an environment that benefits all employees, where they feel valued and empowered and are enabled to reach their full potential. In such a positive environment it is highly unlikely that an employee would bring a discrimination case against their employer.

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