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Seminar in Organization and Management (Mgmt 422)

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Unit 1 Managing Organizational Decision Making and training and development

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1.0. INTRODUCTION

Individuals Life is a result of the decisions they have made and of those made by others. And decision making is a day to day activity of most people. However, the decision may be more simple or difficult. That means, their decision is a result of habit or careful research.

Decision-making is also a regular activity of managers at all levels in the organization. Some claim decision making is at the very heart of management. A noted management writer Peter Drucker stated ''the end products of Manager's work are decisions and actions.'' Managers succeed or fail based on decisions they make. The decisions of professional managers affect not only themselves but also others. However, decisions of individuals affect mostly their own activity, since it is made for their own sake. As a result, it is important for managers to develop decision making skills and use the appropriate decision making techniques and tools.

The success of the organization is highly influenced by the effectiveness of decisions that managers make. Managerial decision making is the means of integrating related functions such as goal setting, strategy formulation, planning and control. Overall organization strategy is the result of decisions about what to do (goals) and how to do (tactics).

Training programs is a link in the process of converting employees (new & existing) in to a productive one. The money spent on recruiting and selecting new employees may be wasted if their hiring is not followed up with the proper training programs. Additionally competent employees don't remain competent forever. Skills deteriorate and can become obsolete. New skills also need to be learned. That is why organizations spend millions of dollars each year on formal training. Therefore, to increase productivity of employees and set the desired outcome from the training activities, which costs a lot; organizations should mange the training program.

Successful training programs consist of four phases: training assessment, program design, reinforcement, and evaluation. These and other aspects of organizational training programs are briefly explained in this unit.

1.1. Objective

After reading this unit you should be able to:

- Define decision making and training
- Out line the steps in the decision making process.
- Explain the conditions under which managers make decision.
- Identify and discuss the decision-making techniques and tools that managers use to improve the quality of decisions.
- Explain the purpose and importance of training

- Identify and discuss the types of training
- Discuss the various training methods

1.2. Managing Organizational decision making

Overview:

Decision making is the primary role of managers. For a person to be considered as a manager, he/she has to make decision. The decisions also determine their success in their life. Decisions of managers affect not only their individual right but also a various stake holders such as owners of businesses, employees and the society at large. Therefore, managers must develop the skill of making a good decision. In this section of the material you will study the meaning of decision, types of decisions, and techniques of decision making.

objective:

After reading this section you will be able to;

- ✓ *Define decision making*
- ✓ *Describe the types of decisions*
- ✓ *Identify the steps of rational decision making*
- ✓ *Understand the types of decision making techniques*

1.2.1. Definitions of decision making

Different management experts define decision making from their different point of view. Plunkett and Attner define decision making as a rational choice among alternatives. According to them, there have to be an option to choose from, otherwise there is no decision. Similarly Koontz & Weihrich define it as the selection from among alternative course of action; it is the core of planning. They argues that a plan can not exist unless a decision has been made. Hitt, Middlemist and Mathis also state decision making- basic to all actions,

is the process of choosing one action over other possible actions.4 From this we can understand that decision making is the heart of management.

However, Agrawal (1994:89) argues that choosing or selecting from among alternative course of action is one of its several aspects. And he defines it as the process of locating and defining the problem, developing alternative solutions to the problem, weighing the various alternate solutions in terms of their possible consequences, choosing the optimum solution from among them, and implementing the decision effectively.

1.2.2. TYPES OF MANAGERIAL DECISIONS

Many writers in the field of management classify decision in several ways differing mainly in terminology. However, the most widely adopted classification is suggested in this paper. According to Donnelly and others, decision can be classified in to two and it is important to distinguish between these two types because different techniques are used to deal with them.

1.2.2.1. Programmed Decisions

If a particular problem occurs often, managers will develop a routine procedure for solving it. Decisions are programmed to the extent that they are repetitive and routine & a definite procedure has been developed for handling them.

The managers of most organisations face a great number of programmed decisions in their daily operations. Such decisions should be made with out expending unnecessary time and effort on them.

1.2.2.2. Non programmed Decisions

When a problem has elements that are different from previous occurrences or is complex or extremely important, it requires a different unique decision. Non programmed decisions are solutions for unstructured and novel problems.

Such decisions have traditionally been handled by general problem solving process, judgement, intuition and creativity.

Modern management techniques have not made the same advances in improving managerial performance in non programmed decision making as they have in programmed decision making.

1.2.3. Rational Decision Making Process

Decision making is an important part of a manager's job. So, we need to discover any thing that can improve the quality of decision making. One of the most effective measure is to follow a conscious, rational decision making process. Rational decision making involves a serious of steps or activities that contribute to high quality decisions and the process discussed below applies more to non-programmed decisions.

Although, some experts have disagreed about the numbers of specific steps that should be involved in the process, according to Ivanceuich and others the decision making process has seven steps. These are:

1. Determining Objectives

Many decision makers overlook or do not fully complete the first step in the decision making process. Before making decisions the manager must

determine organisational objective(s). If goals and objectives are adequately established, they will dictate what results must be achieved and measures that indicate whether or not they have been achieved.

2. Identifying Problems

The second stage of decision making process is identifying the exact nature of the problem. It is said that "a problem well defined is half solved." It is easy to understand that a problem exists when a gap occurs between the desired results and actual results. However, certain factors often lead to difficulties in identifying exactly what the problem is. These factors are:

Perceptual problems –our individual perception may protect or defend us from unpleasant realities. Thus, negative information may be selectively perceived in order to distort its true meaning or to ignore totally.

- Defining problems in terms of solutions. This is really a form of jumping to conclusion.
- Identifying symptoms as problems. For example, if the president of AAU states "Our problem is employee turn over," employee turn over is a symptom of the real problem, but it is not a problem by itself.

To locate problems, managers rely on several different indicators, which include deviation from the plans, deviation from past performance, and outside criticism.

3. Developing Alternatives

At this point, it is necessary to look for, develop and list as many possible alternatives- Potential solutions to the problem-as you can. These alternatives should eliminate, correct, or neutralise the

problem. This is really a search process in which the relevant internal and external environments of the organisation are investigated to provide information that can be developed into possible alternatives.

4. Evaluating Alternatives

Once alternatives have been developed, they must be evaluated and compared. The purpose of this step is to decide the relative advantages and disadvantages of each of the alternatives. Here the manager can make a more thorough analysis by applying specific decision making aids such as marginal analysis, cost effectiveness etc.

5. Choosing an alternative

The purpose in selecting alternative is to solve a problem in order to achieve a predetermined objective. It is said that this step is the actual decision making process. In managerial decision making, optimal solutions often are impossible. This is because the decision maker can not know all of the available alternatives, the consequence of each alternative and the probabilities of occurrence of these consequences. Thus, rather than being an optimiser, the decision maker is a ***satisficer***, selecting the alternative that meets an acceptable (satisfactory) standard.

6. Implementing the decision

A decision that is not implemented is little more than an abstraction. Thus, it must be effectively implemented to achieve the objective for which it is made. It is entirely possible for a “good” decision to be hurt by poor implementation. In this sense, implementation may be more important than the actual choice of the alternative.

In most situations, implementing decisions involve people. A manager’s job is not only to choose good solutions but also to

transform such solutions in to behaviour in the organisation. This is done by effectively communicating with the appropriate individuals and groups.

7. Control and Evaluation

Effective management involves periodic measurements of results. Actual results are compared with planned results, and if deviations exist, changes must be made. The important point is that once decisions are implemented, a manager can not assume that the outcome will meet the organizational objective. Some systems of control and evaluation is necessary to make sure that the actual results are consistent with the results planned for when the decision is made.

1.2.4. Types of Decisions and Decision Making Techniques

Hundreds of decision is made every day in the operation activity. Even minor decisions determine the company's success or failure. It ranges form simple judgmental to complex analysis which can also involve judgment (past experience & common sense). There are different types of decision-making techniques to deal with the two types of decisions, i.e. programmed and non-programmed decisions. Some of these are summarized in the table below.

Types of decisions	Decision-Making Technique	
	Traditional	**Modern**
1. Programmed ✦-Routine, repetitive decisions ✦-Organization develops specific process for handling them.	Habit clerical routine: standard operating operating Procedure Organization Structure: Common expectations a system of sub goals well defied information channels	Operations research ◆Mathematical Analysis ◆Models. ◆Computer solutions Electronics data processing
2. Non programmed ✦ one-shot, ill-structured, novel, policy	Judgement, intuition, and Creativity Rules of thumb Selection and	Heuristic problem solution techniques applied to: a) training human

decisions ✦ Handled by general problem solving process	training of executives	decision makers b) Constructing heuristic Computer programs.

SOURCE: R SOURCE : ROBERT KREITNER, ORGANISATIONAL BEHAVIOUR, 1992; PP:553

Modern decision makers involve a way of blending objective and subjective data to arrive at a choice. However, the use of quantitative methods of decision making increases the objectivity of decisions.

1.2.5. DECISION-MAKING CONDITIONS AND TECHNIQUES

A manager need not to master all the decision making process to be successful in decision making .The manager must be aware of the environment in which he/she makes decisions. The circumstances that exist for the decision maker are conditions of ***certainty, risk*** and ***uncertainty.***

1.2.5.1. Decision Making under certainty

When the decision makers know with reasonable certainty what alternatives are available and what conditions are associated with each alternative, a state of certainty exists. There is little ambiguity and relatively low chance of making a bad decision. Few organisational decisions are made under conditions of true certainty. The complexity and turbulence of the contemporary business world makes such situation rare.

Different approaches to decision making are available to decision makers. The most commonly /widely used decision making under the certainty situation are breakeven analysis, cost-benefit analysis and mathematical programming (liner programming, transportation and assignment models), algebra, calculus and soon. In the following section one of these tools breakeven analyses is illustrated.

1. Breakeven Analysis is a widely used decision making tools. It provides information/data that enable managers make the right decision pertaining to how much to produce, which cost should be reduced, how to maximize profit, which product line should be dropped out and so on. Breakeven point is a level of output at which profit is zero or no loss or no gain. Production level below this point leads to a loss whereas level of output above this point helps the company to enjoy some level of profit.

Example:

Fixed Cost (FC) = Br 100,000

Unit Price = Br. 40

Variable Cost/unit (VC)= Br 20

Find the break even point in terms of unit

$$\textbf{BEP (units)} = \frac{\textbf{FC}}{\textbf{Price/unit – VC/unit}} = \frac{\textbf{FC}}{\textbf{CM}}$$

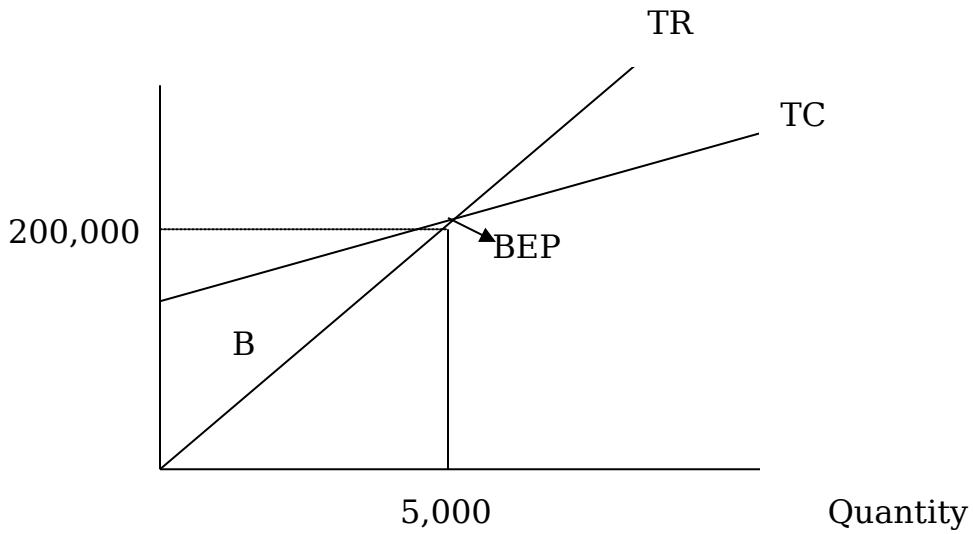
$$= \frac{100{,}000}{40 - 20} = \frac{100{,}000}{20}$$

=5,000 units

BEP (In Birr) = 5,000X40

= 200,000 Br.

This can be depicted graphically as follows



Where: Region A represents profit area

: Region B represents loss area

: BEP= break even point

: TR=total revenue

: TC = total cost

: CM = contribution margin

Interpretation **The company, if it wants to be profitable, it should produce and sale more than 5, 000 units of output. For example if the external and internal environment of the company forces it to produce only 3,000 units of product, what will be your decision?**

1.2.5.2. Decision Making under risk

A more common decision making condition is a state of risk. The decision maker has some probabilistic estimate of the availability of

each alternative and its payoffs and costs associated with them. These probabilities are determined either objectively or subjectively. In an objective estimate, known values or facts are used. In a subjective estimate, personal judgements are considered and incorporated in to calculation. The decision process allows the decision-maker to evaluate alternative strategies prior to making any decision. The process is as follows:

1. The problem is defined and all feasible alternatives are considered. The possible outcomes for each alternative are evaluated.
2. Outcomes are discussed based on their monetary payoffs or net gain in reference to assets or time.
3. Various uncertainties are quantified in terms of probabilities.
4. The quality of the optimal strategy depends upon the quality of the judgments. The decision-maker should identify and examine the sensitivity of the optimal strategy with respect to the crucial factors.

The manager can use **decision trees, Statistical analysis, Queuing theory, Simulation, and Net Work analysis (PERT/CPM)** to make decisions under such conditions.

Whenever the decision maker has some knowledge regarding the states of nature, he/she may be able to assign subjective probability estimates for the occurrence of each state. In such cases, the problem is classified as decision making under risk. The decision-maker is able to assign probabilities based on the occurrence of the states of nature. The decision making under risk process is as follows:

a. Use the information you have to assign your beliefs (called subjective probabilities) regarding each state of the nature, **p(s),**
b. Each action has a payoff associated with each of the states of nature X(a,s),

c. We compute the expected payoff, also called the return (R), for each action R(a) = Sums of [X(a,s) p(s)],

d. We accept the principle that we should minimize (or maximize) the expected payoff,

e. Execute the action which minimizes (or maximize) R(a).

Expected Payoff: What you get is not what you expect, i.e. the "Great Expectations!"

a) For each action, multiply the probability and payoff and then,
b) Add up the results by row,
c) Choose largest number and take that action.

Example

XYZ engineering company has three alternatives to satisfy the increase in the demand for construction requirements. The alternative course of actions are subcontracting, overtime production and doing nothing.

The correct choice depends largely on future demand, which may be low, medium or high. The company ranks the respective probabilities as 20%, 60% and 20% low, medium and high product demand in the future. A cost analysis reveals that effect on profit of each alternative under a given state is given in the table below

Pay off table

		Probabilities	
Alternatives	**Low (0.2**	**Medium (0.6)**	**High (0.2)**
Arrange for sub cont (A1)	100,000	100,000	200,000
Over time (A2)	70,000	120,000	120,000
Do nothing (A3)	-40,000	200,000	160,000

Which alternative is the viable choice?

Solution:

We can use expected monetary value (EMV) approach and decision tree to answer this question.

1. **Expected monetary value (EMV)**

EMV (A1) =100,000X0.2+0.6X 100,000+0.2 X200, 000

=20,000+60,000+40,000

=120,000 (highest best alternative)

EMV= (A2) = 70,000X0.2+120,000X0.6+120,000X0.2

= 14,000+72,000+24,000

= Br. 110,000

EMV= (A3) = -40,000X0.2+20,000X0.6+160,000X0.2

= -8,000+12,000+32,000

= Br.36, 000

The best alternative is to arrange for sub constructing.

2. Decision Tree Analysis

Decision tree is a schematic diagram used to determine expected value. Decision Trees are excellent tools for helping you to choose between several courses of action. They provide a highly effective structure within which you can lay

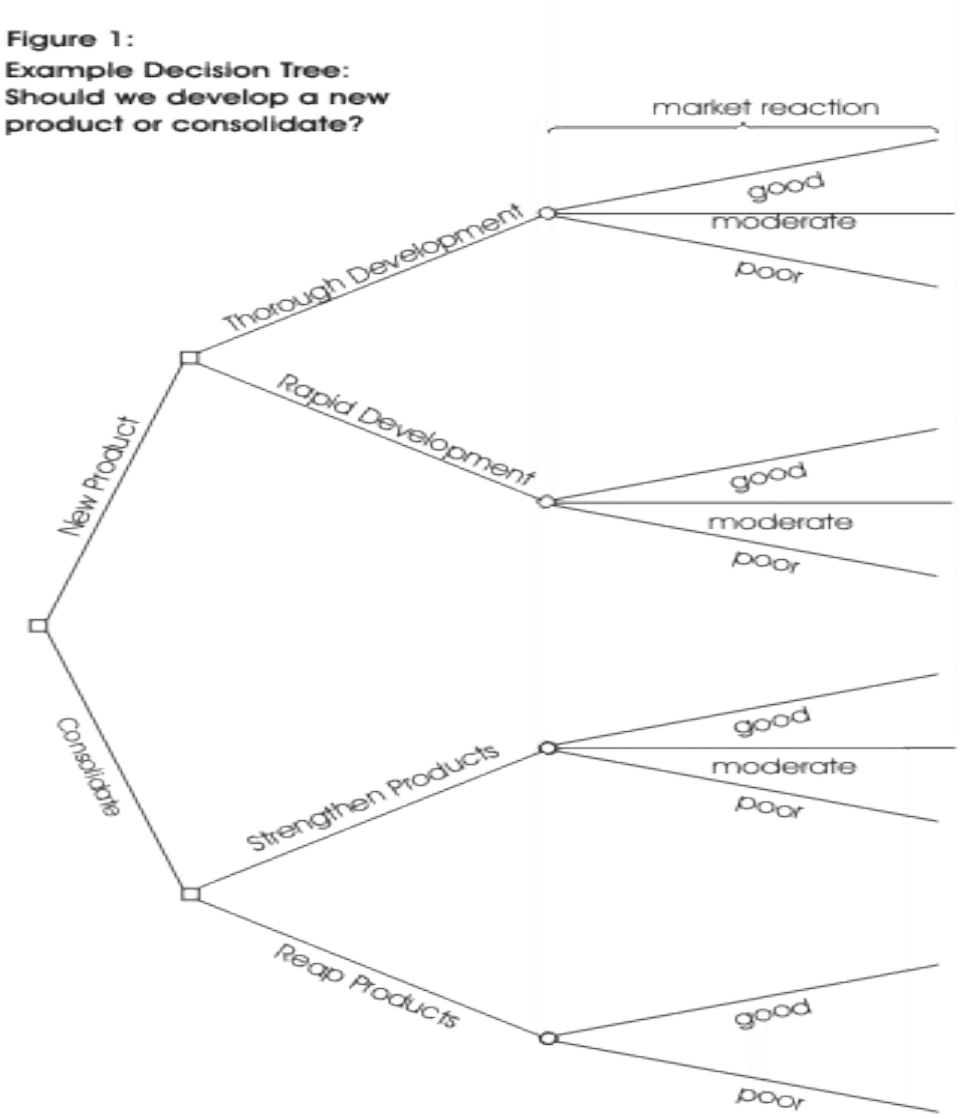
out options and investigate the possible outcomes of choosing those options. They also help you to form a balanced picture of the risks and rewards associated with each possible course of action.

Drawing a Decision Tree

You start a Decision Tree with a decision that you need to make. Draw a small square to represent this towards the left of a large piece of paper.
From this box draw out lines towards the right for each possible solution, and write that solution along the line. Keep the lines apart as far as possible so that you can expand your thoughts.

At the end of each line, consider the results. If the result of taking that decision is uncertain, draw a small circle. If the result is another decision that you need to make, draw another square. Squares represent decisions, and circles represent uncertain outcomes. Write the decision or factor above the square or circle. If you have completed the solution at the end of the line, just leave it blank.

Starting from the new decision squares on your diagram, draw out lines representing the options that you could select. From the circles draw lines representing possible outcomes. Again make a brief note on the line saying what it means. Keep on doing this until you have drawn out as many of the possible outcomes and decisions as you can see leading on from the original decisions. An example of the sort of thing you will end up with is shown in ***Figure 1:***



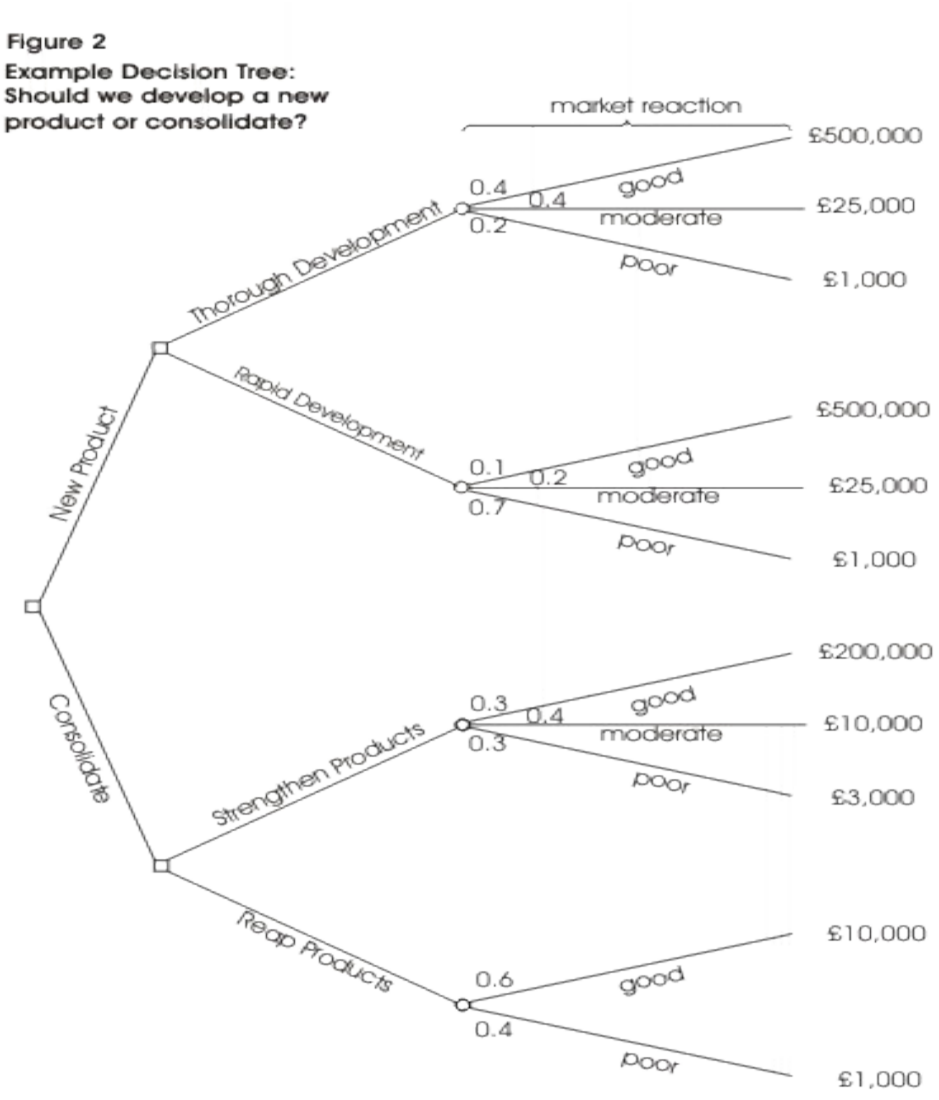
Once you have done this, review your tree diagram. Challenge each square and circle to see if there are any solutions or outcomes you have not considered. If there are, draw them in. If necessary, redraft your tree if parts of it are too congested or untidy. You should now have a good understanding of the range of possible outcomes of your decisions.

Evaluating Your Decision Tree

Now you are ready to evaluate the decision tree. This is where you can work out which option has the greatest worth to you. Start by

assigning a cash value or score to each possible outcome. Estimate how much you think it would be worth to you if that outcome came about.

Next look at each circle (representing an uncertainty point) and estimate the probability of each outcome. If you use percentages, the total must come to 100% at each circle. If you use fractions, these must add up to 1. If you have data on past events you may be able to make rigorous estimates of the probabilities. Otherwise write down your best guess. This will give you a tree like the one shown in ***Figure 2:***



Calculating Tree Values

Once you have worked out the value of the outcomes, and have assessed the probability of the outcomes of uncertainty, it is time to start calculating the values that will help you make your decision.

Start on the right hand side of the decision tree, and work back towards the left. As you complete a set of calculations on a node (decision square or uncertainty circle), all you need to do is to record

the result. You can ignore all the calculations that lead to that result from then on.

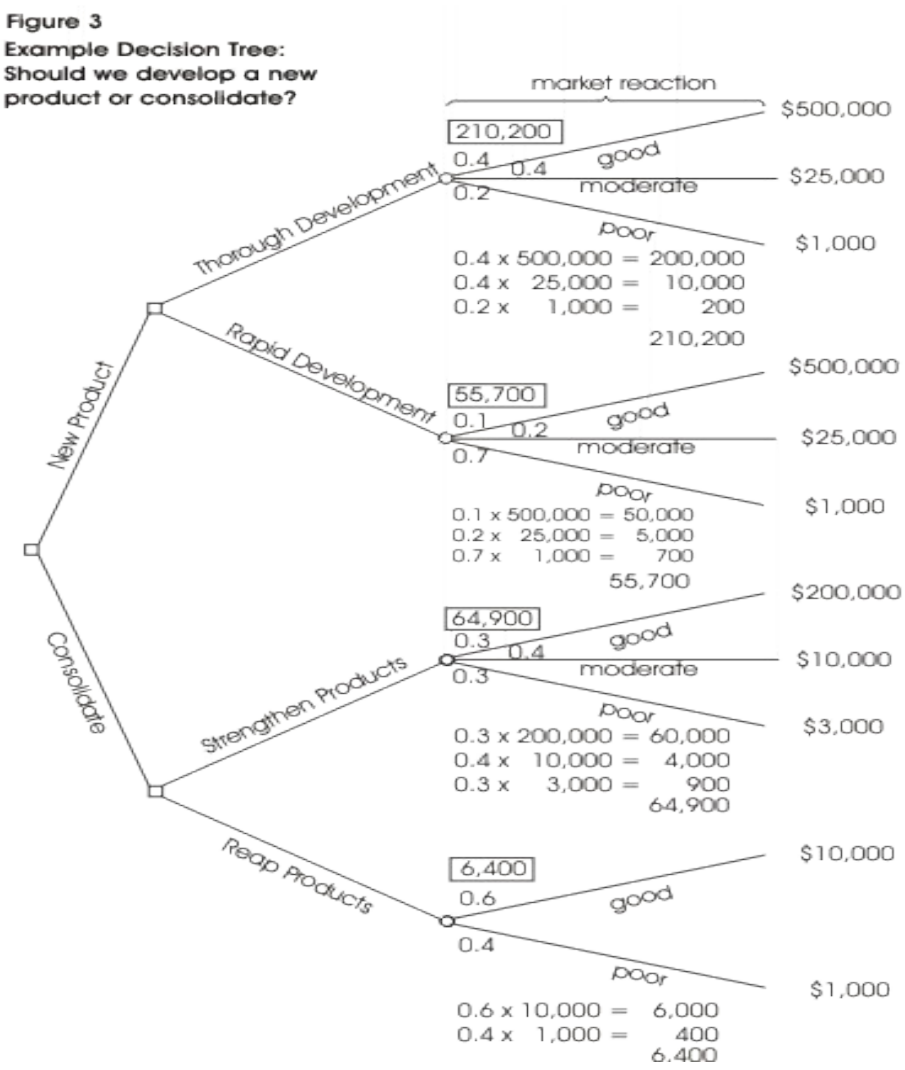
Calculating the Value of Uncertain Outcome Nodes

Where you are calculating the value of uncertain outcomes (circles on the diagram), do this by multiplying the value of the outcomes by their probability. The total for that node of the tree is the total of these values.

In the example in Figure 2, the value for 'new product, thorough development' is:

0.4 (probability good outcome) x £500,000 (value) =		£200,000
0.4 (probability moderate outcome) x £25,000 (value) =		£10,000
0.2 (probability poor outcome) x £1,000 (value) =		£200
	+	**£210,200**

Figure 3 shows the calculation of uncertain outcome nodes:



Note that the values calculated for each node are shown in the boxes.

Calculating the Value of Decision Nodes

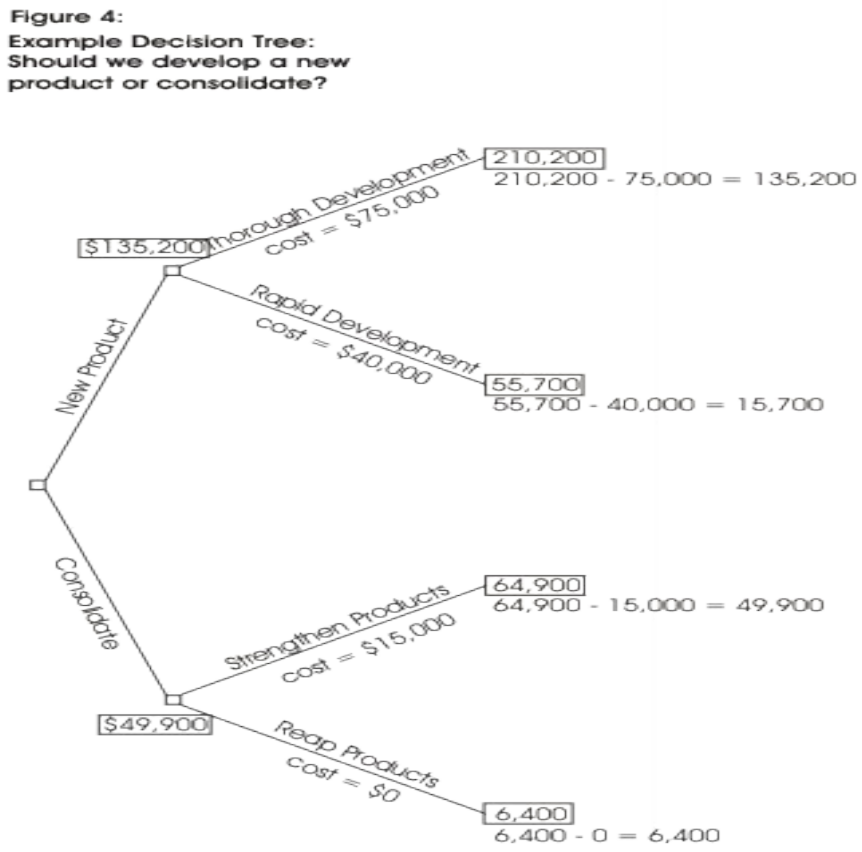
When you are evaluating a decision node, write down the cost of each option along each decision line. Then subtract the cost from the outcome value that you have already calculated. This will give you a value that represents the benefit of that decision.

Note that amounts already spent do not count for this analysis - these

are 'sunk costs' and (despite emotional counter-arguments) should not be factored into the decision.

When you have calculated these decision benefits, choose the option that has the largest benefit, and take that as the decision made. This is the value of that decision node.

Figure 4 shows this calculation of decision nodes in our example



In this example, the benefit we previously calculated for 'new product, thorough development' was £210,200. We estimate the future cost of this approach as £75,000. This gives a net benefit of £135,200.

The net benefit of 'new product, rapid development' was £15,700. On this branch we therefore choose the most valuable option, 'new product, thorough development', and allocate this value to the decision node.

1.2.5.3. Decision Making under uncertainty

Most of the major decision making in contemporary organisation is done under the state of uncertainty. The decision maker does not know all the alternatives the risk associated with each alternative, or the likely consequences of each alternative. In other words, the decision maker has absolutely no knowledge of the probability of the outcome of each alternative.

At the opposite extreme is complete uncertainty: no information is available on how likely the various states of nature are under theses condition, for possible e decision criteria are:

A. **Minimax regret** – determine the worst regret for each alternatives , and choose e the alternative with " best worst"
B. **Maximax** – determine the best possible payoff and choose the alternative that payoff.
C. **Laplace** – determine the average payoff, and choose the alternative with the best strategy
D. **Maximin**- determine the worst possible pay off for each alternative, and then choose the alternative that has the " best worst"

Example: Based on the following payoff table used, determine which alternative would be chosen under each of these strategies assuming that the probability value is not known.

a. Maximin
b. Maximax
c. Laplace

Pay off table

Alternatives	**Low (0.1)**	**Medium (0.5)**	**High (0.4)**
Arrange for sub cont (A1)	10,000	50,000	50,000
Over time (A2)	-20,000	60,000	100,000
New facilities (A3)	-150,000	20,000	20,000

Solution:

a) Maximin criteria

The worst payoff for the alternatives is subcontracting 50,000, Overtime -20,000 and new facilities –150,000. Hence 10,000 is the best, therefore the decision is **subcontract** using the maiximin strategy.

b) Maximax:

The best payoff for Sub contraction is 50,000, over time 100,000, and new facilities 20,000. Therefore, the decision is to work overtime.

C. Laplace: 10,000+50,000+50,000/3=46,000.67

D. Minimax Regret

The worst pay off for the alternatives are 10,000 for subcontracting, -20,000 for overtime and -150,000 for new facilities and 10,000 is the best out of the worst, hence, the decision is to choose subcontract using the maixmin criteria.

1.2.5. GROUP DECISION MAKING

In most organisations a great deal of decision making is achieved through committees, teams, taskforces, and other kinds of groups. This is because managers frequently face situations in which they must seek and combine judgements in group meetings. This is especially true for non programmed problems, because these decisions are more complex and few individuals have all knowledge and skills necessary to make the best decisions. The use of groups allows a variety of inputs from those who have different skills.

Research indicates that group decision making is useful when the following conditions exist.

- ◆The costs of being wrong are high, while substantial benefits are possible if sound decision is made.
- ◆Uncertainty or inadequate information is available.
- ◆Only a limited number of alternatives are easily identified.
- ◆No single “best” decision may exist.
- ◆Knowledge of whether the decision succeeds or fails to reach the desired objective will not be available for the extended period of time.

1.2.5.1. Individual versus Group Decision-Making

Many decisions are not made by individual managers but by group of individuals.

One of the most important decisions to be made is whether the decision is to be made by an individual or group. This is because certain decisions appear to be better made by groups, while others appear to be suited to individual decision making.

Group decision making have its own advantages and disadvantages as compared to individual decision making. Many experts identify the following:

Advantages:

1. Greater pool of knowledge. A group can bring much more information and experience to bear on decision or problem than can an individual activating alone.
2. Different perspectives. Individuals with varied experience and interests help the group see decision situations and problems from different angles.
3. Increased acceptance. Those who play an active role in the group decision making and problem solving tend to view the outcomes as “ours” rather than “theirs”.
4. Training ground. Less experienced participants in group action learn how to cope with group dynamics by actually involved.
5. Greater comprehension. Those who personally experiences the give-and take of group decision tend to understand the rational behind the final decision.
6. Better decisions generally emerge.

Disadvantages:

1. A group frequently takes more times to make a decision.
2. The cost of having several individuals participate in a decision may be quite high.
3. Group decision making may create “group think”. “Group think” is a phenomenon in which social pressure causes group decisions to be the product of only one or few members.
4. Minority domination. Sometimes the quality of group action is reduced when the group gives in to those who talk the loudest and longest.
5. Goal displacement. Sometimes secondary considerations such as wining an argument, making a point, or getting back at arrival displace the primary task of making a sound decision.

1.2.5.2. Group Decision Making Techniques

In many instances group decision making is preferable to individual decision making. As a result, to increase the benefits from group decision making, decision-making experts have developed a wide range of techniques that groups can make decisions. Knowledge of these techniques can help present and future managers to more effectively use group-aided decision making. Some of the techniques are better known than others, but all can enhance group decision making skills. Some of the most prominent ones are:

1. Brainstorming.

One of the best-known techniques for facilitating creativity has been developed by Alex F. Osborn, who has been called the “father of brainstorming”. The purpose of this approach is to improve problem solving by finding new and unusual solution.

This technique includes a strict serious of rules. The purpose of the rule is to promote the generation of ideas while, at the same time, avoiding the inhabitation of members that usually are caused by face-to-face groups. The basic rules are:

- ✓ No idea can be ridiculous. Group members are encouraged to state any extreme
- ✓ Each idea presented belongs to the group, not to the person stating it. In this way, it is hoped that group members will utilise and build on the ideas of others.
- ✓ No idea can be criticised. The purpose of the session is to generate, not. evaluate, ideas
- ✓ The quality of idea production is stressed. Managers should try to generate and write down ideas as possible.
- ✓ Combination and improvement of ideas by others is encouraged. Brainstorming is an effective for generating new ideas (alternatives). It is not appropriate for evaluating alternatives or selecting solutions.

2. The Delphi Technique

The Delphi Technique is a group process that anonymously generates ideas or judgements from physically dispersed experts. In this technique experts' ideas are obtained from questionnaires as opposed to face-to-face group discussion.

A manager begins the Delphi process by identifying the issue(s) he/she wants to investigate. Next, participants are identified and a questionnaire is developed. The questionnaire is sent to participants, and returned to the manager. The manager then summarises the responses and send feed back to participants. Based on this feed back, the respondents evaluate their earlier responses. This process (cycle) repeats until the manager obtains the necessary information.

The Delphi technique is useful when face-to-face decision are impractical, when disagreements and conflicts are likely to impair-communication, when certain individuals might severely dominate the group decision and when ***"group think"*** is the probable out come of the group process.

3. The Nominal Group Technique (NGT)

The nominal group technique helps group to generate ideas and evaluate and select solutions. This technique primarily is used during the decision making stage of evaluating and selecting solutions.

Basically, NGT is a structured group meeting that proceeds as follows:

A group of individuals sit around a table but do not speak to one another. Rather each person writes ideas on a pad of paper. After this, a structured sharing of ideas takes place. Each person around the table presents one idea. A person designate as recorder writes the ideas on a flip chart in full view of the entire group. This continues until all of the participants indicate they have no further ideas to share. There is still no discussion. The out put of this phase is a list of ideas. The next phase involves structured discussion in which each idea receives attention before a vote is taken.

This is achieved by asking for clarification or stating the degree of support for each idea listed on the flip chart /chalk board/. The next stage involves independent voting in which each participant selects priorities by ranking or voting.

Both the Delphi and NGT are relatively new, but each has an excellent record of success. The basic differences between them according to Ivancevich are:

- ✓ Delphi participants typically are anonymous to one another, while NGT participants become acquainted.
- ✓ NGT participants meet face-to-face around a table, while Delphi participants are typically distant and never meet face-to-face.

- ✓ In the Delphi process, all communication between participants is by way of written questionnaires and feedback from the monitoring staff. In NGT communication is direct between participants.

4. Synectics

Synectics is a group technique that emphasizes role playing and fantasizing to generate novel alternative. In this approach, the members of the Synectics team are carefully selected for their suitability to deal with the problem .the leader of the group plays a vital role in this approach. In fact, only the leader knows and carefully leads the discussion with out revealing the actual problem itself. The main reason for this approach is to prevent the group from reaching a premature solution to the problem.

Learning activity 1.1

1. What is decision making?

_____

_____

2. List the decision making steps.

_____

_____

_____

3. Match the decision making situations and the types of decision making techniques.

_____

_____

_____

4. What are the advantages and disadvantages of group decision making?

_____

_____

_____

5. Which of the following not a decision making tool used under the certainty situation?
    A. Breakeven analysis,
    B. Cost-benefit analysis
    C. Mathematical programming
    D. Decision tree
    E. None of the above
6. Non programmed decisions are solutions for unstructured and novel problems and are the responsibilities of lower level managers.
    A. True B. False

1.3. Managing organizational training

Overview:

Organizations are operating in a very dynamic and competitive environment that requires perfection in their effort in producing and providing their services. This demands then to spend millions of birr every year for training and development to up grade employees' skills and knowledge so that they can cope up with the changes in the environment. Generally, it plays a strategic role and should be designed properly.

Learning objectives:

After reading this section you should be able to:

- ✓ *Differentiate training and development*
- ✓ *Understand the process of designing a good training program*

1.3.1. Definition & scope of training

Training is a process to change employees' behavior at work through the application of learning principles. This behavioral change usually has a focus on knowledge or information, skills or activities, and attitudes or belief and value systems.

Training is may be defined as the systematic development of the attitude, knowledge and skill behavior pattern required by an individual in order to perform adequately a given task or job.

Systematic methods ensure that randomness is reduced and that learning, or behavioral change, occurs in a structured format.

Training is the process which tries to increase the knowledge and skill of the employee, thereby making him better equipped to perform his/her job or take up greater amount of responsibilities. According to E.E. Flippo, "Training is the act of increasing the know-how and skill of an employee for doing a particular job."

Training is a process of learning a sequence of programmed behavior. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behavior. It attempts to improve their performance on the current job or prepare them for an intended job.

Development is a related process; it covers not only those activities which improve job performance but also those which bring about growth of the personality. Help individuals in the progress toward maturity and actualization of their potential capacities sot that they become not only good employees but better men and women.

1.3.2. Distinction between Training and Development

Training is a short-term process utilizing a systematic and organized procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose.

Development is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual skill and theoretical knowledge for general purpose.

Training refers only to instruction in technical and mechanical operations, while development refers to philosophical and theoretical educational concepts. Training is designed for non managers, while development involves managerial personnel. In the words of Campbell, “Training courses are typically designed for a short term stated set purpose, such as the operation of some piece(s) of machinery, while development involves a broader education for long terms purposes.” The following table summaries the difference between training and development.

Learning Dimension	Training	Development
Who	Non managerial personnel	Managerial personal
What	Technical and mechanical operations	Theoretical, conceptual ideas
Why	Specific job related purpose	General knowledge

When	Short-term	Long-term

1.3.3. Need and Purposes of Training

The objective of training is to enable the trainee to adapt himself to the changing environment and serve the organizational objectives in effective manner.

Normally, an organization can have one or more objectives of giving training to its personnel. Some of these are:

- ✓ Better performance of the employees;
- ✓ Development of more economic working methods;
- ✓ Greater job satisfaction or moral;
- ✓ Harmonious team work
- ✓ Aspirations for higher positions;
- ✓ Appetite for self-development;
- ✓ Quicker adaptation to changing conditions, etc.

1.3.4. Building training programs

There are several types of training programs. The most comprehensive and longest is the training program for newly recruited personnel. More intensive and shorter programs on specialized topics, as well as periodic refresher courses (collectively known as continuation training), are presented for experienced organizational personnel. Building a training program require five major decisions.

The specific training aims must be defined, content decided, training methods selected, arrangements made for execution and procedures

set up to evaluate the resource. Some training specialists refer to the decisions as the aim, content, methods, execution, and evaluation.

Successful training programs consist four phases: training assessment, program design, reinforcement and evaluation, which is summarized by the following figure.

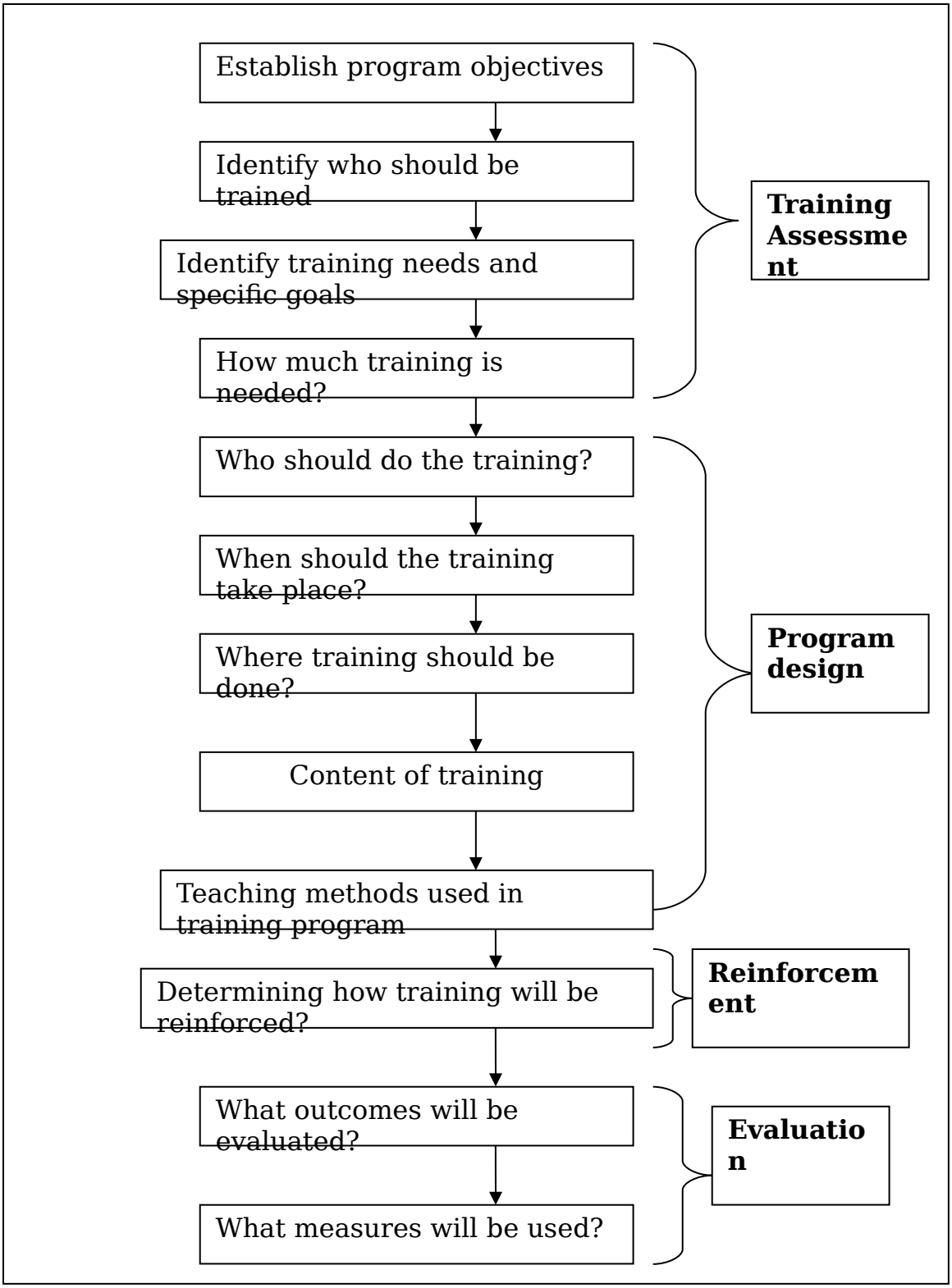


Fig. phases of developing and conducting training

Step 1. Defining training aims/objectives: -

Regardless of the type of training program, define its specific aims/objectives is the first step in planning. Defining the general aim is not sufficient. General aims are translated into specific aims phrased in operational terms.

i) Specific aim definition begins with a review of general aims and the means currently employed to attain them. The process cannot be completed until management perceives the training needs from which specific training aims derive directly. Training needs then must be identified.

Step 2. Training Need Assessment

A training need is really the appraisal of the gap between actual and expected performance. This gap holds up the realization of optimum productivity; and a concern feels fit worthwhile to bridge this gap through training. Training program should be undertaken only where the need for training is apparent. If no need exists, there is no point in training. This is because training is time taking and costly to organization. Therefore, managers responsible for this task should get all the necessary information which helps them identify clearly the skill/knowledge to do the job. The following are the common sources of this information:

1. Job Description

One obvious source and sound information on training needs is to be found in the job descriptions secured through job analysis. Job analysis reports clearly show what each employee ought to know and

what skills he should have. Therefore, by companioning the job specifications of employees with the job description, managers can identify and ascertain the needs for training.

2. Interviews and Questionnaires

Training needs may also be defined by reference to interviews and questionnaires directed to executives, supervisors and employee. Its purpose is to discover what they think they need to learn.

3. Comparative Performance of Employees

It is also possible to learn the need for training by comparing the performance of employee's overtime. If there is a decline in the performance of purchasing and other personnel, one reason could be lack of the necessary skill, indicating the need for training

4. Using indicative variables

Frank Cushman has identified a number of indicators of the need for training. Some of which are:

- Large number of accidents
- Carelessness on the part of the employees
- Absence of pride in job
- Ignorance of board objectives and policies of the firm and the department or unit
- Defective quality of the products
- Excessive production cost
- Unsatisfactory promotions etc.

Therefore, to have employee who are effective and efficient in their job, managers should conduct a survey of training need which will provide a sound basis for beginning a training program.

Step 3. Deciding training content

The content of training program, whether an initial or continuing program, derives from the specific aims that management, after analyzing its training needs, formulates. Initial training program provide instructions covering all important aspect of performance of the person's job. Continuing program concentration on specific aspects of the job where experienced person have deficiencies. Therefore, the following discussion relates to the content of initial sales training programs.

For an initial training program to contribute maximally toward preparing new personnel, it must cover all key aspects of the person's job. Content varies from company to company, because of the differences in products, markets, company policies, trainees ability and experience, organizational size, and training philosophies.

No two programs are, or should be alike. However, different companies tend to cover the same general topics despite that the fact that variations exist is exact content.

Step 4. Selecting training types and methods: -

The planners next select training methods. There is a wide variety of methods, but the program content often limits those that are appropriate. If for example, the content is a new policy on vacations and holidays, the training methods almost certainly will be the lecture, supplemented, perhaps, with visual aids. In this instance, such methods as role-playing and the demonstration would be ruled

out. It is important to select these training methods that most effectively convey the desired content.

1.3.5. Methods and Types of training

A. Types of training

Training can include everything from teaching employees basic reading skills to advanced courses in executive leadership. The following summarizes three general skill categories- *technical, interpersonal, and problem solving*.

1) Technical skills- most training is directed at upgrading and improving an employee's technical skills. Technical training has become increasingly important today for two reasons- new technology and new structural designs. Jobs change as a result of new technologies and improved methods. For instance many auto repair personnel have had to undergo extensive training to fix and maintain recent models with computer monitored engines; electronic stabilizing systems and other innovations.

In addition, technical training has become increasingly important because of changes organizations design. As organizations flatten their structures, expand their use of teams and break down traditional departmental barriers, employees need to learn a wide variety of tasks and need an increased knowledge of how their organization operates.

2) Interpersonal skills- almost all employees belonging to as work unit. to some degree, their work performance depends on their ability to effectively interact with their co- workers and their boss. Some employees have excellent interpersonal skills, but other requires

training to improve theirs. This includes learning how to be a better listener, how to communicate ideas more clearly, and how to be a more effective team player.

3) Problem solving skills- mangers as well as many employees who perform non routine tasks, have to solve problems on their jobs. When people require these skills but are deficient in them, they can participate in the problem solving training. This would include activities to sharpen their logic, reasoning and problem solving training, as well as their abilities to assess causation, develop alternatives, analyze alternatives, and select solutions. Problem-solving training has become a basic part of almost every organizational effort to introduce self-managed teams or implement quality management programs.

B. Training methods

Training methods are most readily classified as formal or informal and on-the –job or off-the –job. Historically, training meant formal training. It is planned in advance and has a structured format. However, recent evidence indicates that 70% of workplace learning is made up of informal training- unstructured, unplanned, and easily adapted to situations and individuals- for teaching skills and keeping employees current. In reality, most informal training is nothing other than employees helping each other out. They share information and solve work related problems with one another.

The forms and types of employee training methods are interrelated. It is difficult, if not impossible to say which of the methods are multifaceted in scope and dimension and each is suitable for a particular situation. The best technique for one situation may not be

best for different groups or tasks. Care must be used in adapting the techniques/method to the learner and the job.

1. On - the- job training

Virtually every employee from the clerk to company president gets some “on-the-job-training”, when he forms the firm. The most common, the most widely used and accepted and the most necessary method of training employees is the skill essential for acceptable for job performance. On – the – job training includes job rotation, apprenticeships, understudy assignments, and formal mentioning programs.

Advantages:

1. The trainee learns on the actual equipment in the use and in true environment of his job.
2. He feels the actual production conditions and requirements.
3. Highly economical since no additional personnel or facilities are required for training.
4. The trainee learns the rules, regulations and procedures by observing their day-to-day applications.
5. It is most appropriate for teaching the knowledge and skills which can be acquired in a relatively short period etc.

Disadvantages**:**

1. Instruction is often highly disorganized and haphazard and not properly supervised.
2. Disrupt the workplace
3. Learners are often subjected to distraction of a noisy shop or office.
4. Low productivity, especially when the employee is unable to fully develop his skills.

However, this training is generally given in a large number of organizations and is suitable for all levels of operatives, supervisors and executives for it needs no schools and the employee's contribution adds to the total output of the enterprise.

2. Off -the –job training

i. Vestibule training (training-centre training)

This method attempts to duplicate on the job situation in company classroom. It is a classroom training which is often imparted with the help of the equipment and machines which are identical with those in use in the place of work. This technique enables the trainee to concentrate on learning the new skills rather than on performing an actual job. Theoretical training is given in the classroom while the practical work is conducted on the production line. It is most useful when philosophic concepts, attitudes, theories and problem-solving abilities have to be learnt.

Off the job training simply means that training is not a part of everyday job activity. The actual location may be in the company classroom or in places which are owned by the company classroom or in places which are owned by the company or in universities or association which have no connection with the company. These methods consist of: -

1. Lectures
2. Conference
3. Group Discussions
4. Case studies
5. Role playing
6. Program instruction
7. T-Group training

a. Lectures (Or Classroom Instruction)

Lectures are regarded as one of the simplest ways of imparting knowledge to the trainees, especially when facts, concepts, or principles, attitudes, theories and problem solving abilities are to be taught. In training the most important uses of lectures include:

a) Reducing anxiety about upcoming training programs or organizational changes by explaining their purposes.
b) Introducing a subject and presenting an overview of its scope.
c) Presenting basic material that will provide a common background for subsequent activities.
d) Illustrating the application of rules, principles, reviewing, clarifying and summarizing. However, the lecture system suffers from some limitation:

i) The learners are passive instead of active participants;

ii) The lack of time by the management personnel to prepare the vigorous verbal presentation; and

iii) Difficult to stimulate discussion following a lecture, particularly if the listener uninformed by the lecture.

b. The Conference Method

In this method, the participating individuals “confer” to discuss points of common interest to each other. A conference is basic to most participative group centered methods of development. It is a formal meeting, conducted in accordance with an organized plan, in which the leader seeks to develop knowledge and understanding by obtaining a considerable amount of oral participation of the trainees. It lays emphasis on small group discussions on organized subject matter and on the active participation of the members involved. Learning is facilitated by building up on the ideas contributed by the conferees. There are three types of conference. They are:

i. Direct discussion;
ii. Training conference; and

iii. Seminar conference.

In direct conference, the trainer guides the discussion in such a way that the facts, principles or concepts are explained. In the training conference, the instructor gets the group to pool its knowledge and past experience and brings different points of view to bear on the problem.

In the seminar conference, answer is bound to question or a solution to a problem. For this, the instructor defines the problem, encourages and ensures full participation in the discussion.

c. Case Studies (Or Learning by Doing)

The case study is based upon the belief that managerial competence can best be attained through the study, contemplation and discussion of concrete cases. The case is a set of data (real or fictional), written or oral miniature description and summary of such data that present issues and problem calling for solutions or action on the part of the trainee.

In case study method, the trainee is expected to:

i) Master the facts; become acquainted with the content of the case.

ii) Define the objectives sought in dealing with the issues in the case.

iii) Identify the problems in case uncover their probable causes.

iv) Develop alternative courses of actions

d. Role Playing

As Norman Mayor has pointed out, a role-playing experience soon demonstrates the gap between “thinking and doing”. The idea of role-playing involves action, doing and practice.

Role playing primarily involves employee-employer relationships- Hiring, firing, discussing a grievance procedure conducting a post appraisal interview or disciplining a subordinates or a salesman making a representation to a customer. The merits of the role playing method are: -

A. Learning by doing is emphasized.
B. Human sensitivity and interactions are stressed.
C. The knowledge of results is immediate.
D. Trainee interest and involvement tend to be high.

e. Programmed Instruction (Or Teaching by Machine Method)

Programmed instruction involves a sequence of steps, which are often set up through the central panel of an electronic computer as guides in the performance of a desired operation or series of operations. In such a program, knowledge is imparted with the use of a textbook or a teaching machine. The program involves: presenting questions, facts or problems to the trainee to utilize the information given and the trainee instantly receives a feedback (and sometimes rewards or penalties) on the basis of the accuracy of his answers.

ii. Demonstration and examples (or learning by seeing)

In the demonstration method, the trainer describes and displays something as when he teaches an employee how to do something by actually performing the activity himself and by going through a step by step explanation of “Why” and “What” he is doing.

Demonstrations are very effective in teaching because it is much easier to show a person how to do a job than to tell him or ask him to gather instructions from the reading material. Demonstrations are often used in combination with lectures, pictures, text materials, discussions etc.

Demonstrations are particularly effective in the training for the acquisition of skills. But their usefulness is limited when it is a question of training management personnel. In a demonstration, the emphasis is primarily on know-how, the principles and theory of a job must, therefore, be taught by other method.

iii. Simulation

Simulation is a technique which duplicates as nearly as possible the actual conditions encountered on a job. The vestibule training method or the business-game method are examples of business simulation.

Trainee interest and employee motivation are both high in simulation exercise because the actions of a trainee closely duplicate real job conditions. This training is essential in cases in which actual on the job practice might result in a serious inquiry, a costly error, or the destruction of valuable materials or resources. It is for this reason that the technique is a very expensive one.

iv. Apprenticeship

For training in crafts, trades and in technical areas apprenticeship training is the oldest and most commonly used methods, especially when proficiency in a job is the result of a relatively long training period of two years to three years for persons of superior ability and from four years to five years for others. The field in which apprenticeship training is offered are numerous and range from the job of a draughtsman, a machinist, a tool-maker, a pattern designer, a mechanic, carpenter, weavers, fitters, jewelers, die-sinkers, engrave-ness and electricians. A major part of training time is spending on the job productive work. Each apprentice is given a program of

assignment according to a pre-determined schedule which provides for efficient training in trade skills. The merit of this method is: -

1. A skilled work force is maintained
2. Immediate returns can be expected from training
3. The workmanship is good.
4. The hiring cost is lower because of reduced turnover and lower production cost.
5. The loyalty of employees is increased and opportunities for growth and frequent.

Step 5. Training Evaluation

Objectives of training evaluation is to determine the ability of the participants in the training programs to perform jobs for which they were trained, the specific nature of training deficiencies, whether the trainees required any additional on the job training, and the extent of training not needed for the participants to meet job requirements. Why training fails? The following factors have been regarded as the main reasons for failure of training program.

- The benefits of training are not clear to the top management.
- The top management hardly rewards supervisors for carrying out effective training.
- The top management rarely plans and budgets systematically for training.
- Trainers provide limited counseling and consulting services to the rest of the organization.
- Timely information about external programs may be difficult to obtain etc.

Therefore, to make the whole effort fruitful, managers must assess the effectiveness of their training programs. Evaluation is necessary to determine the value of the training and to improve the design of

future programs. In evaluation, executives must decide what outcomes will be evaluated and how these outcomes will be measured. The outcomes must be measured against then objectives for which the training was designed.

Learning activity- 1.2

1. What is training?

_____

_____

2. List the steps of training program.

_____

_____

_____

3. Differentiate off-the –job and on-the-job training.

_____

_____

_____

4. In case of on the job training the employee is not a part of his/her normal day to day activity.

A. True B. False

5. Which of the following is true about the training and development?

A. Training is long term oriented but development is short term
B. Development is given to lower level employees
C. Training is job oriented but development is general knowledge oriented
D. A and B
E. All of the above

1.4. Checklist

Dear student: below are some of the important points extracted from the unit you have been reading. Please put a tick mark in front of the points for those you have understand well and if there are pints you have not understand yet, go back and read the unit till you understand it well.

I can

- Define decision making and training
- Discuss the types of decisions
- List the steps of decision making
- Identify and discuss quantitative and qualitative decision making techniques
- Differentiate training and development
- Identify the steps of designing a training program

1.5. SUMMARY

1. Decisions are an integral part of all managerial activities. Decision making is the act of choosing one alternative from among a set of alternatives. A manager performs all his tasks and functions through making decisions. The quality of the decisions that managers make determines their effectiveness and the success of failure of their organization. Decisions are organizational response to problems and they are means not an end.
2. Decisions may be classified as programmed or non-programmed depending on the type of problems. Most programmed decisions should be made at the first level in the organization, while non programmed decisions be made mostly by top management.
3. The rational and logical decision making process includes the following primary steps; (1) Determining objectives, (2)

Identifying problems, (3) developing alternatives,(4) evaluating alternatives,(5) choosing an alternative , (6) Implementing the decision, and (7) control and evaluation.

4. Decision may be made under the state of certainty, risk of uncertainty.
5. In most organization a great deal of decision making is achieved through groups. This is especially true for non programmed problems. Managers can use a wide range of techniques to improve group decision making. Some of this includes brain storming, Delphi technique, nominal group technique (NGT) and synectics.
6. Managers can also use decision making aids which include the pay-off matrix, breakeven, and decision trees. Other quantitative decision making tools include inventory models, queuing models, distribution models, game theory, artificial intelligence, linear programming and simulation.
7. A successful program consist of five phases: defining training objectives, deciding on training content, training assessment, program design, and evaluation. A good program begins by establishing objectives and then determining the content of the training and then who should be trained. The company must then identify individuals' training needs. This is the key to how much training will be needed.
8. There are several alternative training methods. They are most readily classified as formal or informal and on-the –job or off-the –job. On – the – job training is the most common training method and includes job rotation, apprenticeships, understudy assignments, and formal mentioning programs.
9. ***Off the job training*** simply means that training is given out side of the work area either. The actual location may be in the company classroom or in places which are owned by the

company classroom or in places which are owned by the company or in universities or association which have no connection with the company. These methods consist of: - lectures, conference, group discussions, case studies, role playing, program instruction and T-group training.

10. The forms and types of employee training methods are interrelated. It is difficult, if not impossible to say which of the methods are multifaceted in scope and dimension and each is suitable for a particular situation. The best technique for one situation may not be best for different groups or tasks. Care must be used in adapting the techniques/method to the learner and the job.

1.6. Check your progress questions

1. ABC Co. is manufacturing firm which starts operation n the year 1996 E.C to produce and sale soft drink it incurs a set up cost of Br. 500,000 for the acquisition of machines and other necessary equipments. The marketing manager and finance department has estimated the cost and set price of the soft dirk. Thus price/unit is Br. 3 and variable cost per bottle of drink is Br 1.75 per bottle of drink.

Required:

A. Determine the break-even quantity

B. Determine the break-even sales, if the company wants to generate a profit of Br.100,000 what will be the sales level in birr?

2. Outline the steps of decision making processes.
3. Identify and discuss the situations in which group decision making is advantageous.

4. Which of the following is /are the indicator of the need for training to employees of an organization?
    A. Number of accidents
    B. Defective quality of products
    C. Unsatisfactory supplier evaluation
    D. A and B
    E. A, B and C
5. Which of the following is not the advantage of on-the –job training?
    A. The trainee learns on real environment
    B. It is cost effective
    C. It increases the productivity of employees
    D. It is appropriate for teaching skills in the short period of time
    E. All of the above
6. Why training?
7. “There is one best training method” Do you agree why or why not?

1.7. Answers to check your progress questions

1. A. 400,000 units
   B. 480,000 units @ 3 birr = Birr 1, 440,000
2. The following are the steps of rational decision making
    i. Determining Objectives
    ii. Identifying Problems
    iii. Developing Alternatives
    iv. Evaluating Alternatives
    v. Choosing an alternative
    vi. Implementing the decision
    vii. Control and Evaluation

3. Research indicates that group decision making is useful when the following conditions exist.

- ✓ The costs of being wrong are high, while substantial benefits are possible if sound decision is made.
- ✓ Uncertainty or inadequate information is available.
- ✓ Only a limited number of alternatives are easily identified.
- ✓ No single “best” decision may exist.
- ✓ Knowledge of whether the decision succeeds or fails to reach the desired objective will not be available for the extended period of time.

4. E

5. C

6. Organizations give training to their employees for one or more of the following reasons:
   i. Better performance of the employees;
   ii. Development of more economic working methods;
   iii. Greater job satisfaction or moral;
   iv. Harmonious team work
   v. Aspirations for higher positions;
   vi. Appetite for self-development;
   vii. Quicker adaptation to changing conditions, etc.
7. There is non one best training method the best depends on the situation.

UNIT 2: MANAGING ORGANIZATIONAL KNOWLEDGE & PROCESS REENGINEERING

Contents:

2.0 Introduction
2.1 Objectives

2.2 Managing organizational Knowledge
2.2.1 What is knowledge management
2.2.2 Getting started in knowledge management
2.2.3 why have knowledge management
2.2.4 what knowledge management is not about?
2.2.5 Knowledge markets
2.2.6 Drivers of knowledge management

2.3 Business process re-engineering (BPR)
2.3.1 Why have reengineering
2.3.2 Characteristic of BPR
2.3.3 Other areas of changes
2.3.4 Identifying the reengineering opportunities
2.3.5 Process design approach
2.3.6 Reengineering common mistakes
2.3.7 components of activities and the process
2.3.8 who will reengineered?
2.4. Checklist
2.5. Summary
2.6. Check your progress exercise

2.0 INTRODUCTION

Knowledge management is the process of capturing distribution and utilization of organization knowledge. Knowledge management initiatives are composed of prospects successful projects result in growth of knowledge content and usage of repositories. knowledge has been the staple sources of competitive advantage for some classic companies as a number of tasks grew, however, the overall process of producing a product or delivering a service inventory become increasingly complex, complicated, and managing such process

became more difficult. Business process reengineering helps to redefine mission statement, analyze critical success factors, redesign organizational structure and reengineer criticize process to improve customer satisfaction. This unit will discuss the basics of knowledge management and business process reengineering.

2.1 OBJECTIVES

After reading this unit you will be able to

- Define knowledge management
- Explain how to get started in knowledge management
- Clarify the major driver of knowledge management
- Understand the reason of considering reengineering of organization or business

Describe the characteristics of business process reengineering

2.2. MANAGING ORGANIZATION KNOWLEDGE OVERVIEW

Overview:

Knowledge management helps organization to gain advantage by outperforming the competition by leveraging its knowledge: to improve performance at all level of the organization. In this section you will be made to appreciate the management of organizational knowledge.

Objectives:

After reading this section you should be able to

- Explain the definition of knowledge management
- Describe knowledge market
- Spell out the drivers of knowledge management

2.2.1. What Is Knowledge Management?

The idea that people in organizations are effective because of their ability to seek, use, and value knowledge is not new. What is new is the movement in management thinking from an implicit to an explicit awareness that knowledge is a strategic corporate asset. Unlike traditional assets of land. Labor, and capital that decrease with use knowledge assets grow when shared. It is an insight that accords with what academic and business strategists refer to as a competency-based or resource-based theory of the firm. This view holds that companies different themselves on the basis of what they know and how well they create new knowledge. In a deep sense. Knowledge actually is the organization. Therefore, gaining a knowledge advantage means that a firm can outperform the competition by leveraging its knowledge to improve performance at all levels of the organization. Knowledge management is the recognition that what matters most to mangers today is an understanding of what is known in their organizations and how they can use that knowledge most effectively.

Knowledge management (KM) might be "hot" as of today, but successful mangers have always realized its value. Long before terms such as expert systems, core competencies, best practices, learning organization, and corporate memory were in vogue, these mangers knew that their company's key asset was not its buildings, its market share, or its products, but it lay in its people, their knowledge, and skills. After having tried everything else-- form the greatest products and the best technology to virtual monopolies-- in their respective markets, more businesses have finally come to the realization that the

only sustainable source of competitive advantage is their knowledge. As Drucker fittingly warns us, "those who wait until this challenge indeed becomes a hot" issues are likely to fail behind, perhaps never to recover."

A Working Definition of Knowledge. Knowledge and knowledge management are lofty concepts --debated by academics and managers and even doubted by some analysts--one that only a few businesses have mastered. Before we continue, here is a working definition of knowledge suggested by Thomas Davenport and Laurence Prusak.

"Knowledge is a fluid mix of framed experience, value contextual information, expert insight and grounded intuition that provides an environment and framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knower. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, process, practices, and norms"

So What's Knowledge Management?

In the simplest terms it means exactly management of knowledge. "Management of organization knowledge for creating business value and generating a competitive advantage," Knowledge management enables the creation communication, and application of knowledge of al kinds to achieve business goals. Kirk Klasson elucidates, "Knowledge management is the ability to create and retain greater value from core business competencies." Knowledge management addresses business problems particular to your business-- whether it's creating and delivering innovative products or services managing and enhancing relationships with existing and new customers, partners, and suppliers: or administering and improving work practices and processes.

Understanding basic differences among data, Information, and knowledge is essential to doing knowledge work. Data is a set of

discrete facts about an event. For example when a customer buys a gas at a gas station, the transaction (price of gas, time of visit, number of gallons, and so on) can be recorded as data. The data do not tell us why the customer went to the gas station in the first place, or whether that customer is likely to return. Information adds meaning to data. Literally ”gives shape to” or provides a context for why the receivers of data should change their perceptions. It not only shapes data in an organized way, but also shapes the understanding of the people who receive it. Information may be data that makes a difference. *Knowledge is a fluid mix of experience, values, shared context, and expert insight that provides a framework for evaluating and incorporating new experiences and information.* It derives form individual minds, but it can be embedded in documents, technology, and organizational processes. Knowledge is deeper and richer than information and is sometimes divided into explicit and tacit knowledge: whereas explicit knowledge can often be written down or codified, tacit knowledge such as human expertise is often too complex to be modified, which is why knowledge management is not simply a variation of information management or data management.

Knowledge management is the capture. distribution, and utilization of knowledge. Knowledge management initiatives are composed of projects. These can be divided into three broad types:

- **Creating knowledge repositories:** these “ stores” of knowledge are built to capture external knowledge (such as competitive intelligence), structured internal knowledge (such as research reports and design specification), and informal internal knowledge (such as discussion database).

- **Improving knowledge access:** These types of projects focus on connecting via technology the possessors and prospective users of knowledge.
- **Enhancing the knowledge environment:** some projects attempt to establish a culture and climate conducive out knowledge management, including measuring the value of knowledge capital and improving its value.

Knowledge management is a set of practices in evolution. Successful projects result in growth of knowledge content and usage of repositories, an integration of local knowledge projects with larger organizational initiatives, and some indirect evidence of financial return. Studies of different knowledge management projects, the following success factors were identified:

- **Knowledge-oriented culture**: A positive view of creating and sharing knowledge:
- **Technical and organization** infrastructure: Having appropriate tools and roles:
- **Senior management support**: Executives who set the tone and provide resources:
- **A link to eon comics or industry value**: Some measurable benefit or value:
- **A process perspective**: A sense of how organizational learning occurs:
- **Clarity of vision and language**: clear definitions of knowledge and mission
- **Rewards and incentives**: Motivational approaches to encourage knowledge work:
- **Some degree of structure**: A purposeful balance between structure and fluidity; and

- **Multiple channels**: Several ways to reinforce interaction and knowledge

2.2.2. Getting started in knowledge Management

Knowledge management projects are going on in every organization, though they may not be recognized as such knowledge management represents a shift in perspective that coexists well with initiatives in business strategy. Process improvement. Customer relations, human resource management information systems management and son on. Leveraging existing management efforts in quality best practices, reengineering, technology strategy, intellectual capita, and organizational learning is a pragmatic way to build understanding and support. A wise approach suggests the following:

- Begin first with high-value knowledge.
- Start with a focused pilot project; let demand drive new initiatives
- Work along multiple fronts at once, such as technology, process, and culture
- Do not put off the most difficult hurdles until it is too late
- Get help throughout the organization as quickly as possible.

Managing knowledge should be the job of everyone in the company,. Whether a dedicated executive is necessary to integrate a company’s culture and technology, such as a chief knowledge officer, or whether knowledge management should be decentralized throughout the

organization depends on many business factors. Although the motivation to share knowledge comes form the individual employee, often the commitment and initiative must come from the top in order to design a knowledge infrastructure, standardized codification methods, create new roles and positions. Lead a knowledge strategy, and allocate organizational resources.

Knowledge management is not rocket science. (In fact, an executive at the Jet propulsion Laboratory once said that even rocket science is not that hard anymore) It is sound management principles and good sense presented in a way tat is philosophically robust. Though pitfalls exist, knowledge management suggests a future of progressive business practice that embraces new technologies. But before embarking on new programs, mangers should remember that just as people should not take action without thinking about what objectives are desired, knowledge management initiatives should always serve the larger goals of the organization.

2.2.3. Why have knowledge management?

The ability of companies to exploit their intangible assets has become far more decisive than their ability to invest and mange their physical assets. As markets shift, uncertainty dominates, technologies proliferate, competitors multiply, and products and services become absolute rapidly, successful companies characterized by their ability to consistently create new knowledge_ quickly disseminate it, and embody it in their new products and services. In the postindustrial era, the success of a corporation lies deeply embedded in its intellectual systems, as knowledge-based activities of developing new products, services, and processes become the primary internal function of firms attempting to create the greatest promise for a long-term competitive advantage. Kirk Klasson suggests that companies can reap an immense payoff when a knowledge management solution makes it easier for practitioners to each out to other practitioners who share common problems or have

experience to share, why all this noise about knowledge management and why now? There are nine reasons for this:

1. ***Companies are becoming knowledge intensive***. Knowledge is rapidly displacing capital monetary prowess, natural resources, and labor as the quintessential economic resource.
2. ***Unstable markets necessitate "organized abandonment.***" Your target markets might under go radical shifts, leaving your company in a disastrous position of being with the wrong product, at the wrong time, and in the wrong place.
3. ***KM lets you lead change so change does not lead you***. KM is no longer needed by service-based businesses and consultants alone.
4. ***Only the knowledgeable survive***. "The survival of the fittest firm" is an outmoded thought in the knowledge-based economy. The ability to survive and thrive comes only from a firm's ability to create. Acquire, in the face of complexity, uncertainty, and rapid change
5. ***Cross-industry amalgamation is breeding complexity***, uncertainty, and ambiguities are the hallmarks of today's production and business systems irrespective of the nature of business or type of industry. Knowledge management has allowed many companies such as Bay Networks to turn this complexity to their advantage.
6. ***Knowledge can drive decision support like no other***. Providing effective decision support by making knowledge about past projects, initiatives, failures, successes. And efforts readily available and accessible can make a significant contribution toward convalescing this process.
7. ***Knowledge requires sharing***. IT barely supports sharing. KM requires a strong culture of sharing hat information systems do not inherently support.
8. ***Tacit knowledge is mobile***. Too often when someone leaves your firm, his or her experience leaves too. This knowledge. Skills, competencies, understanding, and insight then often go to work for a competitor. Knowledge management can save your company from losing critical capability when that happens.
9. ***Your competitors are no longer just on the West Coast***. We are becoming increasingly global, drunker notes. Keeping up with developments and ensuing threats or opportunities in other countries is a tedious, time -consuming, and difficult process. Knowledge management technology, when given the right source feeds, can deliver relevant and timely knowledge.

2.3.4. What knowledge Management Is not About

Knowledge management is not solely a technology problem: it is partly a management problem. Only by aligning the two can you build knowledge management technology that will truly enable effective knowledge management. To cleanse you of vendor sales pitches, let us first clarify what knowledge management is not.

Knowledge management is not knowledge engineering. Knowledge engineering has been a vital part of computer science but is barely been related to knowledge management. Knowledge management is a business problem and falls in the domain of information systems and management, not in computer science. Knowledge management needs to meld information systems and people in ways that knowledge engineering has never been able to.

Knowledge management is about process, not just digital networks. Management of knowledge has to encompass and improve business processes.

Knowledge management is not about building a "smarter" intranet. A knowledge management system can use your company's intranet as its front end, but one should never be mistaken for the other.

Knowledge management is not about a one-time investment. Knowledge management like any other future-oriented investment, requires consistent attention over a substantial period of time even after it begins to deliver results.

Knowledge management is not about enterprise-wide "Infobahns" While enterprise interaction helps, the primary focus of KM is on crating, getting. Importing, delivering, and most importantly helping the right people apply the right knowledge at the right time.

Knowledge management is not about "capture." Document management vendors would have you believe otherwise, but knowledge management is not about capturing "knowledge."

Knowledge for action The reason why knowledge is more valuable than information or data is that it is more closely linked to action. Knowledge is evaluated by the decisions that are made based on it, and is revised based on the outcomes of those decisions. Better knowledge can lead to measurable efficiencies in product

development and marketing, for example. So whereas information and data may be evaluated on its accuracy and completeness. Knowledge is evaluated on its relevance in decision making.

2.3.5. Knowledge markets

Because knowledge is often embedded deep in the organization and can be extremely difficult to find and control. The key to effective knowledge management is to create and nurture knowledge markets. Like markets for goods and services, a company's knowledge market allows "buyers" and "sellers" of knowledge to negotiate a mutually satisfactory "price" for the exchange. People often gather informally in hallways to converse about organizational issues. Some mangers assume that such socializing is a waste of time, not understanding that in a knowledge-based economy, dialogue is the real work.

A. Knowledge market Characteristics

Three kinds of players are involved in a knowledge market:

Knowledge buyers; people who seek ideas and insights to solve their problems:

Knowledge sellers; people who gold process knowledge (how things are done) or are experts on a particular subject: and

Knowledge brokers: people who connect buyers and sellers; people who are not domain experts themselves but who know where to find the right people in the organization.

In a knowledge market, these players exchange knowledge for "currency" that takes one of three forms:

1. Reciprocity
2. Repute
3. Altruism

A knowledge seller will devote the time and effort needed to share knowledge if the seller expects to be a buyer of knowledge at some point in the future. **Reciprocity** depends mostly upon the seller's self-interest and builds up one's own "favor bank." **Repute** can be valuable to a seller if he or she wishes to build a reputation as an individual with demonstrable skills and competencies. In consulting firms, for example, repute is often tied directly to bonuses. **Altruism** is the motivation for people who genuinely like helping others. Mentoring is based in part on altruism. For currency to flow, knowledge markets must be established on trust. Trust must be visible, ubiquitous, and start at the top.

B. Core process: To make knowledge markets work, companies must take a systematic approach to encouraging the three core processes of knowledge management: knowledge generation. Knowledge codification, and knowledge transfer.

i. Knowledge Generation Organizations create new knowledge markets in several ways. The common factor for all these efforts is adequate time and space devoted to knowledge generation:

Acquisition: The most direct method for getting new knowledge into an

organization is to buy it, either by purchasing firms with complementary competencies or hiring good people.

- **Rental:** Outsourcing and hiring consultants are examples of renting knowledge. Although temporary arrangements. Some

knowledge is likely to stay with the firm when the rented knowledge source leaves.

- **Dedicated resources:** Resources dedicated specifically to knowledge generation, such as in-house research and development (R&D), are accomplished by separating R&D from other internal pressures. It is a risky investment that takes time to recoup but ensures that most of the knowledge will remain with the firm.
- **Fusion:** In contrast to the R&D approach. This methods brings together people with different skills, ideas, and values from across the company to work together.
- **Adaptation:** Firms that survive through adaptation to their business environment are constantly creating new knowledge: learning is continuous and mandatory.
- **Networks:** informal and formal communities of practice share expertise and solve problems. Allowing people to network is indispensable to knowledge generation.

ii. Knowledge codification The purpose of codifying knowledge is to put an organization's existing knowledge into a useful format and make it easy to access. For mangers, the main goal of knowledge codification is to explicate knowledge without losing its distinctive qualities as knowledge. Often much of the knowledge that has the greatest value to an organization is the most difficult to codify. To capture tacit knowledge, the value of narratives should not be overlooked. Human beings learn best form stories, and a good story is often the most effective way to convey meaningful knowledge.

Knowledge may also be embedded in a company's products and services, processes and technology. Embedded knowledge has some independence: A technology or process expert can exit an organization and leave behind his knowledge. In practice, it is

difficult to find the line where embedded knowledge ends and where tacit knowledge begins. However, codified knowledge is extremely useful as it lends stability to an organization and provides new employees a basis form which to learn.

The four basic principles for knowledge codification are as follows:

1. Managers must decide what business goals the codified knowledge will serve. (For example, marketing divisions may want to codify knowledge about customer relationships)
2. Managers must be ale to identify knowledge existing in various forms appropriate to reaching their business goals.
3. Managers must evaluate knowledge for usefulness and relevance.
4. Manages must identify an appropriate medium for codification and distribution.

iii. Knowledge Transfer Knowledge transfer is the transmission, absorption, and use of knowledge. The best way for mangers to transfer knowledge form the heads of people to the heads of other people is to get them to talk to one another. Studies have shown that mangers get two-thirds of their information and knowledge form face-to face meetings or phone conversations, and only one-third comes form documents. There is no shortage of bright ideas in organizations, but the people that have them are often isolated or too busy for in-depth conversation.

People transfer knowledge every day, such as when a new sales representative asks a more seasoned sales rep about the needs of a particular client or when an engineer asks a colleague if he or she has ever dealt with a particular problem. Although examples abound of

successful knowledge transfer, employees tend to go to the most convenient source rather than the best source in the company. As the size of an organization grows, there is both a greater likelihood that needed knowledge exists somewhere in the organization and a correspondingly lower likelihood that it is easy to find.

To encourage spontaneous knowledge transfer and disseminate it broadly, organizations should develop strategies for knowledge transfer. The following three suggestions are designed to encourage face-to face dialogue-the richest form of knowledge transfer.

Corporate culture can encourage or inhibit knowledge transfer. The "frictions" that erode the free flow of knowledge include a lack of trust, cultural conflict, lack of time, narrow perspectives of work. Incentives to horde knowledge, intolerance for mistakes, and a belief in a knowledge hierarchy (the people at the top know the most). Theses obstacles can be overcome through education, building trust, job rotation, flexibility, performance appraisals that reward knowledge sharing and learning and encouraging nonhierarchical interaction and collaboration.

C. Technologies for knowledge management

There is no single tool or "right" technology for knowledge management. Yet a principal reason knowledge management is important today is because of the new tools and technologies that have emerged to enable knowledge generation. Codification, and transfer. Dozens of information technologies can be cited as knowledge management tools. The most visible today are Web-base intranet applications and Lotus Notes. Notes excels at database management and group work management. The Web is ideal for

publishing material across multiple system platforms, for multimedia, and for linking knowledge through hypertext. These capabilities will soon be available as integrated packages to install across technical, functional, and business lines.

For both Web-and Notes –based applications, the primary purpose is to allow users to search and retrieve documents form a knowledge repository. However, other applications are useful for doing knowledge work, such as an expect locator, designed to find people instead of documents. For decision support, case-based reasoning (CBR) involves extracting knowledge form narratives of cases, and scripts are then developed tot lead users through problem solutions. Unlike expect systems, which require rules to be well structure, CBR can reflect the fluid thinking that was needed to resolve an issue in the first place. Constraint-based systems are useful for narrow problem domains by modeling the consternates that govern complex decisions. Neural net and artificial intelligence represent the future of knowledge technology, and these are intended to replicate some of the higher cognitive functions. Grape VINE, used at HP, Andersen Consulting, and Ford, searches external databases for knowledge relevant to the organization. Some knowledge tools for facilitating communication are as simple as e-mail, desktop video on ferencing, or just the telephone. Individual tools can be integrated into enterprise-wide solutions.

Technology alone will not ensure the success of knowledge management and is even less helpful when it comes to knowledge creation. What is most important is that technology is used to expand access and ease the problem of getting the right knowledge to the right person at the right time.

2.2.6. DRIVERS OF KNOWLEDGE MANAGEMENT

Knowledge has been the staple source of competitive advantage for some classic companies(such as Coke) for hundreds of years-not exactly a new concept. Turbulently changing environments, rapidly evolving technologies, and a different breed of knowledge workers create the demand for an entirely new organizational structure that is process oriented, team based, brain rich, but asset poor. Except for rare cases of intangible assets(such as Coke's formula that do not grow if shared knowledge grows in value if it is appropriately shared.

1. Knowledge-Centric Drivers

Knowledge-centric drivers for knowledge management emerge from the recognition of the business value of knowledge. The failure of companies to know what they already know, the need to improve work processes through improved distribution of knowledge, the need for overcoming barriers to flow and retention of knowledge, the need to unlearn what is no longer valid, and the culture of knowledge hoarding dominant I most companies are a few of these divers that we discuss next.

a. The failure of companies to know what they already now. Companies often don't know what they already know. This is almost always the root cause of companies reinventing old wheels. The British patent office uses an interesting story that makes this point. A major British chemicals company was developing a process that had gone through several iterations in its pilot tests a few years ago. As

the company scaled up this process to its full production level, a flaw in the seemingly perfect solution showed up: A sludge deposit was produced at the bottom of the process tank. The company, attempting to salvage its development, invested in further research hoping to eliminate this problem. Soon, the researchers realized that it was going to be time-consuming and expensive proposition. As plans for an initiative were being finalized, a junior team member decided to investigate existing patents just in case some other company had already encountered a similar problem. Licensing the process, they thought, might be cheaper than developing it from scratch. The patent office searched through all its patents and found one that was a perfect fit. You guessed it: The patent belonged to the very same company! No one in the company knew about it until the parent office clued them in. Knowledge management can help companies know what they do know.

b. The Emergent Need For Smart Knowledge Distribution. Every day, companies and their knowledge workers are faced with problems stemming from lack of smart knowledge distribution. How familiar do these scenarios sound?

- **Employees can’t find critical existing knowledge in time.** Your consulting company is asked to tender a quore for a major client. Collating the necessary information from the company’s records or tracking down your own consultants with relevant experience becomes an unrealizable task in the allowable time frame. You do meet the deadline, but your tender documents are far from perfect,. Your company loses the bid to a competitor.
- **Lessons are learned but not shared.** You notice that your office in Atlanta is bringing in far less revenue than your office in Boston, even though they are essentially doing the same job

and servicing an identical customer base. Lessons learned and best practices followed by your Boston office employees are being learned over again by those in Atlanta. There is neither a sufficient process nor the requisite infrastructure that allows either sharing or transfer of best practices across the two offices. Swapping employees for a few months did not help, even though your company thought it would.

- **Your company can't keep up with competition**._Your biggest company. They also seem to be gaining new customers at a faster rare than your company. They also seem to be losing fewer customers to you than you lose to them. Your company does not seem to be learning from its recent mistakes, and your competitors both about your mistakes and about new opportunities at a faster rate than you.

These are common problems that almost any manager will aver that he has seen in his own company. They are typical of companies that have not yet focused on sharing, distributing, nurturing, and managing their only sustainable asset: their knowledge. even though our examples are from a knowledge-intensive consulting company, we will soon see that these service companies are no different from other manufacturing companies that produce "hard" goods and physical products.

The ability to "smartly" disturbed knowledge across the entire organization is therefore another compelling driver for knowledge management.

c. Knowledge Sluggishness. Don’t undervalue knowledge gained from failures. Knowledge management initiatives that support active and complete transfer of knowledge from successful projects to new ones could reduce the extent of repeated wasteful expenditure of resources and effort put in to solving problems that might have already been solved. Failed approaches and decision often provide equally useful insights into what in to do. Retaining and actively using this knowledge of failures can steer resource allocation into promising directions. Without learning from failures and their analyses, workers pursuing current projects might unknowingly repeat past mistakes.

Lacking a mechanism to find the information they need, people often tend to use incomplete information that they already possess, with the result that designs are generated without the benefit of related information and expertise that exists within the enterprise, or may be even with in the same department. Two detailed research studies suggest that this often occurs because there is no reliable record of discussion or deliberation. The problem lies solely in the lack of knowledge or its inaccessibility. Knowledge is of little value if it can not be found when it’s needed.

Knowledge asset management looks like a promising neutralizer for this rather expensive exigency.

d. Knowledge Velocity Successful companies develop knowledge velocity, which helps them overcome knowledge sluggishness, to apply what they learn to critical processes at a faster rate than their competitors. Underlying this concept is the integration of a company's knowledge processes with its business processes to substantially enhance business process performance. The quality and celerity of decisions are anchored directly to employees' ability to access key actionable information.

Effective knowledge management systems allow people to learn from past decisions, both good and bad, and to apply the lessons learned to complex choices and future decisions.

e. Tacit Ness Of Knowledge. While a lot of facts about a firm may be documented in its plans, documents, designs, and data-bases, much of its experience resides in its employees' heads. Very often, the largest part of a firm's intellectual prowess is not in its organizational intellect, but its human intellect. When the person having that critical piece of knowledge quits to join a competitor, that knowledge also walks out the door. A study conducted by KPMG in 1998 showed that in over 40 percent of the cases it examined, an employee departure caused loss of key clients, suppliers, loss of best practices in his/her area of specialization, and in many cases, a significant loss of income.

Knowledge Walks out of the Door. Knowledge professionals play a critical role in the knowledge economy. They can demand better working conditions, greater freedom, increased job satisfaction. This means that the knowledge professional will not be easily bound to one company. Certain as, the idea of employment for life is alien to this new breed of professionals. They will job-hop un hesitatingly and go where they can achieve greatest satisfaction.

F. Knowledge =Power. Most of us, because of the limitations of our very human nature, have a strong knowledge hoarding propensity. Hoarding is symptomatic of old thinking that does not harmonize in the knowledge based economy and can undermine a company's ability to move quickly in to new markets or compete effectively. But hoarding is a human tendency that can be overcome only by providing an irresistible incentive to share. Bringing in performance measures and incentives that reward knowledge sharing strengthens the benefits of sharing knowledge throughout the organization. Individuals, being task focused, might not have the luxury of available time even if they want to share knowledge that they possess. The solution to this dilemma mandates a culture where knowledge workers are also given the time and space needed to enable knowledge sharing, growth and the interaction that accompanies it.

g. Systemic un Learning Requirements As complex interrelationships within and between companies evolve, the assumptions, rules of-thumb, heuristics, and processes associated with the ways of doing business and creating products and services change as well. Companies are often caught up in the past and continue to apply old practices, methods, and processes that no longer apply. Companies must learn to unlearn (a term borrowed from knowledge engineering) what they have learned from past experience if it does not apply anymore.

The need for such unlearning is difficult to identify in a complex business environment knowledge management can potentially provide the divisions for recognizing such a need.

2. Technology Drivers.

Technology drivers from knowledge management are either motivated by new opportunities that have arisen for companies to compete through knowledge process differentiation using technology or through their failure to compete sustainable using technology: Next, we examine technology’s trials and failures, influence of product, and service life cycle compression

A. Technology –Trials, Triumphs, And Tribulations. Technological impetus has revolutionized the way we communicate, store, and exchange data at low cost and high speed. The proliferation of PCs on every employee's desktop has made more information readily available than ever was, far more work-at all levels and in all industries-is now done in front of computer monitors, keyboards, wireless palm pilots, laptops, an d around coffee tables rather than in the manufacturing shop.

Knowledge and its effective management hold promise as a robust differentiator, unlike technology.

b. Compression Of Product And Process Life Cycles. Information, service, and physical product life cycles in most markets have significantly shortened, there by compressing the available window for recouping the expenses associated with their development. Time-to-market is critical factor in the development of both services and products. The high-technology industry provides, an obvious example of the so-or-die imperative that a fast time-to marker poses, but other industries are not too far behind.

As complex and often irreversible decisions need to be made fast, accurately, and repeatedly, knowledge management holds the promise for accelerating this process.

C. The Need For Perfect Link Between Knowledge Business Strategy, And It. As we move further in to the information age, the interesting counterintuitive shift that becomes evident is that of the firms anthropocentricity-dependence on people. While computing power can move information and data form Boston to Bombay faster than a click on a keyboard, it's the people who run that information into good decisions. These people in turn depend on their intelligence and experience. Drucker points out that "knowing how a typewriter works does not turn (someone) in to a writer!". As knowledge replaces capital as driver of a firm, it's all too easy to confuse information technology with information and information with knowledge.

3. Organizational Structure-Based Drivers

The effect of organizational structure changes moderated by technology proliferation and process changes reverberates a clear need for effective knowledge management. Next, we examine some drivers grounded in organizational structure including the effect of functional convergence, a visible shift toward project-centered forms in companies, effects of deregulation and globalization, and product and service convergence.

a. Functional Convergence. Uncertainties inherent in new product and service development processes lead to complex dependencies among and between different functional areas (such as marketing, production, finance, etc.) and require inputs and cooperation from different departments to accomplish joint objectives. In addition to the traditional functional barriers that exist between marketing, design, purchasing, and manufacturing that can be observed in most industrial organizations, the diversity of the expertise needed for complex projects creates serious barriers for commonly accepted and agreed-upon shared understanding. Knowledge management can answer questions about the knowledge assets, trust, and ownership, both before and after the work is done.

B. Emergence Of The Project Centric Company. Companies rely on ad hoc project-centered teams for the sole purpose of bringing together the best of their talent and expertise. While teaming up undoubtedly helps, it also brings other problems. The team involved in a success is often moved to the next high-profile project(and unsuccessful teams might be moved to the lowest-profile project). Expertise gained during development of the product during its evolution.

In a project-oriented, team-based organizational structure, skills developed during the collaboration process might be lost after the team is broken u and redistributed among other newly formed teams. When such a team is disbanded, the process knowledge acquired by the team and needed for tasks such as product modification, service development, or maintenance is lost for future use. The rapid growth in many skills markets and the shortage of highly specialized skills are critical factors contributing to the severe shortage of qualified

personnel and high turnover, especially in high technology and areas o fringe specialization.

C. Deregulation. Deregulation increases competition like nothing else can. As firms shoot for a more varied product line, converge businesses, experiment with a variety of delivery channels, their margins keep becoming increasingly thinner than razor thin. At a national level, cost reduction is accomplished through deregulation. Deregulation, not just a U.S. phenomenon, can have the most profound effects here if it occurs in other countries. It's being seen all over the world, from Easter Europe to the pacific rim. If one of your suppliers is in Korea and your competitor's supplier in India was just deregulated, your competitor might have gained an edge over your cost structure just about overnight. The difference between cost reduction by brute force, such as downsizing, and cost reduction by brain force, such as knowledge and skills management, is similar to that between trying all possible combinations of a combination lock and knowing how to pick a lock!

d. Globalization. As national barriers disappear, managing knowledge is becoming the key to accessing timely information about international competitive environments, regional growth rates, economic and cultural issues-information necessary to build a solid global business portfolio. Telecommuting and the penetration of the internet are catalysts that are speeding up this process unlike anything witnessed before. Twenty years ago, who would have expected that India would be a software powerhouse or that Malaysia would be chock full of semiconductor and hard disk drive factories?

e. Product And Service Convergence. Strategic innovation occurs when a company identifies gaps in its industry's positioning map and decides to fill them; and the gaps grow in to mass markets. Gaps might imply new emerging customer segments that competition might have neglected, new and emerging needs of old customers, or just new ways of delivering products and services. This is a risky business in knowledge management can help keep multiple, and oft-changing objectives in mind when the product itself is defined by the service that goes with it, i.e., the two converge almost indistinguishably.

4. Personnel-Focused Drivers.

Personnel-focused drivers of knowledge management include the need for improved knowledge transfer, sharing, and creation in cross-functional teams of knowledge workers: the need to deal with complex expectations from such workers: and the need to prevent loss of knowledge as fluid teams emergently form and re-form. Let's take a look at some of these personnel focused drivers.

A. Cross-Functional Collaboration. To respond to competitive challenges, other wise-independent firms have become more closely coupled than in the past, often working in parallel to complete assignments spanning traditional boundaries and functional areas. The creation of today's complex systems of products requires melding of knowledge from diverse disciplinary and personal skills-based perspectives where creative cooperation is critical for innovation. Expertise and skills that are needed for project might be distributed both within and outside the responsible company; therefore. People from different companies often need to work together to bring in the entire skill set that a product or service might demand. In the development of complex products and services, it is a sine qua non to draw needed expertise from a variety of functional areas such as technical design, engineering, packaging, manufacturing, and marketing.

b. Team Mobility And Fluidity. Fluid "flash "teams or on - the –fly, and hoc teams formed for specific projects or engagements are often disbanded at the end of the project. Team members are often assigned to other projects over time and across phases where their functional expertise is valued more than their knowledge gained during the process of collaboration with members of other functional areas.

A major threat to the collective knowledge in firms is personnel turnover, since much tacit knowledge is situated (not stored) in the minds of these individual employees. The departure of such employees leads to a reduction in the organizational knowledge and collective firm wide competency. Making employees write a manual or bringing them back in as consultants might not solve the problem. Manuals can be internally inconsistent, invalidated, out of date, and difficult to

maintain; and what good does an external consultant do if she has forgotten a good part of what she was trained for four years earlier!

c. Complex Expectations. Most businesses today have limited, defined objectives, and they deliver measurable value within strongly imposed structures and rules, but because of their close coupling to unstable markets, they are subject to radical change. They contend with unnatural time scales, unexpected innovations from competitors, shifting markets, and severe mismatches of internal and external pace.

5. Process Drivers.

Process drivers are focused on improving work processes thorough knowledge management.

A. Repeated Mistakes And Reinvention Of Solutions. Talk to any management consultant. It might surprise you how many times companies repeat exactly the same mistakes. David Teece reported in the California Management review that the annual aggregate reinvention costs in the United States range between $2 billion and $ 100 billion Learning from the from the past is how things should work, but they rarely do. Organizations have been disconcerted by reinventing solutions and repeating mistakes because they could not identify or transfer best practices and experiential knowledge from one location to another or from one project to another. The level to which this problem invades daily work was evident in the show of hands in an informal survey of an incoming graduate business school class that I recently asked, ”Have you worked on a project only to realize that you did a lot of exactly the something that someone had done before you?”

B. Predictive Anticipation. The ability to anticipate and respond to market trends is a critical capability required of any company. To be truly competitive, a company must be able to see the bigger picture and not just react to trends (reactive) but actually but actually anticipate them (proactive). It is important to recognize in advance the forces that will shape the markets in which your company is operating. It is important to recognize in advance the forces that will shape the markets in which your company is operating. It is sometimes too easy for even the best companies to miss a bear here and fall far behind. Microsoft, for example, did not anticipate the explosive rise of the Internet and soon found that Netscape, a seemingly insignificant startup company, had entered a market niche and secured a dominant position.

The ability to integrate external knowledge with internal expertise can provide companies with the capability to proactively anticipate changing markets and respond ahead of time.

C. Responsiveness Of Competitors. Reacting quickly to market changes is one of the biggest challenges for companies, and also one of the biggest opportunities. Wal-Mart is a frequently cited example of a company that has put the just-in-time(JIT) inventory management system to good use.

6. Economic Drivers

Knowledge defies traditional economics of organizational assets by creating super ordinary returns and added value as it's increasingly used. The promise of increasing returns indeed makes KM a more promising investment than many "hard" assets.

a. Extraordinary Leverage And Increasing Returns. Basic economics theory suggests that most assets are subject to diminishing returns, but this does not apply to knowledge. A bulk of the fixed cost in knowledge-intensive products and services usually lies in their creation rather than in manufacturing or distribution. Once such knowledge-intensive products have been created, their initial development cost can be spread out across mounting volumes. In traditional industries, assets decline in value as more people use them, knowledge assets, in contrast., grow in value as they become a standard used by more and more people, standards on which others can build. Their users can simultaneously benefit from this knowledge and increase its value as they add to, adapt, enhance, enrich, and validate it.

b. The Quest For A Silver Bullet. Companies must constantly look for ways in which they can keep their knowledge spiral steadily moving upward. Any competitive advantage that is not based on knowledge can be , at most, temporary. Achieving the upward trend largely depends on a company's ability to create new knowledge. It might mean using R&D to create new products by using existing knowledge in a new way or it might mean gaining new knowledge about customers. Customer loyalty programs such as the many frequent flyer airline clubs or frequent shopper cards given away by grocery stores provide valuable insight in to the spending habits of major information technology to transform their raw and untapped data resources in to competitive tools to provide customers with critical information and value-added services.

2.2.7. Creating the knowledge edge

a. Competing Through Process. Arthur Andersen is an international accounting, tax, and business-consulting firm with revenues exceeding $4 Billion. Its employees are spread across its 400 offices in over 70 countries. When a consultant comes across a problem that a client is facing, it is often likely that some other client-may be in some other country-has faced a similar problem in the past. Rather than have consultants start every new project with a blank slate AA decided to implement a system called the global Best practices inmid-1992. The system helps employees share best practices and collaborate as they work with their clients in different parts of the would. The global Best practices knowledge base is only one component of the company's knowledge sharing network. It is complemented by highly specialized knowledge bases and discussion databases resulting from conversations and network-based discussions.

b. Eliminating The Tradeoffs. Although the concept of knowledge has been around since Adam and Eve, its business significance has been recognized on a large-scale relatively recently. While discussing this subject at a philosophical level will further develop it at a more conceptual level, your company probably can't be run at a philosophical or conceptual level! Companies desperately trying to implement a knowledge management system often stray from the business strategy perspective to either a technologically obsessed strategy or a deeply philosophical perspective, neither of which does much good in the real world. As a result, either the focus o their plan is too constricted, often to the advantage of the product vendor trying to help them build a knowledge management strategy, or is too broad to be actually implemented. In an ideal would, we would like to have an all-encompassing and theoretically perfect implementation, in the real world, we end up making choices and trade offs. Making the wrong tradeoffs could potentially kill not just the knowledge management initiative but your company as well.

c. Beware Of Relabeled Cans Of Worms. Managing the knowledge assets of a capitalist company is a relatively new and undeveloped area, although research in adjacent areas such as corporate memory systems, organizational learning and rationale capture has been going on for decades. The emergence of knowledge management has opened up a new can of worms, and we try to cluster them in a smaller number of cans-

organizational, technical, managerial, strategic etc-vendors seem to be pointing only to the original big can. This is no different from the kind of problem that was rampant in 1970 when two of the founders of is wrote about similar problems in electronic data processing (EDP). g As companies like Monsanto, Microsoft, and skandia have started talking more about knowledge management, companies with products from all related areas such as data warehousing, intranets, discussion list tools, and object-oriented database systems have been involved in a relabeing frenzy, touting their products as the ultimate knowledge management solutions. The fact is , however, that there is no one single, canned approach to managing knowledge. What you need is good understanding of your business, and a convincing business case; only then can you even think of beginning a knowledge management initiative.

d. The Road Ahead. In many service industries, the ability to identify best practices and spread them across a dispersed network o operations or locations is a key driver of added value. Such a strategy can create powerful brands that are continually refreshed as knowledge about, say, how to serve customers better, travels across the network. This often results in a commonly encountered dilemma: it may be all but impossible to tell whether value has been created by the brand or by knowledge. How much does McDonald's brand depend on, say, network-wide knowledge of how best to cook French fries?

Leaning Activities 2.2

1. What are the three kind of players of knowledge market?

_____

_____

_____

2. What does knowledge transfer mean?

_____

_____

_____

2.3. Business process re-engineering (BPR)

Overview:

Reengineering is a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements is critical area such as cost, quality service and speed. In this section you will be made to explore the basics of the business process reengineering.

Objectives

After reading thus unit you will be able to

- Clarify the characteristics of reengineering business process
- Identify process redesign approaches

BPR is a management process used to redefine mission statement, analyses critical success factors, redesign organizational structure and re-engineer critical process to improve customer satisfaction. BPR is the radical redesign of business as a whole or individual work processes to maximize business effectiveness. BPR challenges managers to rethink traditional work methods and commit themselves to a customer-focused process. BPR uses recognized techniques for improving business result and questions the effectiveness of the traditional organizational structure.

Rapid technological changes and competitive pressures of modern markets increase demands for quality, service cycle times and innovation. BPR is designed to help with these situations. Many

outstanding organizations have achieved and maintained their leadership through BPR (Oakland, 1995).

Unless organizations learn to identify and reform strategic business processes, they will never be able to exploit changes in the market. Profitability, market share and goodwill are not bestowed on organizations by some divine right. Instead, the market awards these benefits to organizations that listen to and satisfy the voice of the customer. Change will, ultimately, affect every organization. The ability to change and adapt rapidly is fast becoming a basic survival skill. Hence, the importance of combining TQM and BPR.

“why do we do what we do at all?” this is the key question for organizations to answer as they approach the twenty-first century. No longer will “How can we do what we do faster?” or “How can we do what we do better?” or even, “How can we do what we do at a lower cost?” succeed as questions on which to focus managerial attention. Most companies have come to a point where radical changes are required in order to survive. The change process required is called business reengineering.

“If I were recreating this company today, given what I know and given current technology, what would it look like?” this question directly expresses the focal point of reengineering.

The basic premise of reengineering is simple, yet, like most simple prescriptions. It can be very difficult to swallow. Success in the marketplace requires that companies become the best in their business at the fundamentals: inventing products and services, manufacturing or providing them, marketing or selling them and serving customers. To do this, companies must organize around

processes, not individual tasks or functions. This dramatic approach may virtually require some to recreate their organizations.

2.3.1. Why have Reengineering?

The performance of companies today is suffering for the very same reasons that their performance used to be so strong. Most businesses are trying to compete in a world that has changed so drastically that their organization structures and Principles that propelled these same businesses to the forefront in years past.

The historical patriarchs of today's companies developed Adam Smith's eighteenth-century principle of the division of labor by adding the pyramidal organization or bureaucracy, true assembly-line production, decentralized divisions, managing by the numbers, and elaborate centralized planning.

These once crucial managerial techniques certainly had weaknesses, but those were far outweighed by the level of control they allowed and the results they achieved. However, these same techniques are now creating a managerial short sightedness that is leading businesses toward extinction.

Three forces have been the catalysts for this reversal. They are the three Cs: customers, completion, and change.

First, **customers** are taken charge. In the past, customers bought what was offered, whether or not it was what they wanted or needed. They had limited or no choices. These days, customers no longer are a mass market. Customers demand and receive products and services with the features and prices they want at least to a degree never

known before. This force requires a responsiveness and flexibility previously unknown to the business world.

The second force driving the need for reengineering intensifying **competition**. In the past, the best price would obtain the customer. Now, niche marketing has created an environment where similar products and services sell for entirely different reasons in different markets. One competitor in almost any part of the world can redefine the playing field for a whole industry virtually overnight through the introduction of new features or a different product that satisfies consumers' needs more effectively. Furthermore, technology has changed the very nature of competition itself, making available all sorts of market data previously unavailable and even eliminating whole segments of industries, such as wholesalers and distributors.

The third force is that **change** has become constant. The pace of change as accelerated, and it relentlessly and continuously alters almost every aspect of every segment of every industry. Life cycles has diminished exponentially. Most importantly, the significant changes will likely come form totally unexpected directions or sources.

Reengineering as Defined by Hammer and Champy. As a fundamental rethinking and radial redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed. It's the search for new models of organizing work and starting over.

However, Reengineering is not automation, which just creates more efficient methods of doing the wrong things. It isn't restructuring or downsizing, which only involve doing less with less. Nor is

reengineering similar to reorganizing or flattening out an organization. These processes only impose a new organizational structures over the same flawed operational system. Finally, although reengineering shares some of the same ideas as the various modern quality movements, it seeks breakthroughs, not enhancements.

2.3.2. Characteristics of Reengineered Business Processes

a. **Several Jobs are combined into one** formerly distinct and separate tasks are reunited. Frequently the end result is a caseworker or case team that accomplished what used to be spread across many departments and people. The most basic and common feature of reengineered processes is the absence of an assembly line; that is many formerly distinct jobs or tasks are integrated and compressed into one.

b. **Workers Make Decisions**. The creation of a case worker is a form of horizontal compression. This is vertical compression. Decision making becomes part of the work. Companies that undertake reengineering, not only compares processes horizontally by having case teams perform multiple, sequential tasks but vertically as well. Vertical compression means that at the points in a process where workers used to have to go up the managerial hierarchy for an answer, they now make their own decision-making becomes part of the work. Workers themselves now do that portion of a job that, formerly, mangers performed. The benefits of compressing work vertically as well as horizontally include fewer delays, lower overhead costs, better customer response, and greater empowerment for workers. Caseworkers or case teams perform multiple, sequential tasks but vertically as well. Vertical compression means that at the

points in a process where workers used to have to go up the managerial hierarch for an answer, they now make their own decisions Instead of separating decision-making workers they now do that potion of a job tat, formerly, mangers performed.

c. **The Steps in the process are performed in a natural order** they are no longer constrained by the artificiality created by the assembly line mentality. In reengineered processes: work is sequenced in terms of what needs to follow what. In one manufacturing company, for example, it took five steps to go form the receipt of a customer order to the installation of the equipment.

    a. Determine the customer's requirements
    b. To translate them into internal product codes.
    c. To convey the coded information to various pants and warehouse
    d. To receive and assemble the companies and
    e. To deliver and install the equipment. "Delinearizing" process speeds team up in two ways first, many jobs get done simultaneously.. Second, reducing the amount of time that elapses between the early and late steps of a process narrows the window for major change that might make the earlier work obsolete or make the later work in consistent with the earlier.

d. **Processes have multiple versions**. Instead of one process that tries to deal with every possible variable, a “triage” step is used to determine which of several versions of the process is most appropriate. Common characteristics of reengineering process of standardization usually begin with a "triage" step to determine which version works best in a given situation.

e. **Work is performed where It makes the most sense**. Each department might purchase its own supplies, vendors might take over inventory management for their customers, or customers might even become trained repair people for their vendors (e.g. office copiers). process is the shifting of work across organizational boundaries. It is the customer of a process can perform some or all of the process in order to eliminate handoffs and overhead costs.

f. **Checks and controls are reduced**. Frequently the cost of "policing " a traditional process outsights the benefits, or the inherent risk has been greatly exaggerated. Instead of the traditional methods, companies can often enforce the desired behavior by awarding preferred vendor status with the treat of ending the relationship if excesses occur. Another kind of none value-adding work that gets minimized in reengineered processes is checking and control; or, to put it more precisely, reengineered processes are replete with checking and control steps, which add no value but are included to ensure that people aren't abusing the process, reengineered processes often have aggregate of deferred controls these control systems will, by design, tolerate modest and limited abuse, by delaying the point at which abuse is detected or by examining aggregate patterns rather than individual instances.

g. **Reconciliation Is Minimized** the number of external contact points for a typical process is greatly reduced, along with the number of chances for errors requiring reconciliation. Yet another form of no value-adding work that reengineered processes minimize is reconciliation they do it by cutting back the number of external contact points that a process has, thereby reducing the chances that inconsistent data requiring reconciliation will be receive.

h. **Hybrid centralized/decentralized operations are prevalent**
Information technology allows organizations to operate as though their units were completely autonomous while still enjoying the advantages of the economies of scale that centralization creates. In addition, everyone in an organization can know the details of events happening anywhere in their organization without the meddling bureaucracy this would normally entail. Companies that have reengineered process have the ability to combine the advantages of centralization decentralization in the same process to reengineered business process will display all of the characteristics we have cited. Indeed, they could not, because some are conflicting actually creating a new design requires insight, creativity, and judgment, these ingredients are also needed for designing the jobs and organizations that support reengineered processes. People's roles change from controlled to empowered companies that gave reengineered don't want employees who can follow rules: they want people who will make their own rules, as management invests teams with the responsibility of completing an entire process, it must give them the authority to make the decisions needed to get it done.

A case manager provides a single point of contact instead of requiring a customer to contact for instant the shipping department to check on a lost order, accounts receivable to adjust an invoice, and sales to place an order, a customer deals with the same person or team who can take care of everything the typical customer needs.

2.3.3. Other changes that occur in a reengineered organization

Work units change. The work of a business will no longer be done by representatives of its various functional departments but by a process team that replaces departments.

a. Jobs change. a highly specialized task or set of tasks will be transformed into the performance of a multidimensional role as a member of a team. The once-clear boundaries between engineering and sales, for example, will be blurred.

b. People's Roles change. Traditional companies expect employees to follow the rules and procedures. Reengineered companies expect their employees to use their judgment to find the best solution in each situation. A bonus is the appropriate reward for a job well done. Advancement to a new job is not. Advancement to another job within the organization is firmly drawn, advancement to another job within the organization is a function of ability, not performance, and it is a change, not a reward.

c. Job preparation change from training to education. Training people to perform a specific set of tasks is replaced with educating people to figure out what their job really is and then letting them do it. In companies that have reengineered, the emphasis shifts from training to education or to hiring the educated. Training increases skills and competence and teaches employees the "how" of a job.

d. The focus of performance measures and compensation shifts from activity to results. When people are assigned specific tasks and are not responsible for the outcome of the process they're part of, there is no choice but to pay people solely for their time. In a reengineered organization the results a person generates can be directly measured, and compensation can be tied directly to those

results. When employees are performing process work, companies can measure their performance and pay them on the basis of the value they create. Base salaries in companies with reengineered processes tend to remain relatively flat after adjustments for inflation. Substantial rewards for outstanding performance take the form of bonuses. Other compensation assumptions also fall away after reengineering: paying people based on job rank or seniority: paying people just for showing up: and giving people a raise just because another year has passed.

e. Advancement criteria change from performance to ability. A person must demonstrate the required abilities for a new position in order for a job change or a promotion to be warranted. Exceptional performance in current job is no longer an acceptable justification. A bonus is the appropriate reward for a job well done. Advancement to a new job is not. Advancement to another job within the organization is firmly drawn, advancement to another job within the organization is a function of ability, not performance, and it is a change, not a reward.

f. Values change from protective to productive. The belief system a reengineered company reinforces and requires of its people shifts form ideas such a, “No matter what everybody says, the reality is I must keep those above me happy- they pay may salary,” to “customers pay may salary- I need to do whatever makes them happy.”

Reengineering entails a great a shift in the culture of an organization as in its structural configuration. Reengineering demands that employees deeply believe that they work for their customers, not for their bosses.

g. Managers' Roles change from supervisors to coaches. The traditional company requires mangers to be supervisors who design and allocate work. The reengineered company requires mangers who act as mentors and coaches. For process teams, consisting of one person or many, don't need bosses; they need coaches. Teams ask coaches for advice. Coaches help teams solve problems. Coaches are not in the action, but close enough to it so they can assist the team in its work. Traditional bossed design and allocate work, teams do that for themselves, traditional bosses supervise, monitor, control, and check work as it moves from one task performer to the next. Teams do that themselves, traditional bosses have little to do in a reengineered environment, and mangers have to switch from supervisory roles to acting as facilitators, as enablers, and as people whose jobs are the development of people and their skills so that those people will be able to perform value- adding processes themselves. This kind of managing is a real profession. Managing this implies, is more important than working, mangers in reengineered company need strong interpersonal skills and has to take pride in the accomplishment of others.

h. Executives change from scorekeepers to leader's. Their perspective and focus has been primarily financial one. It changes to ensuring that the organization's performance measurement and compensation systems motivate the team members to define and accomplish their jobs. Flatter organizations move senior executives closer to customers and to the people performing the company's value - adding work. Executives must be leaders who can influence and reinforce employees' values and beliefs by their words and their deeds.

I. Organizational structures change- from hierarchical to flat: Pushing decisions about work down to the people doing it means that the managers' traditional roles are diminished, all related functional departments are aggregated into a single functional division: the organizational and determines the decision- making hierarchy. In companies that have reengineered, however, organizational structure isn't such a weighty issue, work is organized around processes and the teams that perform those people communicate with whomever they need. Control is vested in the people performing the process, consequently, what ever organizational structure remains after reengineering tends to be flat, as work is performed by teams of essentially equal people operating with great autonomy and autonomy and supported by a few managers.

J Reengineering changes all aspects of a company-because all aspects are interrelated. This fact is represented by the business system diamond. Its focus points are business processes, values and beliefs, management and measurement systems, and jobs and structures. If you change one aspect, the others will necessarily adjust, and all focus points on the diamond must work together to achieve success.

2.3.4. Identifying the Reengineering opportunities

A good way to understand the processes at work in an organization is to give them names that reflect the work that actually gets done form start to finish. For example, product development is more accurately named the concept to prototype process; sales becomes the prospect to order process. Create a process map to illustrate how work flows through a company and to use as a starting point for discussions on reengineering.

This illustrates how companies identify their business process, suggests techniques for selecting the processes that should be reengineered and the order of their reengineering, and stresses the importance of understanding specific processes before attempting to redesign them. Processes are invisible and unnamed because people think about the individual departments, not about the processes with which all of them are involved. Processes also tend to be unmanaged that people are put in charge of the department of work units, but no are given the responsibility for getting the whole job the processes

a. **Choosing the process to reengineer** organizations will generally use three criteria to identify the processes to be reengineered. The method used to decide is not formal one.

The following will be used to identify and select:

- **Dysfunction:** which processes are causing the most trouble?
- **Impact:** which processes have the greatest effect on customers?
- **Feasibility:** which processes are the best candidates for a successful redesign?

The method used to decide among reengineering the opportunities is not a formal one. The three dysfunction, impact, and feasibility must be used with wisdom to help make choices.

b. **Understanding process** Once a process has been selected and a reengineering team formed, the next step is reach an accurate understanding of the current process. The best method to accomplish this is to see it form the customer's perspective.

Literally becoming a customer, in some cases, or at least working closely with them, is imperative for an accurate understanding.

A reengineering team attempting to understand a process does not accept the existing output as a given. Part of understanding a process comprehends what the process's customer does with that output. The best place for the reengineering team to begin to understand a process is on the customer end,

a. What are the customers' real requirements?
- ✓ What do they say they want and what do they really need, if the two are different?
- ✓ What problems do they have?
- ✓ What processes do perform with the output?

Since the eventual goal of redesigning a process is to create one that better meets customer needs, it is critical that the team truly understands these needs. Once the team understands what the process customer might need, the next step is to figure out what the process currently provides to understand the current process itself.

c. Benchmarking – identifying excellent industry practices-can also be used, but a team should benchmark the best in the world, not just the best in the industry, to prevent their company from readopting a different version of the industry's current paradigm.

It is important to remember that a team should be studying the old process solely to learn what parts of it are critical for its performance, not because they are considering its redesign.

2.3.5. Process Redesign approaches

Teams have used a number of techniques to generate creative redesign ideas. Teams can apply a reengineering principle to the process. An example of a principle: “as few people as possible should be involved in the perform of a process. “ use this principle as a goal, and redesign the process in an attempt to achieve it. Another technique is to identify and annihilate assumptions. Find the deeply held beliefs about who can do that or about how things must be done and throw them out or reverse team to observe the effect that would have on the process. A third technique is to survey the current and cutting-edge abilities of information technology and find ways to apply them to the process, seeing what that would allow the company to do.

Embarking on Reengineering. There are **t**wo key messages that must be articulated and communicated clearly, consistently, and repeatedly for reengineering to be a success. First, all people involved must understand where their company currently is and why it can’t stay like that. Second, they must understand what their company needs to become. The process of reengineering is a selling job that is never really over.

2.3.6. Reengineering common mistakes

Successfully reengineered companies know the rules, follow them, and don’t make the common and avoidable mistakes. The outer report describes that despite the success stories in many companies that begin reengineering don't succeed at it. They end their efforts precisely where they began, making no significant changes, achieving no major performance improvement, and fueling employee cynicism with yet another ineffective business improvement program. They

estimate is that as many as 50% to 70% of the organizations that undertake a reengineering effort do not achieve the dramatic results they intended. Nonetheless; while we say reengineering is often unsuccessful, it is not a high-risk endeavor, this apparent oxymoron isn't oxymoronic at all. The better player can expect to win; loss results from ability and strategy. The key to success lies in knowledge and ability, not in luck. If you know the rules and avoid making mistakes, you're extremely likely to succeed. In reengineering, moreover, the same mistakes get made over and over.

Some of the most common errors:

a. **Trying to fix a process instead of changing it.** Don’t make changes to the existing process and call it reengineering. Dissatisfied with the partly performance improvement obtained from automation, the company next attempted a whole stable of business improvements techniques. It tried using queuing theory and linear programming techniques to balance the work across the various departments to minimize wait times. The results proved insignificant. The company set performance standards for each step in the process; when it later measured employees' actual results, it found that they were achieving nearly 100% compliance with standards, but turnaround times had grown longer still. Companies try motivational programs, which use incentives to try to get people to work harder. Existing processes, even if they are the source of a company's business problems, are nonetheless familiar; the organization is comfortable with them. The infrastructure to support them is already in place. Improving them seems so much easier and more "sensible" than throwing them out and starting all over. Incremental is the path of least resistance for most organizations. It is also the surest way to fail at reengineering.

b. Not focusing on business process. By focusing on processes, most other concerns like empowerment and innovation are addressed. The opposite is not true. "Team work" and" empowerment" are abstractions and generalities around which it's impossible to get one's arms. They are consequences of process designs and they can only be achieved in that context. How is one supposed to begin working on empowerment if not through the architecture of the work processes? "innovation" is also the result of well-designed processes, not a thing in itself.

c. Ignoring everything except process design. The management systems, organizational structures, and job designs associated with the process also required changes. Job designs, organizational structures, management systems everything associated with the process must be fashioned in order to maintain a coherent business system diamond. A senior manager commissions a reengineering team to produce break through improvements for a trouble some process. Some time after the team returns, describes a break through concept. And shows how it will eliminate 90%of the cycle time, 95% of the cost, and 99% of the errors. The team usually disbanded and it breakthrough concept never heard from again. But remaking the company is precisely what reengineering is about.

d. Neglecting people's values and beliefs. Managers must help their people rise to the challenges of reengineering by fostering and supporting effective beliefs and values. Big results require big ambitions. A critical test of ambition occurs at that point in reengineering effort when someone suggests that a

modest change will make the process work 10% better for practically no cost, in contrast to the pain and suffering engendered by reengineering. The temptation to take the easy path and to settle for the marginal improvement is great. In the long run, however, marginal improvement is no improvement at all, but a detriment. Marginal improvements, as a rule, further complicate the current process, making it subsequently more difficult to figure out how things really work.

Settling for Minor Results. Marginal improvements make it more difficult to figure out how things really work. They discourage additional time and capital investments because the original return on investment didn't meet expectations. They also create a company that lacks courage.

e. Place prior constraints on the definition of the problem and the scope of reengineering effort: Defining the problem and establishing its scope are steps in the reengineering effort itself. Reengineering begins with articulating the objectives that the effort seeks to achieve, not the ways in which these objectives will be met. It is also common for companies to state that the target is a business process but then proceed to restrict the reengineering effort to an arbitrary and small segment of the process that happens to fit neatly within existing organizational boundaries, not reinforce them. Reengineering must feel disruptive, not comfortable.

f. Allow existing corporate cultures and management attitudes to prevent reengineering from getting

started: A company's prevailing cultural characteristics can inhibit or defeat a reengineering effort before it begins. For instance, if a company operates by consensus, its people will find the top down nature of reengineering an affront to their sensibilities. Companies whose short-term orientations keep them exclusively focused on quarterly results may find it difficult to extend their vision to automatic that reengineering never ever happens from the bottom up. There are two reasons:

1. The push for reengineering must come from the top of organization is that people near the front lines lack the broad perspective that reengineering demands. Their expertise is largely confined to the individual functions and departments that they inhabit. They may see very clearly probably better than anyone else. The narrow problems from which their departments suffer, but it is difficult for them to see a process as a whole and or recognize its over all design as the source of their problems.

2. Any business process inevitably crosses organizational boundaries, so no midlevel manager will have sufficient authority to insist that such a process be transformed, its scope will inevitably transcend his or her domain of responsibility. These mangers have much invested in the existing ways of doing things, and the future of company may be implicitly and dome times explicitly compromised by their own career interests.

g. Assign someone who doesn't understand reengineering to lead the effort: Senior management leadership is a necessary prerequisite for successful reengineering, but not just

any senior manager will do so. The leader must be someone who understands reengineering and is viscerally committed to it. The leader must also be someone who is oriented toward operations and appreciates the relationship between operational performance and financial results.

h. Bury reengineering in the middle of the corporate agenda: We tell companies that if they don't put reengineering at the top of their agenda, they should leave it off entirely. If management attention and energy are spread across many different efforts or programs, of which reengineering is only one, reengineering will not get the intense of attention that it requires Dissipate energy across a great many reengineering projects.

Reengineering requires sharp focus and enormous discipline, which is another way of saying that companies must concentrate on a small number of processes at any given time.

i. Attempt to reengineer when CEO is two years from retirement: The CEO or business unit head who is a year or two away from retiring may take a dim and unenthusiastic view of reengineering. Fundamental changes in business processes will inevitably have major consequences for the structure of the company and many of its management systems retirement is the effect that the impending change at the top is likely to have on other managers. Especially in hierarchical organizations, contenders for senior post that is about to open up often feel that they are being watched and judged.

Fail to distinguish reengineering from other business improvement programs one problem from which many companies regrettably don't suffer is a dearth of business change programs. The business media are tougher, purported panaceas proliferate, the business media are brimming over with ideas and programs to make companies better: quality, improvement, strategic alignment, "rightsizing" customer-supplier partnerships, innovation, and empowerment, to name a few. Concentrate exclusively on design, great care must be taken to carefully position reengineering relative to the other program. Otherwise, confusion will result and enormous energy will result and enormous energy will be expended on pointless internecine warfare about which program is superior.

j. Concentrate exclusively on design: Reengineering isn't redesign; it's also about translating new designs into reality. The difference between winners and losers at reengineering doesn't usually lie in the quality of their respective ideas, but in what they do with them. With the losers reengineering never moves beyond the idea phase into implementation.

k. Trying to make things happen from the bottom up. Any person not at the top of an organization lacks the perspective and the authority to transform a process effectively

Reengineering isn't to everyone's advantage. Some people will lose their jobs, and some workers may be uncomfortable with their jobs, post-reengineering.

l. Pulling back when people resist engineering’s changes powerful resistance is to be expected and dealt with without losing momentum. That people resist change shouldn’t surprise anyone, especially not those in charge of a company's reengineering effort.

m. Drag the effort out. Reengineering is stressful for every one in a company, and stretching it over a long time period extends the discomfort take longer, and people will become impatient, confused, and distracted.

n. Quitting too early. Some companies lose their nerve, while others end the effort once they have their first success to display. Both lose the huge benefits that lie further down the road.

o. Skimping on ;the resources Devoted to reengineering Management must assign the best people and give them plenty of time and other resources to accomplish the reengineering efforts. Anything less signals a lack of true commitment that everyone else in the organization will read as an excuse to ignore and impede the efforts.

p. Dissipating energy across a great many reengineering projects. It requires focus and discipline, which can't be achieved if a large number of projects demand attention.

q. Concentrating exclusively on design. Quality ideas are required but are no less important than active and effective follow-through.

2.3.7. Components of activities and the process

All work activities can be classified into three types: -

1. **Value adding work, or work for which the customer is willing to pay**

   Value-adding work is easy to identify. It consists of all of the activities that create the goods and services that customers want.

2. **Non-value-adding work, which creates no value to the customer but is Required in order to get the value adding work done.**

None value adding is the glue that binds together the value adding works in conventional processes. The entire administrative overhead, the reporting, checking etc but it is also the source of errors, delay, inflexibility and rigidity. It adds expense and complexity to process, and makes them error prone and hard to understand or change. If your were to take the non-value adding work out of a traditional process, the process would collapse. Instead, it is necessary to design the non-value-adding work out buy reorganizing the value-adding tasks into a new and more efficient process.

If we try to redesign the processes to reduce non value-adding work: -

- Job become bigger and more complex when work is broken into small and

  Simple tasks, needs-reviews, managerial audits checks, approvals, etc to put

  Them pack together. These leads to departmental as well as personal

  Miscommunication, misunderstandings etc.

The only way is to start with bigger jobs. That is the heart of process centering.

3. Waste, or work that neither adds nor enables value

Customer not notices waste work. Producing report no one reads, doing work erroneously so that it needs to be redone. Waste work needs to be eliminated root and branch.

In the process centered every one must. The engineer working on product development must still be an engineer, but, more than that, he or she must also understand marketing, production, customer service, and everything else associated with developing a product and how they dovetail.

The new operating principles, if I can tell you precisely what to do, then I don't need you to do it. I can tell a machine to do it, and the machine is cheaper and doesn't need vacations. The only work left for humans to do is work that truly requires human capabilities.

In a process-centered organization self-managed workers are responsible for both performing work and assuring that is well done. There is no longer a great divide between **doing** and **managing**. Management is no longer an esoteric and inaccessible skill reserved for a remote and privileged elite. It becomes parts of everyone's job.

The traditional manager who managed department that is a group of people performing a particular activity, the manager was to look after the work of the department, assuring that it was correctly performed. The department was the basic building block of the organization and the basic unit of managerial attention. All other managerial roles were layered on top of the departmental manager.

Companies must be designed and focused fit the benefit of customer, the mechanisms that create and deliver value to them must be the organizations basic units and therefore the primary focus of managerial attention. These, or course, are the organization processes. The departmental manager must give way to a new role, that of the process owner. **Process owner is** :- an individual concerned with assuring not the performance of a departments tasks but the successful realization of complete end to end processes.

The term process owner do suffer from two draw backs

1. Some equate the term with a temporary project manager with short-term responsibility to address and fix process performance problems. In fact our definition of a process owner includes those duties but goes far beyond them; we see the role as permanent and vital.
2. Labeling one individual as the owner of a process might seem to absolve all others of responsibility for it. As we have seen, all the people performing a process must have some ownership of it and share responsibility for its successful out come. It is the person of the process owner, however, that this responsibility is most precisely located. Perhaps for these reasons, a number of

companies are using other terms process leaders, process managers.

In general, however, we can break down the process owner's responsibility into three major areas. These are ***Design***, ***Coaching*** and ***Advocacy***

i. Design. How shall one perform the process? What are they to do to get a product developed?

While performers must be autonomous and empowered to proceed without the heavy hand of a stultifying bureaucracy, it is the process owner's responsibility to provide the term with the knowledge of the process so they can perform it. The process owner owns not the performance of the process but its design, sharing it with all the teams who perform it. Thus the process owner has responsibility for the design of the process and its documentation, and for training performers in it structure and conduct.

Before the process owner can instruct performers in the structure and design of the process, this design must exist. Therefore, it is for the owner to find and formulate the best way of filling orders, developing products, or resolving customer complaints, and them make sure that it remains the best way.

Traditionally, design was something associated only with products. It is now critical in process as well. Process design can fairly be termed an engineering discipline. Like all branches and techniques as well as

a facility for design, for creating well-fashioned structures, and for recognizing the advantages and flaws of alternative schemes. Positioning process ownership as serious form of engineering forces us to reposition management as respectable discipline in which substantive education does make a difference.

Process design must take place in framework of principles, and the first principle is that process design must be customer-driven. If process exists to create value for customers then it follows that they should create the kinds of values that customers want in the ways that they want them. So process design must begin by formulating a customer-driven, outside-in perspective on the performance requirements of the process. The process needs and create a design that meets both. It is also the process owners continuing design responsibility to see that the process keeps up with dynamic change.

Having recognized that the time has come to up date the process, the owner must convene a redesign effort to change it. Such efforts come in tow flavors. Incremental and radical.

Incremental redesign means modifying the process to solve problems that prevent it from attaining the required performance level. Eliminating unproductive activities or changing the means by which a task is performed are typical incremental process changes that lead to the small improvements in performance that are usually sufficient to keep a process competitive.

Radical design (Reengineering) - the old design suddenly becomes obsolete, an entirely new measure becomes important, or a quantum leap is required in an existing one. In such circumstances

incremental change to the process design is not enough, and the process owner must replace the existing design with an entirely new one.

In the process-centered organization, this program is process improvement is not a secondary and peripheral activity. It is the essence of management. The process-centered organization embodies the notion that one manages a business not by managing budgets, departments, or people but by managing processes. The notion that people can and need to be managed is feudal and disrespectful. People need to be treated like the responsible and autonomous individuals that they are. If they are given the information and tools that they need to perform, if they are provided with an understanding of customer requirements and of the big picture of the work, if they are guided by clear measurement systems, and are treated with respect, then they will do what need to be done without being managed. It is the processes, the inert design of work, that need management and oversight not people.

In the context of their design responsibility, process owners also have control of the automation efforts that support the process. The role of end-to-end order fulfillment process falls to the process owner, who holds the purse strings and calls the shots on how technology should be deployed on behalf of the process.

ii. COACHING. Once process performances have been trained in the process design, the process owner is available to help them through difficult situations. Each performer may be to help them through difficult situations. Each performer may be an expert in a particular

aspect of the process, but the process owner is the expert in the process as awhile.

Team breakdowns are a particular source of process performance problem with which the process owner will have to contend. Since process work is often teamwork, process owners need to be able to facilitate it. Despite the current popularity of the team concept, most people in contemporary organization have virtually no experience working in teams. One does not make a group of individuals into a team simply by declaring them to be one. It takes training and learning, even then the path is not an easy one.

In coaching, first, the process owner does not hover over the team, checking on their performance. He or she does monitor their results and investigate if there are problems but absent such problems the process owner only gets involved if the team members approach him. He does not check or supervise; he is a resource to be drawn upon when needed. Second, the relationship between the process owner and the process performers is fundamentally different from the old relationship between supervisor and workers. The process owner and the process performers is supervisor and workers. The process owner a linker, a facilitator, and enabler of those who actually do the work. It would be more accurate to say that he reports to the performers- since he is on call, at their disposal - than to say that they work for him.

If the old managerial structure was the glue that holds the old fragmented organization together, the process owner in his coaching role can be likened to the oil that lubricates the performance of

process performers to ensure that they are effective. By helping them in exceptional situations, providing them with the knowledge and tools they require, assisting them in resolving conflicts, and redeploying resources when necessary, the process owner ensures that they are free to exercise their skills in making the process work.

The performers carry out the process, but the owner represents it. It is the owner's job to obtain the financial resources that the process needs in order to operate. It is these resources that will found the performers, the tools, and the facilities they require. More fundamentally, the tools, and the owner has a seat at what is be coming known as the process council. This group, typically consisting of the leader of the business, the process owners, and the heads of key support groups provides a context for transcending individuals process and addressing the needs of the business as a system of processes that must interact to create all the results customers need.

Thought product development, order fulfillment has nothing to deliver, and without order fulfillment, the results of product development sit on the shelf. It is critical that individual processes be integrated, that their boundaries mesh smoothly, that they cooperate rather than conflict. The process councils the mechanism for achieving this.

Clearly the process owners will have their hands full designing and redesigning the process, coaching the process teams, and representing it in the corridors of power. Process ownership is unlikely to be a one-person job. At the very least, the process owner must be supported by the process performers in the on going

improvement effort. The process owner may have perspective but lacks immediacy. There for, the owner must maintain close communication ties with the performers to know what is happening, what is working and what is not, and when it is time for a change.

iii. Advocacy. The role of the process owner is easy to describe, but very difficult to fill. The job requires an individual with an exceedingly diverse set of talents and capabilities. The process owner must have a broad knowledge of the process, an intuition for the needs of customers, and a holistic perspective that lets him or her think broadly about the process rather that about its individual constituents. A process owner must have the engineering skills to measure, diagnose, and design the process: the interpersonal skills to coach the performers carrying out the process; and the political skills to advocate for it.

Among other things, the process owner must learn to let people make mistakes so that they can learn from them instead of immediately intervening to ensure the right out come, to deflect requests for instructions by asking the petitioner what he or she thinks should be done, and to take pride in influencing people through knowledge and respect rather than by controlling them via a reporting structure.

2.3.8. Who will reengineered

A senior executive, who authorizes and motivates the overall reengineering effort, usually no senior executive, is " assigned" the job of leader. It's a self nominated and self appointed role, someone with the clout to carry it off becomes the leader of reengineering when he or she

is seized by a passion to reinvent the company, to make the organization the best in the business, finally to get it completely right. The leader's primary role is to act as visionary and motivator. The reengineering leader can demonstrate leadership through signals, symbols, and systems.

- Signals are the explicit messages that the leader sends to the organization about reengineering: why we are going about it, and what it will take, successful reengineering leaders have learned that they always underestimate how much communicating they must do.
- Symbols are actions that the leader performs to reinforce the content of the signals, to demonstrate that he of she lives by his or her words. Assigning the company's "best and brightest" to reengineering teams, rejecting design proposals that promise only incremental improvement and removing managers who block the reengineering effort over and above their intrinsic value are important symbolic activities.
- Systems the leaders use management system to reinforce the reengineering message. These systems must measure and reward people's performance in ways that encourage them to attempt major change.

(a) **Process owner:** The process owner, who is responsible for reengineering a specific process, should be a senior level manger, usually with line responsibility, who carries prestige, credibility, and clout within the company. Process owners also motivate, inspire, and advise their teams.

(b) **Reengineering team:** The actual work reengineering the heavy lifting is the job of the reengineering team members. These are the people who must produce the ideas and the plans and who are often then asked to turn them into realities. These are the people who actually reinvent the business

(d) **The reengineering steering committee:** it is an optional aspect of the reengineering governance structure. The steering committee is a collection of senior mangers, usually including but not limited to the process owners, who plan the organization's overall reengineering strategy.

(e) **Reengineering Czar:** The leader has the right perspective but lacks the time for day-to day management of the reengineering effort, so he or she requires strong staff support. We call this role the reengineering czar. The reengineering czar serves as the leader's chief of staff for reengineering. Reengineering czar has two main functions:

1. Enabling and supporting each individual process owner and reengineering team; and
2. Coordinating all ongoing reengineering activities. The reengineering czar is also concerned with developing the infrastructure.

Learning Activity 2.3

1. To start down to the road to process reengineering four things are necessary identify

_____

_____

_____

2. What are the major area of process owner's responsibility?

_____

_____

_____

2.4 CHECK LIST

Dear Learner, below are some of the important points extracted from the unit you have been reading, please put a tick mark (√) in the box in front of the points for those you have understood well and is there are points you have not understood yet, go back and reread the unit till you understood well

I can

- Discuss the definition of knowledge mangement
- Explain the knowledge markets and its characteristics

2.5 SUMMARY

Knowledge is a fluid mix of experience, salve shared context and expert in sight that provides a framework for evaluating and incorporating new experience and information what is new is that the movement in management thinking from an implement to an explicit awareness that knowledge is a strategic corporate asset. hence knowledge management is capture, distriction and utilization of knowledge. Knowledge management should be the job every one in the company change affects every organization. The ability to change

and adapt rapidly in fast becoming basic survival skill. Hence, the importance of coming knowledge management and business process reengineering is key towards success in realizing meaningful change.

Environmental changes and competitive pressures of modern markets increase demands for quality, service cycle times and innovation. Business reengineering challenges all level of mangers to rethink traditional work methods and commit themselves to a customer-focused process.

2.6. Check your progress exercise 2

Part I: Read each statement write True if the statement is correct and False if

the statement is wrong

1. Effective knowledge management systems allow people to learn from past decisions both good and bad
2. The mission of a business is to create value for its stockholders only
3. trying to fix a process instead of changing it is common mistakes of reengineering.

Part II: Multiple choices

Choose the best possible answer from the options given

1. The transmission assorption and use of knowledge refers to
   (a) Knowledge interpret
   (b) Knowledge transfer
   (c) Knowledge intensity
   (d) Knowledge market
   (e) None of the above

2.which of the following does not belong to the characteristics of reengineering business process

(a) Workers make decision

(b) Checks and control are reduced

(c) Process have multiple version

(d) Reconciliation is minimized

(e) None of the above

Part III: Simple Recall

1. Knowledge management initiatives are composed of prospects divided into three broad types. Identify
2. How do you identify the reengineer opportunity?

ANSWER TO LEARNING ACTIVITIES

Learning activities 2.2

1.(a) Knowledge buyers

(b) Knowledge sellers

(c) Knowledge brokers

2. Knowledge transfer is the transmission absorbation and use of knowledge within an organization

Learning 2.3

1 (a) The company recognizes and names of its process

(b) the company is aware of these process

(c) Process measurement

(d) Process management

2 (a) Design

(c) Coaching

(d) Advocacy

Answer Check your progress Exercise

Part I : True/ False

1. True
2. False
3. True

PART II: MULTIPLE CHOICE

1. B
2. e

Part III:

1 (a) rating knowledge repositories

(b) Improving knowledge process

(c) Enhancing the knowledge environment

2 (a) choose the process to be reengineering

(b) understanding process

(c) benchmarking

UNIT 3: MANAGING THE PEFORMANCE AND BENCHMARKING

Contents:

3.0 Introduction

3.1 Objectives

3.2 Managing performance

- 3.2.1 Developing performance activity
- 3.2.2 Criticism of performance evaluation
- 3.2.3 Performance evaluation methods
- 3.2.4 Advantages and limitations of performance appraisal

3.3 Benchmarking

- 3.3.1 over view benchmarking
- 3.3.2 Creating benchmarking capability and advantages
- 3.3.3 Benchmarking process

3.3.4 Types of benchmarking
3.4 Checklist
3.5 Summary
3.6 Check your progress exercise 3
3.7 Answer to learning activities and check your progress exercise

3.0 INTRODUCTION

Productivity is an important measure of managerial performance. Performance is function of ability and motivation performance results from the aggregate on the individual and group efforts. The dimension of organizational performance are effectiveness. Efficiency and participant satisfaction bench marking is a corner stone of improvement of performance with in any organization this unit will help you understand the various aspects of organizational performance and benchmarking too as applied in a variety of way to meet arrange of requirements for performance improvement

3.1 OBJECTIVE

After reading this unit you should be able to

- Identify various concepts of performance
- Describe the development of performance culture
- Spell out the benchmarking process
- Point out the types of benchmarking

3.2. Managing the performance and benchmarking

Overview

Dear reader, Understood organization performance issue helps one to consider the relevant variable to influence the result of an organization. This section focus on role performance and evaluation methodology

Objectives

After reading the section you will be able to

- Speaking out the essential process of benchmarking
- Clarify the types of benchmarking
- Spell out the stages of benchmarking

Performance: Performance is function of ability and motivation. Ability is comprise of human and technical capacities that provide an indication of the range of possible performance. Just how much of that latent capability is realized depends on the degree to which individuals and/or groups are motivated to perform. For organizations, performance result results from the aggregate on of individual and group efforts to achiever relevant goals.

Measuring and evaluating results is important in determining performance. Output per work-hour, share of the market, and net profits are relatively straightforward on indicators of performance. However, most organizations have multiple goals, some of which are not easily measured. Examples might be customer satisfaction increased managerial skill, or long-run viability. It is important to recognize multiple goals and evaluate organization performance on a variety of relevant dimensions. It is particularly important to identify substantive functions that spell success or failure in order to give priority attention to them. We will refer three dimensions of

organizational performance-effectiveness, efficiency, and participant satisfaction. Effectiveness is concerned with the accomplishment of explicit or implicit goals/what is the degree of accomplishment of objectives in key rustles areas? Efficiency refers to the ratio of output to input, it benefit to cost. It is possible to be efficiency refers to the ratio of output to input, it benefit to cost. It is possible to be effective but in efficient-thus squandering human and material resources. Similarly, it is possible to be efficient and ineffective. Organizations sometimes emphasis doing thing s right at the expense of doing the right things, for us, a basic ingredients of organizational performance is participant satisfaction. In most organizations people have to be satisfied enough to continue their membership. If not, they quit and go elsewhere. An important relationship is that good task performance typically leads to satisfaction so that we can work on participant satisfaction by being both effective and efficient.

Another consideration is improvement incapability. Long run variability depends of both. Short run achievement and the potential to sustain and improve performance in the future. Balanced development of individual and group capability is important for the well being of the organization as the whole.

3.2.1. Organizational performance: Organization theory and management practice related to task-oriented groups. Therefore, productivity is an important measure of managerial performance, which depends in turn on leadership effectiveness. However, attributing organizational out comes it specific leader behaviors is fraught with danger.

In discussing his issue, prefer suggests tree reasons why the observed effects of leaders on organizational outcomes might be small. "First those obtaining leadership positions are selected. And perhaps only certain. Limited styles of behavior may be chosen. Second, once in

the leadership position, the discretions and behavior of the leaser are constrained. And third, leaders can typically affect only a few of the variables that may impact organizational performance." At best, the result are mixed.

While the impact of the formal leaders is often constrained by situation factors beyond their control, they can have some influence (positive or negative) on performance in almost all cases. Therefore, it is important to understand as much as possible about effective leader behavior, if only in terms of probabilities of success for various styles, mixed research results concerning the effect of specific behaviors on performance suggests a balance approach. Multiple long-run performance criteria (efficiency and participant satisfaction) suggest emphasis on supporting subordinates, encouraging interaction among group members, and setting challenging, real sic goals, and facilitating the work of the organization.

(a) Managing for performance

There are three clear areas of responsibility that all managers have to accept:

- The responsibility for *determining how the objective of the team will be achieved*
- The responsibility for *ensuring the team members are selected*,

developed, trained, and carry out their responsibilities to a pre-

determined standard that will allow them to achieve their objective,

and

- The responsibility for ***the motivation, performance, and personal***

development of the individual team members so that the objective is

achieved.

The first area of responsibility is one of planning ('achieving the task'), the second is one of team building and training ('building the team') and the third is one of performance management ('developing the individual'). Unfortunately, most managers fail to plan -instead, they fight fires- they accept the team they are given and do little to develop it, and they have little understanding of performance management.

The result is that they fail to achieve their objectives and generally blame 'the bosses' for unrealistic goals. In many companies this sort of management behavior goes unchallenged due to a corporate culture that only pays lip service to accountability and extracts no retribution for failure.

To be effective managers we have to ensure that we are effective in each of the main areas, to understand that they are interdependent, and to keep them in balance. The key is the ability to manage **people:** the skills involved in getting them to deliver their best performance are ones, which we can all develop. It is a matter of learning to use a range of techniques in an appropriate manner**:** techniques we can all learn, which are not difficult to apply, and which are based on common sense and an understanding of why people do things.

A great deal has already been written about almost all aspects of management and many influential thinkers have turned the whole subject into a 'science', with rules,

processes, theories, and all the paraphernalia that entails. We have scientific management, and many more schools of thought, all of which have valid contributions to make to understanding the role of the manager within organizations, ***but fail to address themselves to the enhancement or the performance of the individuals who make up that organization and on whom its success depends.***

In performance management we are not concerned with the business systems and processes that are involved in our work, nor are we deeply concerned with scientific management theories- although a little background is called for to explain why the techniques work. What we are concerned with is ***the management of people and how you can obtain a better performance form yourself and your team***. To be an effective performance manager you have to mange your own performance effectively if you are to manage the performance of others.

How do you do this? The staring point must be to know what you and your team have to achieve and by when-this establishes the goal. The next step is to develop an overall plan outlining how you are going to achieve your goal. This palm will then define what resources you are going to need especially the human resources.

You must ten acquire those resources, select and recruit the necessary people, develop and trying them, and then mange their performance. And don't forget, you are one of your resources and you will need to look at your

management styles, your skills, your strengths and weaknesses, as well as those of your people. In the following chapters, we will be looking at these issues in depth and I will be offering help and guidance on how to find the necessary people and how to develop them and yourself, so as to achieve your objectives.

Beyond this, there are three main requirements for the successful management people:

- To understand what makes a person "tick" - why they work and for what reason: their motivation for doing things
- To understand the need for different management styles in different circumstances, and
- To understand the impact of the environment on the ability of a person to deliver an optimum performance.

How to motivate people?

Motivation- has an unhealthy stalemate, manipulation. Motivation can be defined as "getting people to do what they want' whereas manipulation is getting people to do what we want'. Clearly, if people do things only to obtain a benefit for themselves then they will certainly be motivated to do what they want - equally; it is sometimes hard to see how doing what we want them to do will provide them with a benefit.

So, the first key to successful motivation is to get your people ***to really want what they want-because in seeking to achieve what they want,*** they will deliver an optimum performance. The more they desire to do what they want, the greater their performance. The management skill is to succeed in persuading your people to want what you want because in this way your objectives and those of your

team become the same and they will be motivated to achieve - this process is centered around goals and goal-setting. In terms of corporate management, your objectives, as a manger, should be those of the organization itself.

The second key to success is ***to maintain the motivation*** of your people - this is rather more difficult to achieve and is the area in which most mangers fail. They believe that once they have motivated their people that is all there is to it-but they are wrong: once ***motivation is established it never lasts and has to be constantly re-established*** - a process which is based on performance monitoring and feedback.

Environmental issues go beyond the physical conditions in which we have to work: the attitude of the team members to each other, the "political" environment within the company, and the "market' environment in which we work, also affect our ability to deliver an optimum performance. These subjects are important and we will see how improved communication can overcome some of the downside.

Initially, the blame rests with senior management. Most people feel more comfortable with the detail of their job (the tactics) than they do with senior managers are still prone to this - even though they know that their job is to accept the challenge of being strategic. The situation is not helped by the fact that middle and junior managers caught in this position either accept the goals they are given, even if they are unachievable, or 'sandbag' their goals to protect themselves

How do achieve team's objective(s)?

The answer is to **plan carefully and then work your plan**. However, a word of warning is necessary. Many managers make the mistake of embarking on this process having already accepted the targets- this is a major error. It is vital that you define your objectives, resources, and constraints **before** accepting the goals, especially if you are in a junior position in which you have little control over the resources available to you.

STEP 1 DEFINE THE OBJECTIVES **IN MOST ORGANIZATIONS THE TARGETS FOR THE YEAR TEND TO COME DOWN THE LINE AS A SERIES OF NUMBERS THAT AFFECT BOTH SIDES OF THE EQUATION- THERE ARE TARGETS ON THE INCOME/REVENUE SIDE AND THERE ARE TARGETS ON THE EXPENSES SIDE. THE FIRST STEP IS TO SORT OUT WHAT THE NUMBERS MEAN TO YOU AND YOUR TEAM-TO DEFINE THE SIZE AND SHAPE OF THE OVERALL OBJECTIVE YOU HAVE TO ACHIEVE.**

The actual size and shape of the objective depends on where it is viewed from and it is important to understand that different levels of management have different views of what has to be achieved. The board of directors may see the objective as the value of the company's shares and the dividend they will pay, while senior management may see it as profit figure. The production manager is likely to see the cost of the product as his objective while the sales manager will see the total sales revenue as the key target. The assembly line manager is likely to see the total number of units assembled ad his goal, while the quality manager may see the decline in the numbers of errors as his prime concern. All of these are correct and if everyone meets their targets then the company will meet its objectives.

It is vital, therefore, to clarify the task involved - exactly what are the key components that make up the objective for your team: is it a growth in revenue, an increase in sales, a decrease in expenses, or a combination of all of these? To do this you must understand the numbers that affect you- and disregard the rest. This may seem a little radical but there is little point in worrying about the share price if your primary objective is producing a given number of error-free widgets in a year.

Defining the objective for your team is your responsibility although you would be wise to seek the assistance of your immediate superior and, possibly, your senior team members. But I suggest you do not involve too many people at this stage, as incomplete information reaching junior members of the team is likely to confuse and may have a demoralizing effect. After all, your responsibility is to offer leadership to your people and consensus decision-making at this stage is an abdication of that responsibility.

At this stage, you should have a very clear view of what has to be done but before involving your team you need to identify your resources and understand the constraints you face. This process will tell you if the objectives are realistic and achievable for your team as it is now or whether you will need to obtain additional resources to carry out other activities to deliver the necessary level of performance.

STEP 2 DEFINE THE RESOURCES AND CONSTRAINTS. Your resources include you, your team, your budget, the time available to achieve the objective, the skills available amongst the team, marketing and other support actions being planned, your access to the market, technological support, the human resources support, and so on. This list is not exclusive and your individual situation will determine what resources you should consider- for example, if you are the manager of a production department your raw **materials fall into this category, whereas if you manage a delivery section the number of vehicles will also constitute a resource.**

Capacity planning - the vital exercise. Capacity planning, especially if you are a manager in a sales or production environment, is possibly your singular most important activity if you are to achieve your goals. But in undertaking this exercise, you are not trying to 'prove' the goal can or cannot be achieved- you are determining what performance can be expected given your current resources.

STEP 3 PLAN YOUR WORK**. A LEADER PLANS HIS WORK AND THEN WORKS HIS PLAN- AS A PERFORMANCE- ORIENTATED MANGER YOU MUST DO THE SAME. NOW THAT YOU HAVE DEFINED THE OBJECTIVES, DETERMINED WHETHER THEY ARE ACHIEVABLE, AND KNOW WHAT RESOURCES ARE AVAILABLE YOU CAN START PREPARING YOUR ACTION PLAN WHICH WILL OUTLINE IN DETAIL HOW THE TEAM IS GOING TO ACHIEVE THE OBJECTIVE.**

The action plan Exactly what goes into your action plan depends on what the objectives are but in general terms, it should cover:

- **Strategy-** your strategy (inclusive of tactics and actions) for achieving the objectives.
- **People** -the people involved (human resources) and any training requirements they may have
- **Goals** -who does what and by when (individual goals)
- **Monitoring** -how performance is to be monitored and evaluated
- **Reporting** - who is going to report what to whom, and when
- **Parameters** -what actually constitutes achieving the objectives and what constitutes a deviation from plan that needs correction.
- **Resources** - other resources (i. E. budget, equipment, marketing programmers) that will be used. This list is not exclusive, but most action plans can be broken down in to these sections.

STEP 4 WORKING YOUR PLAN . **NOW THAT YOU HAVE A CLEAR OBJECTIVE AND A PLAN FOR ACHIEVING IT, YOU MUST WORK YOUR PLAN. IMPLEMENTING A WELL-PREPARED PLAN IS SOMETHING THAT MANY MANAGERS FIND THE MOST SATISFYING PART OF THEIR ACTIVITIES, BUT IMPLEMENTATION COVERS ALL ASPECTS OF WORKING THE PLAN AND NONE CAN BE LEFT OUT. ONE THING IS CERTAIN, THE PLAN MUST NOT BE PUT IN A BOTTOM DRAWER AND FORGOTTEN - IT IS A LIVING, WORKING DOCUMENT TO WHICH YOU SHOULD REFER FREQUENTLY AND AGAINST WHICH YOU SHOULD CHECK PERFORMANCE. THE DIFFERENCE BETWEEN MANAGERS WHO ACHIEVE THEIR OBJECTIVES AND THOSE**

(b) Compensation performance: Increasing payroll costs and companion in the global market place have caused, managers through the world to search for ways to increase productivity by linking compensation to employee performance. High performance requires much more than employee motivation. Employee ability and health. Adequate equipment, good physical working conditions, effective leadership and management, safety, and other conditions all help raise employee performance levels. But employees' motivation to work harder and better is obviously an important factor. A n8umber of studies indicate that, if pay is tied to performance, the employee produces a higher quality and quantity of work not everyone agrees with this. Some researchers argue that if you tie pay to performance, you destroy the intrinsic rewards a person gets from doing the job well. Intrinsic rewards are powerful motivators to. But research on them has been limited to only a few studies. Money's importance to employees varies among individuals. If the organization claims to have an incentive pay system but in fact pays for seniority the motivation effects of pay will be lost. The key to making

compensation systems more effective is to be sure that they are directly connected to expected behaviors.

In sum, theorists disagree over whether pay is a useful mechanism to increase performance. Because of individual differences in employees and jobs. It seems more fruitful to redirect this research to examine.

1. The ranger of behaviors that pay can affect positively or negatively
2. The kind of employees whom pay influence positively and negatively
3. The kinds of employees whom pay influences positively and negatively result.

It can be said that organization view performance-based compensation programs as anything from miracle cost-reallocation process to a time-consuming waste of resources. All of these views have merit. To implement such a program, managers must keep in mind that a performance-based compensation system's goals is to develop a productive, efficient, effective organization that enhances both employee performance and productive. Efficient, effective organization that enhance both employees perchance and motivation. The pay for performance program must, therefore, be driven by performance-oriented systems and processes rather than by the organization's compensation system and processes.

Developing a system that shows employees that pay is tied to performance requires a number of managerial skills. First, managers must be able to allocate pay on the basis of merit. Any merit pay increase must be meaningful, not a token, if it is to be motivational second, managers must be willing to specifically discriminate in terms

of rating and rewarding performance. Third, managers must communicate the pay system at the time of employment in terms of initial pay, expected one - term pay progression and pay adjustment. The manager should also inform the employee that performance levels are required to obtain the pay increases. Finally, mangers must have the ability to discuss the pay for performance linkage with subordinates.

The first step in the direction of creating a pay for performance work culture is to develop performance evaluation. When pay rewards cannot be linked to measurable performance, management has a problem. That is, if performance measures are poorly developed, employees will have difficulty perceiving the connection between pay and performance. Thus if compensations to have any influence on motivation, it is crucial to develop accurate measures of performance.

c. Developing a performance culture: Obviously performance is important for all business, but performance is especially important for service business. Service business do not produce, they perform; they do not sell things, the sell performance. And this performance are often labor intensive, meaning the service is a human performance. The human performance is the actual product that customers buy. If human effort is un responsive and in competent, so is the products. The majority of compliments that came in to Toyota or IBM are aimed at people.

Managing service is difficult because they are intangible, in separable, perishable, and homogeneous. Service productivity and efficiency as we already noted. Can be increased by investing in peephole. Ones such investment is developing a performance culture.

An organization has performance culture when every one can do his/her best work. Managers are responsible for developing a culture kin which services employees have the turning, knowledge and, freedom.

i. **Peak performance.** The highest level of performance a worker can achieve is the sum of acceptable performance and discretionary effort. . Workers become or fail to become peak performers when their work requires discretionary effort. The choose-to-do part of their job and not the have- to - do part of their job-acceptable performance. Thus discretionary effort is the common denominator of peak performance, and the critical element for managers who with to develop a high performance culture in their originations.

The foundation of peak performances and the development of a performance culture is discretionary effort; the difference between the minimum amounts of effort a worker must expend to keep to from being penalized acceptable performance and the maximum amount5 a person can bring to a job. Discretionary effort is that effort over which workers have the most control and over which managers have the least control. As shows, job highest in discretionary effort are customer contact jobs. And knowledge jobs. As we move from the manufacturing sector to the service sector, hobs' discretionary extent increases. Assembly line workers don't bring much.

ii. **Achieving peak performance.** Naturally firms want to encourage peak performance. But this is quite difficult because discretionary effort-the key to achieving peak performance- is not easily

controlled by managers. Some service workers are satisfied with acceptable performance, which their customers come to accept. But the reality of today's highly competitive global economy is that acceptable performance is not acceptable there may be little defense between products offered by various banks, such as checking accounts, auto loans, and savings accounts. But on bank may provide better service than another. When services are the same, a firm wins or loses service. The challenge facing managers is to unleash worker's discretionary effort.

Empowering employees to make decisions and take action with out management's approval increases the likelihood that discretionary effort will be exercised. Employees who are the consequences of making a is take or who, because of polices, cannot make a decision their own, are less likely to exercise discretion, the postal worker couldn't sell the stamps in rolls because of a policy, service, and either didn't care about the customer or (more likely) was afraid to break the policy. Service mangers have begun to empower workers and encourage them to exercise discretion. Realizing this has appositive impact on service quality and customer satisfaction, but empowerment alone does not ensure that a performance cultured. Managers must be committed to developing a responsive organizational structure that encourages performance and employees must be motivated and committed to the organization's goals.

(d) Evaluation Performance. Performance evaluation programs represent a significant application of motivation theory. The process of evaluating on individual's performance contains elements of both positive and negative reinforcement. How well people perform is

largely determined of whether their performance is evaluated and rewarded.

Performance appraisal. Performance appraisal or merit rating means systematic evaluation of the personality and performance of each employee by his supervisory or some other person trained in the techniques for comparing individual employees in a work group in terms of personal qualities or deficiencies and the requirements of their respective jobs. Merit rating should be differentiated from job evaluation which is concerned with the determination of worth of different job merit rating refers to the task of rating or assessing the performance of employees.

It is a fact that people differ in their abilities and aptitudes. These difference are natural to a great extent and cannot be eliminated even by giving the same basic education and training to them. There may be some differences in the quality and quantity of work done by differences in the quality and quantity of work done by different employees when on the same job. There fore it is necessary for agreement know this defenses so that the employees having better abilities may be rewarded and the wrong placement of employees may be reflected. The in disbursal employee may also like to know the level of his performance in comparison to his fellow employees so that he may improve up on it. Thus, there is a great need to have suitable performance appraisal system to measure the relative merit of each employee.

Role of performance evaluation. Performance evaluations and important part of the employment exchange defining the informal arrangement between the employee and the employer. The employer

provides jobs and agrees to compensate employees for their work. The employers agree to work in exchange for the compensation and other parts of the agreement for employment to continue.

The employer is expected to proved adequate compensation, and the employees evaluate their pay and other records it derive whether they will continue working. Likewise, the employees are expected to perform their jobs dependably, and the employer should evaluate their performance. Most employees agree that poor performers must be terminated, and that out standing performers deserve to be promoted and receive pay increases.

Effective performance appraisal systems contain two basic systems operating in conjunction: an evaluation system ad a feedback system.

The main aim of the evaluation system is to identify the performance gap (if any).

This gap is the shortfall that occurs when performance does not meet the standard set by the organization as acceptable.

The main aim of the feedback system is to inform the employee about the quality of his or her performance. (however, the information flow is not exclusively one way. The appraisers also receives feedback form the employee about job problems, etc.)

One of the best ways to appreciate the purposes of performance appraisal is to look at it form the different viewpoints of the main stakeholders: the employee and the organization.

Employee viewpoint. From the employee viewpoint; the purpose of performance appraisal is four -fold:

1. Tell me what you want me to do
2. Tell me how well have done it
3. Help me improve may performance
4. Reward me for doing well

Organizational viewpoint. Form the organization's viewpoint, one of the most important reasons for having a system of performance appraisal is to establish and uphold the principle of accountability.

For decades it has been known to researchers that one of the chief causes of organizational failure is "non-alignment of responsibility and accountability." Non alignment occurs where employees are given responsibilities and duties, but are not held accountable for the way in which those responsibilities ad duties are performed. What typically happens is that several individuals or work units appear to have overlapping roles.

The overlap allows - indeed actively encourages-each individual or business unit to "pass the buck" to the others. Ultimately, in the severely non-aligned system, no one is accountable for anything. In this event, the principle of accountability breaks down completely. Organizational failure is the only possible outcome.

In cases where the non-alignment is not so sever, the organization may continue to function, albeit inefficiently. Like a poorly made or

badly tuned engine, the non-aligned organization may run, but it will be sluggish, costly and unreliable. One of the principal aims of performance appraisal is to make people accountable. The objective is to align responsibility and accountability at every organizational level.

3.2.2. Criticisms of performance evaluation

In spit of its importance, the performance evaluation process has been severely criticized, and the criticisms have prompted many managers to abandon performance revaluation as a useless and perhaps harmful practice. Many people, especially low performers and people who dislike work, simply dislike being evaluated. These individuals are basically of opposed to having anyone conduct any sort of evaluation of their performance. They view any efforts to evaluate their performance, either formally or informally is a threat.

The process of evaluating performance can also be threatening to supervisors. Evaluating the performance of subordinates is a basic supervisory responsibility and a supervisor who lacks the skills to evaluate performance and to one some job is, especially job that do not produce a physical product, performance is difficult to define. Managers provide leadership, engineers create new ides, and trainers present information, but these products cannot meaningfully counted. So, how do we know' what to measure? While some argue that intangible product such as new ideas, leadership, and training cannot be reliably measured, others argue that everything can be measured even if it is only by a subjective rating scale.

3.2.3. Performance evaluation methods

Performance evaluations occur whether or not a formal evolution program exists. The demands to hire, fire, promote, and compensated all necessitate some from of evaluation. Supervisors have always evaluated their subordinates and formed impressions about each employee's work, and these informal, subjective evolutions. The advantage of an informal system is that it is easier to design and administer, the advantage of a formal program is that it is more unbiased, defensible, and open to inspection.

The popular proverb "what you evaluate is what you get" emphasis's the importance of evaluating behaviors that are essential to organizational effectiveness. The importance of evaluating relevant behaviors illustrated by the experience of a military officer who included "orderliness" as one of the criteria for evaluation a unit of clerk-typists. The officers who conducted the evaluation defined orderliness in terms of how clear and uncluttered the clerk typists kept their desks. The clerk-typist responded by removing everything from the topes of their desks and keeping it in their desk drawers, although this procedure was inefficient, and the volume of work dramatically declined, the clerk-typists obtained high performance evaluations.

Deciding what to evaluate is in part a value judgment. The personal values of those who design the evaluation system will be reflected in it. In deciding what to evaluate and important issue is whether the evaluation should focus on outcomes (resist) or behaviors (activities). For example, the performance evolution of a salesclerk could focus on the number of products sold per hour, or it should

focus on the behaviors required to produce the sale such as describing the product, arranging for financing, and making repel calls, when asked, most people say out comes are more important to measure than behaviors; they are primarily interested in measuring results. However, most performance evaluations focus more on behaviors than on results, especially when evaluating managers and supervisors.

The major advantage of focusing out comes is that attention is directed toward producing specific results. The primary objective of all employees should be to produce results, not behaviors. Unfortunately, some employees perform many of the right behaviors and still fail to produce results. This situation can be illustrated by examine the behaviors of a student writing a research paper. The right behaviors include finding references, reading articles, making notes, and studding the material. A student can performable these activities very well and still fail get the paper written.

A potential problem with exclusively evaluating outcomes is that the results can sometimes be achieved by unethical or undesirable means. By exerting excessive pressure on subordinates, supervisors usually can increase performance. But over time, excessive pressure can lead to turnover, is satisfaction, and unethical conduct. In managing people, the way it is done (behaviors) is just as important as the results

(Out comes).

Good performance evaluation programs depend more on the competence of the evaluator than on the specific evaluation technique. Nevertheless, some appraisal techniques are

considerably better than others, depending on the purpose of the evaluation and the nature of the work being done.

Literally thousands of performance evaluation forms have been developed in various companies. These forms include ranking procedures, classification procedures, graphic rating scales, behaviorally anchored rating scales, forced choice procedures, and descriptive essays.

Methods of performance appraisal.

a. Unstructured appraisal: In unstructured appraisal the appraiser is required to down his impression about who is appraised in unstructured way. However, in some organization are needed to grouped under particular headings such as quality of job performance, reasons for specific job behaviors, personality traits, and development needs. This system is highly subjective and has got its simplicity and is still in use especially in the public sector undertakings and government departments.

b. Ranking procedures. The objective of a ranking procedure is to order a group of employees from highest to lowest along some performance division, unusually overall performance. Ranking is frequently used when making promotion decisions and occasionally used when making compensation decisions to decide which employees should get the largest financial bonuses. However, tanking is not helpful for providing personal feedback.

Classification procedures. Classifications procedures simply categorize individuals into one of sever categories, such as out standing, excellent, good, for, and poor. This procedures is typically use to evaluate and individual's over all performance, although

individuals can also be classified specific performance diminutions, such as quantity of work, quality of work, and cooperativeness.

(c) Graphic rating scales. Graphic rating scale are the most frequently use method of evaluation performance for nonmaterial workers, some of the most popular characteristics measured by graphic rating scales include quality of work, cooperativeness, job knowledge, dependability, initiative, creativity and overall performance. These scale used to measure these described are typically five to ten point sales that are described to at least some extent by such words high versus low, or exceeds job requirements versus needs improvement, the accuracy of graphic rating scales and their freedom from bias and subjective improve a the points a longs the scale are, more accurately described on behavioral terms. Ideally, each point the scale should be defined by a specific behavioral description. Behaviorally anchored rating scales (BARS). When the points along a graphic rating scale are clearly defined by specific behavioral, these scales are then called behaviorally anchored rating scales. Research indicates that behaviorally anchored rating scales are superior to regular graphic rating scales because thy are more reliable, less ambiguous, and less biased; furthermore, they are more accurate measures of performer and provider better feedback to employees. The disadvantage of using behaviorally anchored rating scales is that more time and effort required developing these scales.

Paired comparison is an improvement over simple raking. Under comparison is an improvement over simple ranking. Under this, every employee in a job family is compared with every other employee to determine which the better worker is. The paired comparison gives more reliable rating than the order of ranks discussed above although this system is more radiuses to construct and use. It cannot be used

for period employees. Ratings as it do not make evaluation of any employees that might have been made over period of time.

Under this method, scales are established for a number of particular factors and qualities. Five degrees are established for each factor and general definition appears at points a long the scale. Generally, the ratter is applied with a printed from, one for each person to berated. The factors that selects to be measured on the graphic rating scale is an important point under this system, these are of two types:

1. Characteristics, such as initiative and dependability, and

2. Contribution, such as quantity and quality of work. Since certain areas of job

Performance can not be objectively measured; it's likely that graphic scale

Will continue to use a mixture of both characterizes and contribution.

Graphic scales impose a heavy burden upon the supervise he must report and evaluate the performance of his subordinates on scales involving as many as five degrees on perhaps ten different factors. In this system there is a disadvantage that the rate may be biased. However, one means of insuring that the rates has based his scoring upon substantial evidence is to leave space on the from after each factor and require him to explain the reason for his rating. In effect, he is asked to give example of the rate's behavior that justifies the assigned rating. In practice, ratings tend to cluster on the high side under this system. A supervisor may tend to rate his men high to avoid criticism from them.

(d) Forced-choice evaluations. Some companies have developed forced- choice evaluations to minimize the potential bias of the evaluations. Forced-chose procedures consist of statements arranged in pairs, and the evaluator is asked to check which statements is description the employee's performance. The pairs of statements are designed so that both statements appear equally favorable or unfavorable, but one statements actually more descriptive of an out-standing or poor performer. Experiments comparing the forced-choice technique with other rating procedures have shown that less bias is evident in the force-choice method than in other methods. However, the disadvantage again is the time required to develop this method.

Some appraisers suffer from a constant error; i.e. they either rate all workers as excellent; average or poor; they fail to evaluate the poor; average or excellent employees clearly; it has an advantage over the paired comparison system in that two or more employees can be given equal ratings, this system in that two or more employees can be divided in to five point's scale of outstanding, above average, average, below average and poor.

(e) Checklist appraisal. Various statements are prepared in such a manner that they describer various types of behavior for a particular job. Each statement is attached a scale value. At the time of rating the employees, the supervisor just recollects and Checks all statements. After this weights or values are attached to the individual traits and rating up to this level is gathered on the rating sheet. Then the weighted check list should be prepared by the persons thoroughly acquainted with the hob and perfect at preparing and weighing statements. When this process is complete, ratings are placed on separate cards for future reference.

This method does not allow the supervisor to accumulate vague impression as a basis for scoring. It compels him to think in terms of very specific kinds of behavior. This method involves a lengthy procedure of evaluating employees. That is why, this method is relatively costlier. It puts more strain on the financial resources of the organization particularly in terms of personnel development time. Financial burden is further increased when increased jobs are evaluated because a separate procedure must be established for each job.

(f) Critical incident. A critical incident means a significant act by an employee

Exceeding or failing any of the requirements of his job. It represents an exceptional behavior of an employee at work, as for instance, desisted the implementation of change: became upset over work; refused to help a fellow worker; suggested an improvement in the work method: tried to get a fellow worker to accept the management decision; welcome new ideas.

This method requires every supervisor to record all of such significant incidents in each employee's behavior which indicate effective or successful action and those which indicate ineffective or poor behavior. These are recorded in a specially designed note book which contains categories or characteristics under which various behaviors can be recorded. Examples of such types of job requirements for workers are judgment, learning ability, productivity, and dependability, accuracy of work, responsibility and initiative. Daily recording of these items seems to be essential because,

otherwise, the supervisor may forget the incidents with his subordinates.

The main problem with this method is that the outstanding incidents happen so infrequently that individual's appraisal mayto vary markedly in any tow time periods. It has been observed that most of the time the employees have neither positive not negative incidents. If the critical events does not happen. It will be difficult to rate an employee. Moreover, it may be difficult for a supervisor to decide what is the critical or exceptional incident here again the human bias may appear in recording the critical incident.

Performance appraisal and job evaluation

1. Performance appraisal is concerned with the differences among the employees interims of there performance but job evaluation is the analysis of varies jobs to know the demands that the normal performance of particular jobs make on average employees. It does not take in to account the individual abilities or the employees concerned.
2. The purpose of performance appraisal or merit rating is to appraise the performance of individuals to take decisions like increase in pay transfer, promotion etc. it their strong and weak points. A systematic program of merit rating will tell them the quality of their performances; it also serve as a guide line for the management to consider the type of training which should be imported.
3. Performance appraisal rates the man and not the job as it sis convened with assessing the abilities of the indivisibles. As matter of fact it measures the worth

of men to the originations. But job evaluation rates the jobs in the organization in order to determined their worth and fix. The wage or salary level that will be fair and equity table job evolution is generally used as a basis of wage structure in the organization. Bases of sound personnel policies in relation to transfer. Promotion etc.

Descriptive essay. Some performance evaluation forms simply provide a blank space for the evaluator write a descriptive easy summarizing the employee's performance. New and inexperienced evaluators are able to use this procedure extremely challenge and unpleasant, however, experienced evaluators are able to use this method quite effectively. The essay description typically identifies the employee's job responsibilities on one side of the page and the other side of the page contains a description of how well these duties have been performed**Corporate social performance.** Arch Carroll combines the philosophical ideas of social responsibilities in to a single theory of corporate social action caused corporate social performance. According to this theory, the area of social responsibility debates is shaped by economic, legal and ethical principles. Together this principle charges a social contract between business and society that permits companies to out as more agents. An individual companies, managers try to implement the purchase of the social contains in their dictions matches processes and in their company poleis.

Reflection of companies decisions and polices are: -

1. **Reactive** - the company response to a section issue only after it has challenged company yours
2. **Defensive** - the company acts to ward of challenge
3. **Accommodative** - the company brings it self in to government requirements and public opinion

Responsible but leads to good financial performance. More than a dozen social conscience mutual funs exist that choose securities for investment purposes according to the companies records in social responsibility that is in protecting the environment, helping the community etc. what's interesting is that each fund uses its own standards in determining which services are acceptable.

The existence of so many different standards and ideas of social performance means that we must work to the underlying assumptions about organizations and society.

3.2.4. Advantages and Limitations of performance appraisal

i. Advantages

A. Performance appraisal could help the supervisors through evaluating his employees performance in a systematically way and also in time schedule (from time to time). It also helps him to assign the responsibility to each individual and put them at the right place.

B. Rating helps to show the way how employees have done their work correcting. The ability of group of persons working together under a manager is recognized and can be sufficiently rewarded by giving them special increments.

C. Performance appraisal could be base for implementing policy of transfer and promotion. If one of the employee's performances is greater than others, he will be recommended for the better position. If an employee's performance is low, he may be demoted to lower position.

D. Rating can also be used to evaluate who will need training, when he should have trained and at what cost. If there is weakness in an employees performance.

E. Performance appraisal provides an incentive to the employees to improve their performance to compete with others.

F. If the performance rating is done scientifically and systematically, it will keep the firm from the ground of complaint and develop confidence between the employees because they believe in the impartial basis of evaluation, they believe in the impartial basis of evaluation. The records of merit rating are ready to use continuously for long period of time to protect the management against subsequent charges of discrimination, which might be fired by the trade union leaders

ii. Limitation of performance appraisal

a) If relevant study is included in the performance appraisal the result of
Merit rating could not be accurate.

b) Due to different quality rated, the weight given may not be proper in Certain cases.

c) Some of the factors are highly subjective such as motivation and personality. Traits of employees. Due to this actual

rating may not be scientific.

d) Most of the superiors do not have the critical ability to assess their staff. Sometimes there are guided by their emotions and the ratings are biased

Learning Activities 3.2

1. What are the methods of performance appraisal

_____

_____

_____

2. What are some of the advantages of performance appraisal?

_____

_____

_____

3.3. Strategic Benchmarking

Overview:

Dear reader, benchmarking helps to identify the current position of business and determining priorities for improving performance. This section discusses the essential process, types and stage of benchmarking.

Objectives

After reading the section you will be able to

- Speaking out the essential process of benchmarking
- Clarify the types of benchmarking
- Spell out the stages of benchmarking

What should companies do to compete successfully? The successful company will have higher quality, introduce new technology earlier, and have costs lower than its competitors. To rate its performance, the company needs to “benchmark,” that is, to continuously compare and measure its business process against business leaders anywhere in the world in order to gain information that will help the organization take action to improve its performance.

Benchmarking is the process in which organization gather, analyze and evaluate the world outside the organization and compare it with its own. The result of this process becomes the compare it with its

own. The result of this process becomes the cornerstone of your improvement.

Benchmarking is a measurement process and results in comparative performance measures. Just as importantly, benchmarking identifies and describes process enablers, the practices that lead to exceptional performance.

3.3.1. An Overview of Benchmarking

Benchmarking is the process of gathering, analyzing and evaluating the world outside your organization and comparing it to your own. The result of this process becomes the cornerstone of your improvement. It is dependent upon the determination of your organization to discover and continuously monitor industry leaders and the best practices of business. The process is deceptively simple. However, it requires much time for planning, implementation and interpretation of data. Thus, the goal of benchmarking is to make your organization the best it can be, based on the information form both internal and external sources.

When this applied internally, the focus of competitive sprit shifts through co-operative spirit. When the concept is applied externally, more often tan not to non to non-competitive organizations, the focus is on each other's best practices. The secret to benchmarking is the nation of 'best'. The way we define and use 'the best' will determine the measuring stick to define and measure the performance. Once this characteristic has been defined and measured by the organization, this knowledge is used to evaluate and/or improve your own processes.

The basic stages of benchmarking follows the Plan-Do-Check-Act (PDCA) cycle.

Four stages approach

1st To answer two fundamental questions:

1. what should we benchmark?
2. whom should we benchmark?

2nd To conduct secondary and primary research: secondary research includes public or disclosed information, and primary information is gathered through direct contact with the company.

3rd To analyze the data to determine the magnitude of the gaps between the companies and to identify the process enablers at the home company in order to improve its performance and quality.

4th To adapt, improve and implement the appropriate action in order to improve

Benchmarking is viewed as a five-generation evolutionary process, beginning with

1. Reverse engineering, and moving through
2. Competitive benchmarking,
3. Process benchmarking
4. Strategic benchmarking, up to
5. Global benchmarking

Benchmarking is important because it helps identify the level of customer satisfaction. Customers tend to be satisfied with innovative features even if the engineering is lackluster; for items that are offered by several companies, however, customer satisfaction is directly related to the degree of engineering excellence. Customers expect items with basic performance characteristics to perform well. So even outstanding engineering performance is recognized only

when the item fails. Product and process design must continually improve because the innovative item is soon imitated and improved.

Linking of Strategic Planning with benchmarking

Strategy can be called the persistence of a vision. The vision and strategic goals are set by the corporate management team. Middle management teams are responsible for developing the strategy to achieve those goals. The subsequent actions are implemented by operational teams.

Understanding the strategic intent is important. Does the company have the commitment to global leadership over its arch rival? The company must do environmental scanning to guard against latent competitors- companies who are currently not competitors but who have the technology to be, such as Canon becoming a competitor of Xerox.

Companies should understand and develop their five or six core competencies. These provide potential access to a wide variety of markets make a significant contribution to the perceived customer benefit of the product, and should be difficult for competitors to imitate. Similarly, companies have key business process capabilities that provide them with certain advantages.

Principles of Benchmarking

The four basic principles of benchmarking are **reciprocity**, **analogy**, **measurement**, and **validity.** Reciprocity means that the companies participating in the exercise insure a win-win situation form the start. The processes to be benchmarked should be comparative or analogous. To facilitate analysis, hard data are needed to measure, monitor, and verify process performance. Data also must be valid, timely, and accurate to make sure management is indeed done by fact.

Benchmarking presents significant room for observing another company's proprietary information or intellectual property. A Code of conduct is available to industry to provide an accepted standard of behavior. The nine principles of the code cover the following.

- Legality (all laws must be beyond)
- Exchange (be open and honest, and do not take any information the partner does not want to release)
- Confidentiality (do not reveal data to no participants).
- Use (only use the information to improve one's own processes).
- First-party contact (initiate benchmarking inquires through proper channels)
- Third-party contact (do not release partners' names to a third party)
- Preparation (first do a self-analysis on processes, strengths, and weaknesses before contacting potential partners).
- Completion (make sure that results can be given to management and partners in a timely manner)
- Understanding and action (information to share, protocol, and guidelines should be agreed on form the start).

3.3.2. Creating Benchmarking capability and advantages

Organizations need to evolve form a control-based management system to a learning based management system. Benchmarking will facilitate this transition. It involves to networking of knowledgeable companies and companies with needs or issues to resolve.

Organizations do not change quickly especially if they have done well in the past.

Corporate learning can be improved by communicating; program mangers for Merck record their best and worst project development experiences in a “Book of Knowledge.”

A. Creating a Benchmarking Capability. Benchmarking is a process. Like any process it can be benchmarked-Hewlett Packard did it in 1989, beginning with Xerox's process.

Pitfalls to avoid in benchmarking efforts are lack of management commitment (or worse, management disbelief). Failure to learn from others' mistakes and failures, not factoring customer expectation into the study, lack of participation by the process owners. Penalizing mangers or employees for the current gap in performance observed during benchmarking. Studying companies with a poor cultural fit, and too much informality in the method of benchmarking.

To help ensure that benchmarking succeeds, the Benchmarking code of conduct should be followed, management needs to be committed to the effort, the process cannot be rushed, team approaches are critical, and the study needs to be supportive of the company's strategy and vision.

Benefits of benchmarking include better understanding the needs of the customer and the dynamics of the industry, learning from the success and failures o9f others,

Senior management must ensure that ensure that benchmarking teams focus on strategic objectives and have sufficient reduced to succeed. They must also review plans and progress and act accordingly. If an outside consultant is needed to conduct a study, management should allow the team to learn how to conduct the study

so that learning takes place. Benchmarking can be likened to a heart transplant; it represents significant change and must be handled carefully.

B Advantages of Benchmarking. Using benchmarking effectively and regularly will bring the organization the following benefits by:

- ✓ Helping to identify the current position of your business and determining priorities for improving environmental performance.
- ✓ Allowing comparisons with previous benchmarking profiles and against recognized best practices.
- ✓ Encouraging regular monitoring of progress and a programme of continuous improvement.
- ✓ Increasing the competitiveness of your company by demonstrating environmental improvements to customers and shareholders.

3.3.3. Benchmarking process

Understanding the essentials of benchmarking process

The appropriate acquisition and application of quality methods, combined with the pursuit of business knowledge, sets the foundation for successful benchmarking. An organization must continuously apply and develop key quality and decision tools to analyze both qualitative and quantitative practice. Benchmarking is an advanced quality practice; as such, it is not a tool to be used by companies just beginning the implementation of a quality culture.

Stage 1: planning the benchmarking project

The first stage in benchmarking is to plan the exercise. This plan should fit within the mosaic of the company-wide quality plan. This, in turn, should be integrated with the strategic business plan. This strong linkage to the quality planning process and strategic business plan indicates process benchmarking's support of TQM. The **objective** of the planning stage of benchmarking is to determine what to benchmark and against whom to do so.

The first step in this stage is to identify the strategic intent of the business unit or process being benchmarked. To improve performance through benchmarking, it is important to adopt a view of the organization as a collection of business units or process can be defined as a "sequence of activities that people perform on inputs to produce outputs".

Usually a business has a mission statement that summarizes its major purpose. Typical deliverables for example. Typical strategic deliverables of, say, a logistics function may include:

- ✓ The level of customer satisfaction expected.
- ✓ The inventory level to be maintained or returns to be achieved
- ✓ Delivery times to be achieved
- ✓ Delivery of goods as specified.
- ✓ The unit cost or cost level to be achieved

The objective is to ensure not only that the logical deliverables of the business unit are benchmarked, but also the perceived future problem areas.

The next step is to select the processes to benchmark. Whether something should be benchmarked depends heavily on how important

the processes in the internal supplier/customer chain or in satisfying end-users or consumer needs. How significant is the problem to be benchmarked in relation to other areas where benchmarking resources can be directed? Will they change their behavior significantly, enough to make a visible impact n the results of the organization? If the answer to ay of these questions is no, the subject for benchmarking may be important but not important enough. The key to determining what to benchmark lies in identifying the output or outcome or product of the business unit. The product may not be readily apparent.

Finally, selecting the critical success factors to benchmark completes the first stage.
These are the major factors that must be dealt with exceedingly well if the enterprise is to be really successful. Choose a business process or processes based on these factors. Once the key issues about the performance of that process are known, choose the few key performance indicators of critical success factors (CSFs) that you believe measure these key aspects of process performance. The integration of benchmarking with other types of total quality tools is one of the greatest opportunities to link CSFs with meaningful business results. The more specific and generic your CSFs, the more likely are you to get relevant information form your benchmark partner.

There are three level so f critical success factors:

- ✓ Level 1 defines a broad subject area. It involves an organizational department or function. For example, approaching a benchmark partner on, say, billing is too broad a range.

- ✓ Level 2 defines a more specific investigation - some type of aggregate measure. For example, the number of billing errors can define it.
- ✓ Level 3 is the most specific level that can be defined particularly by means of some type of measure or specific process description that allows benchmarking partners to produce information comparable to your own. For example, billing errors may involve incorrect in voices or incorrect billing addresses.

Stage 2: Form the Benchmarking Team

Objective: to select, train and mange the benchmarking team. The first thing is to select the team. Individuals can conduct benchmarking exercises, but most benchmarking exercises are team activities. Think of the workload and knowledge requirements.

A team represents different perspectives, special skills, and a variety of business connections individuals bring to the benchmarking process. The work 'tea' has connotations of a common purpose or goal, coordination, cooperation, communication and motivation. You definitely want a team for benchmarking

The team structure will be influenced by the size and scope of the benchmarking exercise. There are three types of tams required for a benchmarking exercise:

i. **The lead team** The lead team is mainly concerned with building and maintaining commitment for the benchmarking process throughout the organization. It does this by:

- ✓ Providing leadership in decisions on the particular areas of focus facilitating the selection of preparation teams and visit teams.
- ✓ Managing the process to achieve targets on time and within the given budget.
- ✓ Integrating the benchmarking process with other improvement initiates being planned or currently in operation.

ii. **The preparation team.** The role of the preparation tam is:

- ✓ To work within the scope defined by the lead term, on a single business process.
- ✓ To carry out detailed analysis and preparation.
- ✓ To help identify partners.
- ✓ To have representation on benchmarking visits.
- ✓ To analyze findings and design improvement projects.

iii. **The visit team .** The role of the visit team is:

- ✓ To carry out the benchmarking visit within the scope defined by the preparation team.
- ✓ To deliver the findings to the preparation team for implementation.

The visit team needs to be a bridge between the preparation team and the benchmarking partner and is, generally, composed entirely of the members of the preparation tea.

Of course, the lead team, preparation team and visit team can e identical in their composition. The important thing is to recognize the different roles and ensure that they are carried out.

Stage 3: Collect the necessary data

Objective; to identify best practice companies and gather benchmarking information about their performance and practices.

a. **How do you currently perform the process** Self - analysis is an essential step to effective benchmarking. One of the fundamental rules of benchmarking is to know your own processes, products and services before you attempt to understand the processes, products and services of another organization.

b. How does your benchmarking partner perform the process

benchmarking partner is any person or organization that supplies you with information relating to your benchmarking exercise. The term partner implies an ally or one who associates with you. This step can proceed in parallels with your self-analysis step. There are a number of ways to find a benchmarking partner.

Site visit are important to gain an in-depth understanding of the systems and processes of the best practice companies.

Stage 4: Analyzing the data for performance Gaps

Objective: To identify and analyze the gaps between the best practices and your own business processes.

All the collected information is used to identify performance gaps between benchmarking partners. When comparing the performance of companies, adjustments must be made for differences due to:

- ✓ Economies of scale
- ✓ Different management philosophies (outsourcing, decentralization

- ✓ Product features and manufacturing processes.
- ✓ Operating environment (differing awards, regulatory constraints

Stage 5: Take action and recycle the process

Objectives: to develop strategies and action pans to bridge the gaps

What should be done to match the best practices for this process? Identify tasks, responsibilities, resources and time targets for the change process.

Prepare a budget and a cost-benefit analysis. Put it into practice.

3.3.4. Types of Benchmarking

Benchmarking is a very versatile tool that can be applied in a variety of ways to meet a range of requirements for improvement.

Different terms are used to distinguish the various ways of applying benchmarking. The first word in each term relates to either the type of partner or the purpose for benchmarking. At the outset of benchmarking projects, it is vital to be clear on exactly what is to be achieved through benchmarking and apply appropriate methodology.

(a). Strategic benchmarking is used where organizations seek to improve their overall performance by examining the long-term strategies and general approaches that have enabled high-performers to succeed. It involves considering high level aspects such as core competencies, developing new products and services, changing the balance of activities, and improving capabilities for dealing with changes in the background environment. The changes resulting from this type of benchmarking may be difficult to implement and the benefits are likely to take a long time to materialize.

(b) Performance benchmarking or competitive benchmarking is used where organizations consider their positions in relation to performance characteristics of key products and services. Benchmarking partners are drawn from the same sector. However, it is common for companies in the commercial world to undertake this type of benchmarking through trade associations or third parties to protect confidentiality. Evaluates competitors' products for performance, manufacturability, technology. Operability, safety, and support. Competitive benchmarking studies target specific designs, process capabilities, or administrative methods used by a company's direct competitors. These studies are frequently conducted by a third party to report information that has been approved by the contributing company, among other reasons. It is much more difficult to share information one-on-one with a competitors because of potential concerns over antitrust violation and unfair trading practices.

Functional benchmarking investigates the performance of a particular function within an industry wide application. This type of study offers a good opportunity to develop breakthrough results in terms of identifying and understanding process enablers. External consultants usually facilitate this type of study because of the need for logistical coordination and the need for " blinded" results.

(C) Process benchmarking is used when invariably involves producing process and operations. Benchmarking partners are sought form best practice organizations that perform similar work or deliver similar services. Process benchmarking invariably involves producing process maps to facilitate comparison and analysis. This type of benchmarking can result in benefits in the short term.

(d) **Functional benchmarking** is used when organizations look to benchmark with partners drawn form different business sectors or areas of activity to find ways of improving similar functions or work processes. This sort of benchmarking can lead to innovation and dramatic improvements. Focuses on a particular operating activity or function; evaluation criteria should be established to provide assessments based on facts and data.

(e) **Internal benchmarking** involves seeking partners from within the same organization, for example, from business units located in different areas. The main advantages of internal benchmarking are that access to sensitive data and information is easier, standardized data often readily available and, usually, less time and resources are needed. There may be fewer barriers to implementation as practices may be lacking and 'best' in class performance is more likely to be found through external benchmarking. Targets partners within the same corporation and is the easiest to conduct. Internal benchmarking is an approach to process benchmarking in which organizations learn form other operating unit, divisions, or companies within the corporation. These often yield the most detailed information about process improvement potential because inter company barriers are not present. A company wide productivity network in each of the firm’s fifty-six R& D centers conducted best-practice analyses on recently completed projects; because of their autonomy, the project analyses were far from uniform. Corporate engineering analyzed the reports to identify the common causes of schedule slippage. The most frequent cause of scheduling delays was changing of specifications; moving products to market quickly could be improved by a common measure of time-based performance and a better focus on customer requirements.

f) External benchmarking involves seeking outside organizations that are known to be best in class. External benchmarking provides opportunities of learning form those who are at the cutting edge, although it must be remembered that not every best practice solution can be transferred to others. In addition, this type of benchmarking may take up more time and resources to ensure the comparability of data and information, credibility of findings and development of sound recommendations. External learning is also, often, slower because of the 'not invented here' syndrome.

(g) International benchmarking is used where partner are sought form other countries because best practitioners are located elsewhere in the world and/or there are very few benchmarking partners within the same country to produces valid results. Globalization and advances in information technology are increasing opportunities for international projects. However, these can take more time and resources to set up and implement and the results may need careful analysis due to national differences.

There are circumstances in which different types of benchmarking are likely to be more suitable than others. Organizations, often, start out with internal benchmarking to build up experience of the process before attempting external or functional benchmarking.

Learning activities 3.3

1. What are the basic types of benchmarking

_____

_____

_____

2. Describe the four basic principles of benchmarking

_____

_____

_____

3.4 CHECK LIST

Dear learner, below are some of the important points extracted from the unit you have been reading, please put a tick mark (√) in the box in front of the points for those you have understood well and if there are points you have not understood yet, go back and re-read the unit till you understood well. Benchmarking is a measurement process and results in comparative performance measures. The result of this process becomes the cornerstone of your improvement.

I can

- Explain development of performance culture
- Discuss criticis of performance evaluation
- Differentiate the performance methods
- Recall the major steps benchmarking
- Clarify the various types of benchmarking

3.5 SUMMARY

Performance is a function of absite and motivator it is important to recognize multiple goals and evaluate organizational performance on

a variety of relevant dimensions such as effectiveness, efficiency and participants satisfaction.

Bench marking is a process of gathering, analyzing and evaluating the work outside your organization and comparing it to your own.

3.6 CHECK YOUR PROGRESS EXERCISE 3

Part I: True /False

Write "True" if the statement is correct and "False" if the statement is incorrect

1. Workers fail to become peak performers when their work requires discretionary effort.
2. benchmarking is a measurements of process and results in comparative performance measure
3. generic benchmarking involves an aspect of competitive advantage.

Part II multiple choice.

Choose the best possible answer form the option given

1. A dimension of organizational performance that refers to degree of accomplishment of explicit or implicit goals/objectives is

   (a) Effectiveness (b) efficiency (c) participant satisfaction

   (d) productivity (e) all of the above

2. A benchmarking that focus on a particular operating activity based on facts and data established criteria is

   (a) generic benchmarking

   (b) internal benchmarking

   (c) competitive benchmarking

   (d) functional benchmarking

(e) none of the above

Part II: Short recall

1. What are the four stage approaches to benchmarking
2. Describe method of performance appraisal used to compare with every other employee to determine which the better worker is?

3.7 Answers to learning activities and check your progress exercise

Learning activity 3.2

1. (a) Unstructured appraisal
   (b) Ranking
   (c) Forced distribution
   (d) Graphic rating
   (e) Checklist appraisal
   (f) Critical incident

2. (a) It helps to evaluate employees performance
   (b) Rate employees work correctly
   (c) To provide and administer reward
   (d) Administrative measure such as promote or transfer
   (e) to identify training need
   (f) to keep the ground of complaint and levels employee confidence

Learning activities 3.3

1. (a) Strategic benchmarking
   (b) Performance benchmarking /competitive benchmarking/
   (c) Process benchmarking

(d) Functional benchmarking

(e) Internal benchmarking

(f) External benchmarking

(g) International benchmarking

2. (a) Reciprocally

(b) Analogy

(c) Measurement

(d) Validity

Answer to check your progress

Part I: True /False

1. True
2. True
3. False

PART II: MULTIPLE CHOICES

1. (a)
2. (d)

Part III:

1. (a) Answer what and whom should we benchmark?

   (b) To conduct secondary and primary research

   (c) To analyze the data to determine the magnitude of gaps

   (d) To adapt improve and implement appropriate action

UNIT 4. MANAGING ORGANIZATIONAL TEAMS AND GROUPS

Content:

4.0. Introduction

4.1. Learning objective

4.2. Managing organizational teams and groups

- 4.2.1. Definitions
- 4.2.2. Differences between Groups and teams
- 4.2.3. Types of teams:
  - 4.2.3.1. Problem-Solving Teams
  - 4.2.3.2. Self-Managed Work Teams
  - 4.2.3.3. Virtual Teams
- 4.2.4. Creating Effective Teams
- 4.2.5. Turning individuals into team players

4.3. Checklist

4.4. Summary

4.5. Check your progress questions

4.6. Answers to check your progress questions

4.0. INTRODUCTON

In this dynamic and highly competitive business environment, organizations can not succeed unless they work on a team basis. The evidence suggests that teams typically outperform individuals when the tasks being done require multiple skills, judgment, and experience. As organizations have restructured themselves to compete more effectively and efficiently, they have turned to teams as a better way to use employee talents. Management has found that teams are more flexible and responsive to changing events than are traditional departments or other forms of permanent grouping. Teams have the capability to quickly assemble, deploy, refocus, and disband. Therefore, organizations are now becoming highly dependant on team work than individual efforts.

In this unit you will study the meaning of teams, its difference from groups, stages of team formation, and approaches of making teams more productive.

4.1. OBJECTIVES

After completing this unit you should be able to:

- ✓ Define teams
- ✓ Outline the model of team effectiveness
- ✓ Differentiate between team and group
- ✓ Identify the different types of teams
- ✓ Discuss team development stages

4.2. MANAGING ORGANIZATIONAL TEAMS AND GROUPS

An overview:

Formally defined, a team is a collection of two or more people who regularly interact with one another in the pursuit of common goals. And simply put, teams can be very good for both organizations and their members. They can increase resources for problem solving, faster creativity and innovation, improve quality of decision making, enhance members commitments to tasks, raise motivation through collective action, help control and discipline members, and help satisfy individual as organization grow in size. In this unit will study the role of teams, type of teams, and ways of converting individuals effective team players.

Objective:

After reading this section you will be able to;

- ✓ *Differentiate between teams and groups*
- ✓ *Identify the different types of teams*
- ✓ *Discuss the stages of team formation*
- ✓ *Understand the factors that needs to be considered in order to create an effective team*

4.2.1. DEFINITIONS

What is a Group? What is a team?

There is no one single comprehensive definition given to the terms group and team. Different scholars have defined the terms differently.

However, the ideas and the concepts are almost similar. Some of the definitions are as follow:

A ***group*** is two or more interdependent individual who interact and influence each other in collective pursuit of common goal. This definition recognizes that a group can involve as few as two people that work together for a common goal. The group success depends on the interdependence and collective efforts of various group members, and that group members are likely to have significant impact on one another as they work together. This definition also helps differentiating a group from a mere aggregate of individuals assembled in a place does not constitute a group because they do not jointly put their effort towards a common objective.

Groups are "two or more people having common interest or objectives". On the other hand *groups differ from teams* and ***teams*** can be defined as a small number of people with complementary skills who are committed to a common mission, performance goals, and approach for which they hold themselves mutually accountable. Groups emphasize individual leadership, individual accountability, and individual work products. Teams emphasize shared leadership, mutual accountability, and collective work procedure.

Teams are groups of two or more people who interact and influence each other, are *mutually accountable* for achieving common objectives, and perceive themselves a social entity within an organization.

From this definition again we can learn all teams exist to fulfill some purpose such as assembling a product, providing a service or making an important decision. Team members are held together by their interdependence and need for collaboration to achieve common goals. All teams require some form of communication so members can coordinate and share common objectives.

All teams are groups because they consist of people with a unifying relationship. But *not all groups are teams*; some groups are just people assembled together. For example, employees who meet for lunch are rarely called teams because they have no purpose beyond their social interaction. Although the terms “group” & “team” are used interchangeably we should not forget their difference in their meaning.

Normally defined, a group is a collection of two or more people who regularly interact with one another in the pursuit of common goals. And simply put, groups can be very good for both organizations and their members. They can increase resources for problem solving, faster creativity and innovation, improve quality of decision making, enhance members. Commitments to tasks, raise motivation through collective action, help control and discipline members, and help satisfy individual as organization grow in size.

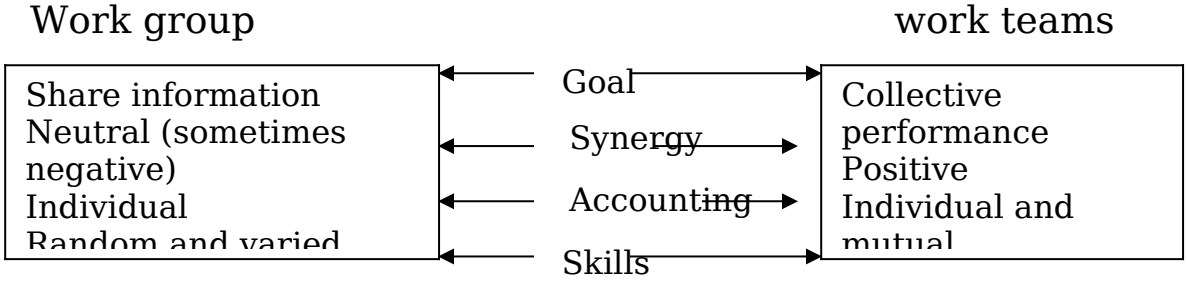
4.2.2. DIFFERENCES BETWEEN GROUPS AND TEAMS

Groups and teams are not the same thing. Their difference between a work group and a work team are briefly explained below.

Work groups have no need or opportunity to engage in collective work that requires joint effort so their performance is merely the summation of each group member's individual contribution. There is not positive synergy that would create an overall level of performance that is greater than the sum of the inputs.

A **work team** generates positive synergy through coordinated effort. Their individual efforts results in a level of performance that is greater than the sum of those individual inputs. The figure below highlights the differences between work groups and work teams.

Management of organizations currently is looking for that positive synergy that will allow their organizations to increase performance. The extensive use of teams creates the 'potential' for an organization to generate greater outputs with no increase in inputs. However, there is nothing inherently magical in the creation of teams that ensures the achievement of this positive synergy. Merely calling a group a team doesn't automatically increase its performance. As we shows later in this unit effective team have certain common characteristics. If management hopes to gain increases in organizational performance through the use of teams, it will need to ensure that its teams possess these characteristics.



4.2.3. TYPES OF TEAMS

Teams can do a variety of things. They can make products, provide services, negotiate deals, coordinate projects, offer advice, and make decision. In this section we'll describe the four most common types of teams you're likely to find in an organization: problem-solving teams, self-managed work teams, cross-functional teams, and virtual teams.

4.2.3.1. Problem-Solving Teams

If we look back 20 years or so, teams were just beginning to grow in popularity, and most of those teams took similar form. These were typically composed of 5 to 12 hourly employees from the same department who met for a few hours each week to discuss ways of improving quality, efficiency and the work environment. We call these **problem-solving teams**.

In problem-solving team, members share ideas or offer suggestions on how work processes and methods can be improved; although they have authority to unilaterally implement any of their suggested actions. Organizations create a problem-solving team to specifically figure out ways to reduce the number of days it took to do a particular task. By suggesting cuts in the number of steps in the process, the team is able to reduce the average number of days.

4.2.3.2. Self-Managed Work Teams

Problem-solving teams were on the right track but they didn't go far enough in getting employees involved in work-related decisions and processes. This led to experimentation with truly autonomous teams that could not only solve problems but implement solutions and take full responsibility for outcomes.

Self-managed work teams are groups of employees (typically 10 to 15) who perform highly related or interdependent jobs and take on many of the responsibilities of their former supervisors. Typically this includes planning and scheduling of work, assigning tasks to members, collective control over the pace of work, making operating decisions, taking action on problems, and working with suppliers and customers. Fully self-managed work teams even select their own members and have the members evaluate each other's performance. As a result, supervisory positions take on decreased importance and may even be eliminated.

Employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task.

Cross-functional teams are an effective means for allowing people from diverse areas within an organization (or even between organizations) to exchange information, develop new ideas and solve problems, and coordinate complex projects. Of course, cross-functional teams are no picnic to manage. Their early stages of developments are often very time consuming as members learn to work with diversity and complexity. It takes time to build trust and

team work, especially among people from different backgrounds with different experiences and perspectives.

4.2.3.3. Virtual Teams

The previous types of teams do their work face. **Virtual teams** use computer technology to the together physically dispersed members in order to achieve a common goal. They allow people to collaborate online- using communication links like wide-area network, video conferencing, or e-mail—whether they're only a room away or continents apart.

Virtual teams can do all the things that other teams do- share information, make decisions, complete tasks. And they can include members from the same organization or link an organization's members with employees from other organizations (i.e.; suppliers and joint partners). They can convene for a few days to solve a problem; a few months complete a project, or exist permanently.

The three primary factors that differentiate virtual teams from face-to-face teams are:

1. The absence of paraverbal and nonverbal cues;
2. Limited social context; and
3. The ability to overcome time and space constraints.

In face-to-face conversation, people use paraverbl (tone of voice, inflection, voice volume) and nonverbal (eye movement, facial expression, hand gestures, and other body language) cues. These help clarify communication by providing increased meaning, but aren't available in online interactions. Virtual teams often suffer from less social rapport and less direct interaction among members. They aren't able to duplicate the normal give and take of face-to-face discussion. Especially when members haven't personally met, virtual teams tend

to be more task-oriented and exchange less social-emotional information. Not surprisingly, virtual team members report less satisfaction with the group interaction process than do face-to-face teams. Finally, virtual teams are able to do their work even if members are thousands of miles apart and separated by a dozen or more time zones. It allows people to work together who might other who might otherwise never be able to collaborate.

4.2.4. STAGES OF TEAM DEVLOPMENT

Team members must resolve several issues and pass through several stages of development before emerging as an effective work unit.

Research suggests that five distinct phases of team development are important in the life of any team. Different scholars use different terminologies to each phase. However, the idea/concept is almost the same. The following are steps agreed by most scholars. These are:

Stage 1. Forming

Forming stage involves the initial entry of individual members in to a team. This stage is a period of testing and orientation in which members learn about each other and evaluate the benefits and costs of the membership. In their initial contacts individuals ask a number of questions:

- What can/does the team offer me?
- What will I be asked to contribute?

- Can my needs be met while I serve the task needs of the team members?

Members experience a form of socialization as they try to find out what is expected of them and how they will fit in to the group. This stage is complete when members have begun to think of as part of a team.

Stage 2. Storming

During the storming stage of team development, individual members become more proactive by taking on specific roles and task responsibilities. This stage is marked by interpersonal conflict as members compete for leadership and other roles in the team. Members accept the existence of the team, but resist the constraints the team imposes on individuality. Further there is a conflict on who will control the team. Disagreements may also arise over priorities, goals, or methods. Coalitions or sub-groups may emerge within the team.

Stage 3: Norming

Forming is the third stage the one in which close relationship develop and the team demonstrates cohesiveness as roles are established and consensus forms around team objectives. In this stage members have developed relatively similar mental models, so they have a common set of expectations and assumptions about how the team's goals should be accomplished. This common understanding allows groups members to interact more effectively, so they can move in to the next stage, performing.

Stage 4: Performing

Teams in the performing stage are more mature, organized and well functioning. This is the stage of total integration in which team members are able to deal in creative ways with both complex tasks and conflicts. In other words, the team becomes more tasks oriented in the performing stage because it shifts from establishing and maintaining relations to accomplishing its objectives. Team energy/efforts have moved from getting to know and understand each other to perform the task at hand.

For permanent work teams, performing is the last stage in their development. However for temporary committees, teams, task forces, and similar groups that have a limited task to perform, there is an adjourning stage.

Stage 5. **Adjourning stage**

Most work teams and informal groups eventually end. Task forces disband when their project is completed. Informal work groups may reach this stage when several members leave the organization or are reassigned elsewhere. Some teams adjourn as a result of layoffs or plant shutdowns.

Many interpreters of the five-stage model assumed a team becomes more effective as it progresses through the first four stages. While this assumption may be generally true, what makes a team effective is more complex than this model acknowledges. Under some conditions, high levels of conflict are conductive to high group performance. So we might expect to find situation where teams in stage II outperform those in stage III or IV. Similarly, groups do not always proceed clearly from

one stage to the next. Sometimes, several stages go on simultaneously at the same time.

Even if the model is a useful framework for thinking about how teams develop, it is not a perfect representation of the dynamics of team/group development. The model fails to show explicitly that some teams remain in a particular stage longer than others, and the team development is a continuous process.

When membership changes and new condition emerge, team cycle back to earlier stages in the developmental process to regain a balance lost by the change. Therefore, managers should understand group formation is an ongoing process, not just something to do when a project teams are formed.

4.2.5. CREATING EFFECTIVE TEAMS

There is no shortage of efforts at trying to identify factors related to team effectiveness. The Figure below summarizes what we currently know about what makes teams effective. And the following discussion is based on the model given below. Keep in mind two cautions before we proceed. First, teams differ in form and structure. Since the model we present attempts to generalize across all varieties of teams, you need to be carefully not as an inflexible prescription. Second, the model assumes that it’s already been determined that teamwork is preferable over individual work. Creating “effective” teams in

situation in which individuals can do the job better is equivalent to solving the wrong problem perfectly.

The key components making up effective teams can be subsumed in to four generated categories. First is the resources and other **contextual** influences that make team effective. The second relates to the team's **composition**. The third category is work **design**. Finally, **process** variables reflect those things that go on in the team that influences effectiveness.

What does team effectiveness mean in this model? Typically this has included objective measures of the team's productivity, managers' ratings of the team's performance, and aggregate measures of member satisfaction.

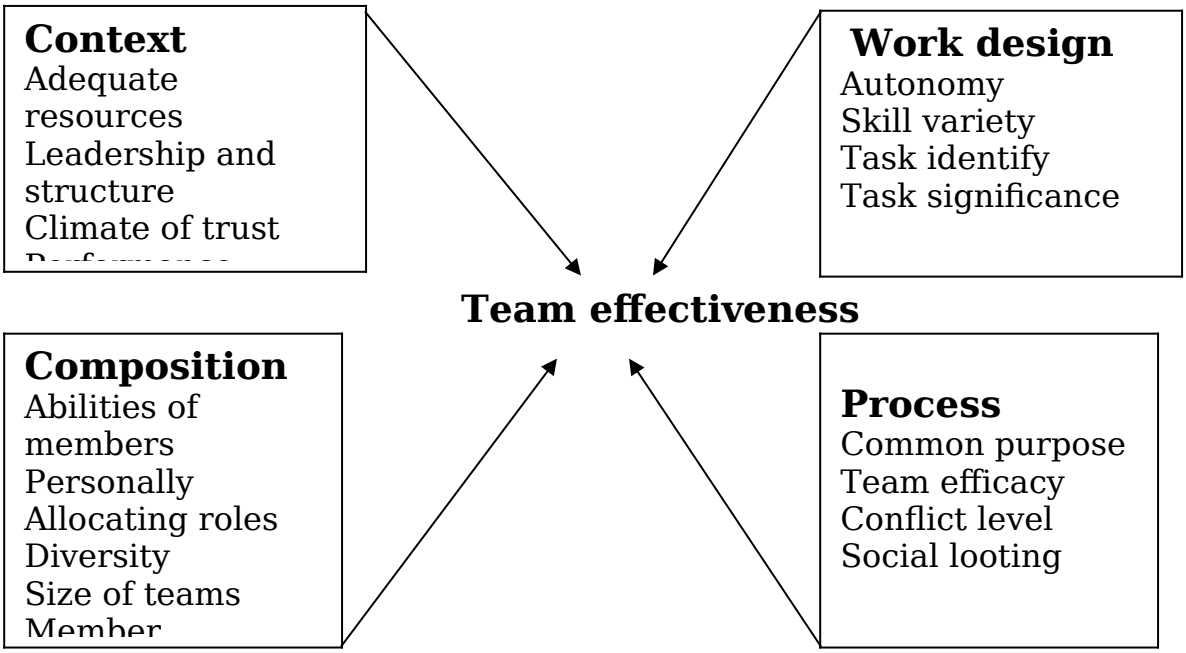


Fig. 1 Team Effectiveness Model

I. context

The four contextual factors that appear to be most significantly related to team performance are the presence of adequate resources, effective leadership, a climate of trust, and a performance evaluation

and reward system that reflects team contribution. These are briefly below:

1. Adequate Resources

Teams are part of a larger organization system. They must live within the budgets, policies, and practices set by the company's corporate offices. As such, all work teams rely on resources outside the group to sustain it, and a scarcity of resources directly reduces the ability of the team to perform its job effectively. As one set of researchers concluded, after looking at 13 factors potentially related to group performance, " perhaps one of the most important characteristics of an effective work group is the support the group receives from the organization." this support includes timely information, proper equipment, adequate staffing, encouragement, and administrative assistance. Teams must receive the necessary support from management and the larger organization if they are going to succeed in achieving their goals.

2. Leadership and structure

Team members must agree on who is to what and ensure that all members contribute equally in sharing the workload. In addition, the team needs to determine how schedules will be set, what skills need to be developed, how the group will resolve conflicts, and how the group will make and modify decisions. Agreeing on the specifics of work and how they fit together to integrate individual skills requires team leadership and structure. This can be provided directly by management or by the team members themselves.

Leadership, of course, isn't always needed. For instance, the evidence indicates that self-managed work teams often perform better than with formally appointed leaders. And leaders can obstruct high

performance when they interfere with self-managing teams. On self-managed teams, team members absorb many of the duties typically assumed by managers.

On traditionally managed teams, we find that two factors seem to be important in influencing team performance-the leader's expectations and his or her mood. Leaders who good things from their team are more likely to get them. For instance, military platoons under leaders who held high expectations performed significantly better in training than control platoons. In addition studies have found that leaders who exhibit a positive mood get better team performance and lower turnover.

3. Climate of trust

Members of effective teams trust each other. And they also exhibit trust in their leaders. Interpersonal trust among team members facilities cooperation, reduces the need to monitor each others' behavior, and bonds members around the belief that others on the team won't take advantage of them. Team members, for instance, are more likely to take risks and expose vulnerabilities when they believe they can trust others on their team. Similarly, trust is the foundation of leadership. Trust in leadership is important in that it allows the team to be willing to accept and commit to their leader's goals and decisions.

4. Performance Evaluation and Reward Systems

How do you get team members to be both individually and jointly accountable? The traditional, individually oriented evaluation and reward system must be modified to reflect team performance.

Individual performance evaluations, fixed hourly wages, individual incentives, and the like are not consistent with development of high-performance teams. So in addition to evaluating and not consistent with the development of high-performance teams. So in addition to evaluating and rewarding employees for their individual contributions, management should consider group-based appraisals, profit sharing, gain sharing, small-group incentives, and other system modifications that will reinforce team effort and commitment.

II. Composition

This category includes variables that relate to how teams should be staffed. In this section, we'll address the ability and personality of team members, allocating roles and diversity, size of the team, member flexibility, and member's preference for team work.

1. Abilities of Members

Part of a team's performance depends on the knowledge, skills and abilities of its individual members. It's true that we occasionally read about the athletic team composed of mediocre players who. Because of excellent coaching, determination, and precision teamwork, beats a far more talented group of players. But such cases make the news precisely because they represent an aberration. As the old saying goes, goes, "The race doesn't always go to the swiftest nor the battle to the strongest, but that's way to bet." A team's performance is not merely the summation of its individual members' abilities. However, these abilities set parameters for what members can so and how effectively they will perform on a team.

To perform effectively, a team requires three different types of skills. First, it needs people with technical expertise. Second, it needs people with the problem-solving and decision making skills to be able to identify problems. generate alternatives, evaluate those alternatives, evaluate those alternatives, and make competent choices. Finally, teams need people with good listening, feedback, conflict resolution, and other interpersonal skills.

No team can achieve its performance potential without developing all three types of skills. The right mix is crucial. Too much of one of one at the expense of others will result in lower team performance. But teams don’t need to have all the complementary skills in place at their beginning. It’s not uncommon for one or more members to take responsibility to learn the skills in which the group is deficient, thereby allowing the team to reach its full potential.

2. Personality

Personality has a significant influence on individual employee behavior. This can also be extended to team behavior.

3. Allocating Roles

Teams have different needs, and people should be selected for a team to ensure that all various roles are filled.

We can identify nine potential team roles (see the figure given below). Successful work teams have people to fill all these roles and have selected people to play these roles based on their skills and preferences. (On many teams, individuals will play multiple roles.) Managers need to understand the individual strengths that each person can bring to a team, select members with their strength in mind, and allocate work assignments that fit with members’ preferred

styles. By matching individual preferences with team role demands, managers increase the likelihood that the team members will work well together.

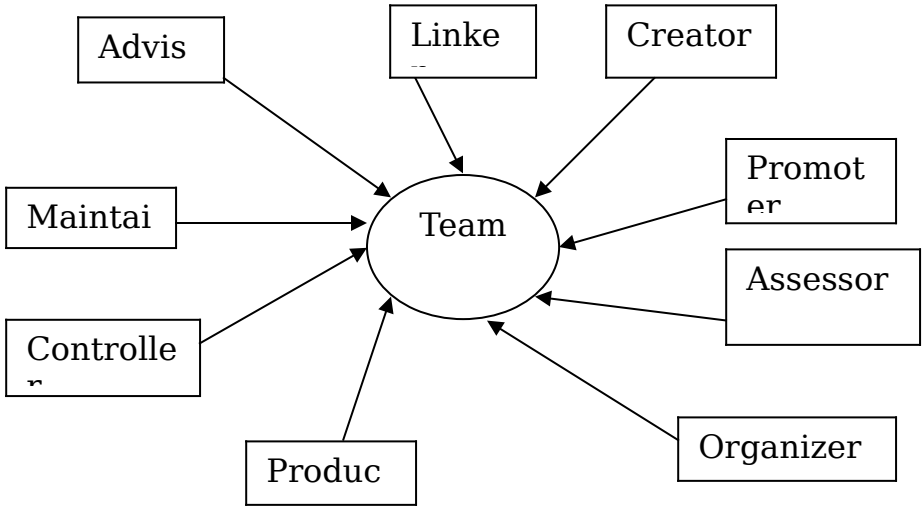


Fig 2. Key roles of teams

4. Diversity

As previously noted, most team activates require a variety of skills and knowledge. Given this requirement, it would be reasonable to conclude that heterogeneous teams-those composed of dissimilar individuals –would be more likely to have diverse abilities and information and should be more effective. Research studies generally substantiate this conclusion, especially on cognitive, creativity-demanding tasks

When a team is diverse in terms of personality, gender, age, education, functional specialization, and experience, there is an increased probability that team will possess the needed characteristics to complete its tasks effectively. The team may be more conflict-laden and less expedient as varied positions are introduced and assimilated, but the evidence generally supports the

conclusion that heterogeneous teams perform more effectively than do those that are homogeneous. Essentially, diversity promotes conflict, which stimulates creativity, which leads to improved decision making.

But what about diversity created by racial or national differences. The evidence indicates that these elements of diversity interfere with team processes, at least in the short term. Cultural diversity seems to be an asset for tasks that call for a verity of viewpoints. But culturally heterogeneous teams have more difficulty in learning to work with each other and in solving problems. The good news is that these difficulties seem to dissipate with time. Although newly formed culturally diverse teams under perform newly formed culturally homogeneous teams, the differences disappear after about three months. The reason is that it takes culturally diverse teams a while to learn how to work through disagreements and different approaches to solving problems.

An offshoot of the diversity issue has received a great deal of attention by group and tam researchers. This is the degree to which members of a group share a common demographic attribute, such as age, sex, race, educational level, or length of service in the organization, and the impact of this attribute on turnover. We call this variable group demography.

5. Size of Teams

Generally, speaking, the most effective teams have fewer than 10 members. And experts suggest using the smallest number of people who can do the task. Unfortunately, there is pervasive tendency for managers to err on the side of making teams to large. While a minimum of four or five may be necessary to develop diversity of

views and skills, managers seem to seriously underestimate how coordination problems can geometrically increase as team members are added. When teams have excess members, cohesiveness and mutual accountability declines, social loafing increases, and more and more people do less talking relative to others. So in designing effective teams, managers should try to keep their number under 10. If a natural working unit is larger and you want a team effort, consider breaking the group into sub teams.

6. Member Flexibility

Teams made up of flexible individuals have members who can complete each other's tasks. This is an obvious plus to a team because it greatly improves its adaptability and makes it less reliant on any single member. So selecting members who themselves value flexibility, then cross training them to be able to do each other's job's, should lead to higher team performance over time.

7. Member Preferences

Not every employee is a team player. Given the option, many employees will select themselves out of team participation. When people who would prefer to work alone are required to team up, there is a direct threat to the team's moral and to individual member satisfaction. This suggests that, when selection team members, individual preferences should be considered as well as abilities, personalities, and skill. High-performing teams are likely to be composed of people who prefer working as part of a group.

III. Work design

Effective teams need to work together and take collective responsibility to complete significant tasks. They must be more than a

“team in name only.” The work-design category includes variables such as freedom and autonomy, the opportunity to use different skills and talents (skill variety), the ability to complete a whole and identifiable task or product (task identity), and working on a task or project that has a substantial impact on others (task significance). The evidence indicates that these characteristics enhance member motivation and increase team effectiveness. These work-design characteristics motivate because they increase more interesting to perform.



Fig. 3. Effects of group process

IV. Process

The final category related to team effectiveness is process variables. These include member commitment to purpose, establishment of specific team goals, team efficacy, a managed level of conflict, and minimizing social loafing.

Why are processes important to team effectiveness? One way to answer this question is to return to the topic of social loafing. We found that 1+1+1 doesn’t necessarily add up to 3. In team tasks for which each member’s contribution is not clearly visible, there is a tendency for individuals to decrease this effort. Social loafing, in other words, illustrates a process loss as a result of using teams. But team processes should produce positive results. That is, teams should create output greater than the sum of their inputs. The development of creative alternative by a diverse group would one such instance.

The above figure illustrates how group processes can have an impact on group's actual effectiveness.

Social loafing, for instance, represents negative synergy. The whole is less than the sum of its parts. One the other hand, research teams are often used in research laboratories because they can draw on the diverse skills of various individuals to produce more meaningful research as a team than produce positive synergy. Their process gains exceed their process losses.

1. Common Purpose

Effective teams have a common and meaningful purpose that provides direction, momentum, and commitment for members. This purpose is a vision. It's broader than specific goals.

Members of successful teams put a tremendous amount of time and effort in to discussing, shaping, and agreeing on a purpose that belongs to them both collectively and individually. This common purpose, when accepted by the team, becomes the equivalent of what e-celestial navigation is to a ship captain-it provides direction and guidance under any and all conditions.

2. Specific Goals

Successful teams translate their common purpose into specific measurable and realistic performance, goals. As goals lead individuals to higher performance, they also energize teams as well. These specific goals facilitate clear communication. They also help teams maintain their focus on getting results lead individuals to higher performance.

Additionally, consistent with the research on individual goals, team goals should be challenging. Difficult goals have been found to raise

team performance on those criteria for which they're set. So, for instance, goals for quantity tend to raise quantity, goals for speed tend to raise speed, goals for accuracy raise accuracy, and so on.

3. Team efficacy

Effective teams have confidence in themselves. They believe they can succeed. We call this ***team efficacy***.

Success breeds success. Teams that have been successful raise their beliefs about future success, which, in turn, motivates them to work harder.

What, if anything, can management do to increase team efficacy? Two possible options are helping the team to achieve small successes and providing skill training. Small successes build team confidence as a team develops an increasingly stronger performance record, it also increases the collective belief that future efforts will lead to success. In addition, managers should consider providing training to improve members' technical and interpersonal skills. The greater the abilities of team members, the greater the likelihood that the team will develop confidence and the capability to deliver on that confidence.

4. Conflict Levels

Conflict on a team isn't necessarily bad. As we'll elaborate in chapter 14, teams that are completely void of conflict are likely to become apathetic and stagnant. So conflict can actually improve team effectiveness. But not all types of conflict. Relationship conflicts-those based on interpersonal incompatibilities, tension, and animosity toward others-are almost always dysfunctional. However, on teams performing no routine Activities, disagreements among members

about task content (called task conflicts) is not detrimental. In fact, it is often beneficial because it lessens the likelihood of groupthink. Task conflicts stimulate discussion, promote critical assessment of problems and options, and can lead to better team decisions. So effective teams will be characterized by an appropriate level of conflict.

5. Social Loafing

In practice individuals can hide inside a group. They can engage in social loafing and coast on the group's effort because their individual contributions can't be identified. Effective tams undermine this tendency by holding themselves accountable at both the individual and team level.

Successful teams make members individually jointly accountable for the team's purpose, goals, and approach. Members are clear and what they are responsible for individually and what they are responsible for jointly.

4.2.6. TURNING INDIVIDUALS INTO TEAM PLAYERS

To this point, we have made a strong case for the value and growing popularity of teams. But many people are not inherently team players. They're loners or people who want to be recognized for their individual achievements. There are also many organizations that have historically nurtured individual accomplishments. They have created competitive work environments in which only the strong survive. If these organizations adopt teams, what do they do about the selfish, "I've-got-to-look-out for-me" employees that they've created?

Countries differ in terms of how they rate on individualism and collectivism. Teams fit well with countries that score high on collectivism. But what if an organization wants to introduce teams into a work population that is made up largely of individuals born and raised in a highly individualistic society?

The previous points are meant to dramatize that one substantial barrier to using work teams is individual resistance. An employee's success is no longer defined in terms of individual performance. To perform well as team members, individuals must be able to communicate openly and honestly, to confront differences and resolve conflicts, and to sublimate personal goals for the good of the team.

For many employees, this is a difficult —sometimes impossible — task. The challenge of creating team players will be greatest where (1) the national culture is highly individualistic and (2) the teams are being introduced into an established organization

4.2.6.1. Shaping Team Players

The following summarizes the primary options managers have for trying to turn individuals into team player.

1. **Selection.** Some people already possess of inter personal skills to be effective players. When hiring team members, in addition to the technical skills required filling the job, care should be taken to ensure that candidates can fulfill their team roles as well as the technical requirements.

   Many job candidates don't have team skills. This is especially true for those socialized around individual contributions. When faced with such candidates, managers basically three options.

Options. The candidates can undergo trainings to “make them into team players.” if this isn’t possible or doesn’t work, the other two options are to transfer the individual to another unit with in the organization without teams (if this possibility exists); or don’t hire the candidate. In established organizations that decide to redesign jobs around teams, it should be expected that some employees will resist being team players and may be unatainable. Unfortunately, such people typically become casualties of the team approach.

2. **Training on a more optimistic note**, a large proportion of people raised on the importance of individual accomplishments can be trained to become team players. Training specialists conduct exercises that allow employees to experience the satisfaction that teamwork can provide. They typically offer workshops to help employees improve their problem-solving, communication, negotiations, conflict-management, and coaching skills.
3. **Rewards.** The reward system needs to be reworked to encourage cooperative efforts rather than competitive ones. Foe instance, hallmark cards, inc., added an annual bonus based on achievement of team goals to its basic individual-incentive system.

Promotions, pay raises, and other forms of recognition should be given to individuals for how effective they are as a collaborative team member. This doesn’t mean individual contributions are ignored; rather, they are rather, they are balanced with selfless contributions to the team. Examples of behaviors that should be rewarded include training new colleagues, sharing information with teammates. Helping

to resolve team conflicts, and mastering new skills that the team needs but in which it is deficient.

Last, don’t forget the intrinsic rewards that employees can receive from teamwork. Teams provide camaraderie. It’s exciting and satisfying to be an integral part of a successful team. The opportunity to engage in personal development and to help teammates grow can be a very satisfying and rewarding experience for employees.

4.2.6.2. Beware! Teams Aren’t Always the Answer

Teamwork takes more time and often more resources than individual work. Teams, for instance, have increased communication demands, conflicts to be managed, and meetings to be run. So the benefits of using teams have to exceed the costs. And that’s always the case. In the excitement to enjoy the benefits of teams, some managers have introduced them into situation in which the work is better done by individuals. So before you rush to implement teams, you should carefully assess whether the work requires or will benefit from a collective effort.

How do you know if the work of your group would be better done in teams? It’s been suggested that three tests to be applied to see if a team fits the situation. ***First***, can the work be done better by more than one person? An indicator is the complexity to the work and the need for different perspectives. Simple tasks that don’t require divers input are probably better left to individuals. ***Second***, does the work create a common purpose or set of goals for the people in the group that is more than the aggregate of individual goals. Ford instance, the service departments of many new-car dealers have introduced teams that link customer service personnel, mechanics parts specialists, and sales representatives, such teams can better manage collective

responsibility for ensuring that customer needs are properly met. The ***final*** test to assess whether teams fit the situation are the members of the group interdependent Teams make sense when there is interdependence between tasks; when the success of the whole depends on the success of each one and the success of each one depends on the success of the others. Soccer, for instance, is and obvious team sport. Success requires a great deal of coordination between interdependent players. Conversely, except possibly for relays, swim teams aren't really teams. They're groups of individuals, performing individually; whose total performance is merely the aggregate summation of their individual performances.

Learning activity- 4.1

6. List the steps of team formation.

_____

_____

_____

7. The best number of team members is 5. Do you agree? Why or why not?

_____

_____

_____

8. Identify composition related factor that affect team performance.

_____

_____

_____

9. Identify the types of teams.

_____

_____

_____

10. How can an organization change individual efforts in to team effort?

_____

_____

_____

4.3. Checklist

Dear student: below are some of the important points extracted from the unit you have been reading. Please put a tick mark in front of the points for those you have understand well and if there are pints you have not understand yet, go back and read the unit till you understand it well.

I can

- Define the term team
- Differentiate between teams and groups
- Identify the factors that are crucial for making teams effective
- Discuss approaches to managing teams

4.5. Unit Summary

Few trends have influenced employee jobs as much as the massive movement to introduce teams into the workplace. The shift from working alone to working on team requires employees to cooperate with others, share information confront differences, and sublimate personal interests for the graters, good of the team.

Effective teams have been found to have *common characteristics*. They have adequate resources, effective leadership, a climate of trust,

and a performance evaluation and reward system that reflects team contributions. The teams have individuals with technical expertise, as well as problem-solving decision-making, and interpersonal skills; and high scores on the personality characteristics of extroversion, agreeableness, conscientiousness, and emotional stability. Effective teams also tend to be small-with fewer than 10 people-preferably made up of individuals with diverse backgrounds. They have members who fill role demands, and autonomy, the opportunity to use different skills and talents, the ability to complete a whole and identifiable task or product, and work that has a substantial impact on others. Finally, effective teams have members committed to a common purpose, specific team goals, members who believe in the team's capabilities, a manageable level of conflict, and a minimal degree of social loafing.

Because individualistic organizations and societies attract and reward individual accomplishments, it is more difficult to create team players in these environments. To make the conversion, management should try to select individuals with the interpersonal skills to be effective team players, provide training to develop teamwork skills, and reward individuals for cooperative efforts.

4.6. Check your progress questions

1. Identify the different types of teams.
2. Differentiate between work teams and groups.
3. How can an organization create an effective team?
4. How one can turn individuals in to team players?

4.7. Answers to check your progress questions

1. The following are the different types of work teams:

i. Problem solving work teams
ii. Self managed work teams
iii. Cross functional teams and
iv. Virtual teams

2. The difference between work teams and group are summarized as below:
    i. The goal of groups is to share information where as work teams aim at collective performance
    ii. The synergy is neutral for groups but positive for teams
    iii. Groups are accountable individually for their actions but teams assume accountability individually and mutually.
    iv. The skills of teams is complementary but random and varied in case of groups

.

3. To create an effective team study and apply team effectiveness model described in this material.
4. The following are the primary options managers have for trying to turn individuals into team player. They are:
    a. Selecting individuals with the required skill to be a team player
    b. Training individuals to be a team player
    c. Rewarding cooperation

UNIT 5 MANAGING INNOVATION AND QUALITY

Content

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5.0 Introduction

Innovation is a broad concept. Innovation an activity involved in the process of idea generation, technology development, manufacturing and marketing of a new of improved product a manufacturing process or equipment Innovation also includes major break through and minor or incremental advancement

Quality management makes a strategic contribution to achievement of a business's competitiveness. Currently the most important strategies are *delivering a quality product at a fastest possible speed*. **Quality management makes a strategic contribution** to achievement of a business's competitiveness. This course will help you to have a clear concept of quality management in

general with particular emphasis to TQM and its contribution toward competitiveness in the market place.

5.1 Objectives

After reading this unit you will be able to

- ✓ Explain the overview of innovation
- ✓ Describe the types and approach innovation
- ✓ Clarify the terries and characteristics of origination and innovation
- ✓ Define quality
- ✓ Explain the consequences of poor quality
- ✓ Understand the development of quality management and explain the contribution of quality gurus
- ✓ Explain the concept of TQM

5.2. Managing Innovation

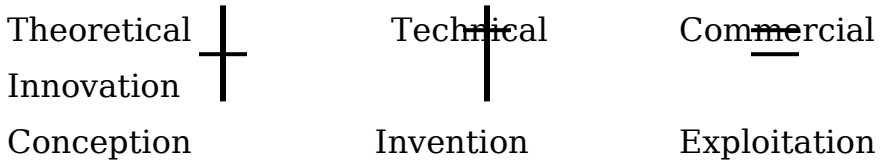
Innovation itself is a very broad concept that can be understood in a variety of ways. One of the more comprehensive definitions is offered by Myers and Marquis (1969):

"*Innovation is not a single action but a total process of interrelated sub processes. It is not just the conception of a new idea, nor the invention of a new device, not the development of a new market. The process is all these thins acting in an integrated fashion.*"

It is important to clarify the use of the term "new" in the context of innovation Rogers and Shoemaker (1971) do this eloquently:

"It matters little, as far as human behavioral is concerned, whether or not an idea is "objectively' new as measured by the lapse of time since its first use or discovery…. If the idea seems new and different to the in divisional, it is an innovation."

Most writers, including those above, distinguish innovation form invention by suggesting that innovation is concerned with the commercial and practical application of ideas or inventions. Invention, then, is the competition of the idea, whereas innovation is the subsequent translation of the invention into the economy the following simple equation helps to show the relationship between the two terms:



However, all the terms in this equation will need explanation in order to avoid confusion. The conception of new ideas is the starting point for innovation. A new idea by itself, while interesting, is neither an invention nor an innovation; it is merely a concept or a thought or collection of thoughts. The process of converting intellectual thoughts into a tangible new artifact (usually a product or process) is an invention. This is where science and technology usually play a significant role. At this stage inventions need to be combined with hard work by many different people to convert them into products that will improve company performance. These later activities represent exploitation. However, it is the complete process that represent innovation. This introduces the notion than innovation but

inventions need to be harnessed to commercial activities before they can contribute to the growth of an organization. Thus:

Innovation is the management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of a new (or improved) product or manufacturing process or equipment.

It is necessary at this point to cross-reference these discussions with the practical realities of managing business today. The senior vice-president for research and development at 3M, one of the most highly respected and innovative organizations, recently defined innovation as:

Creativity: is the thinking of novel and appropriate ideas.

Innovation: is the successful implementation of those ideas within an organization.

5.2.2. Types of innovations

Industrial innovation does not only include major (radical) innovations but also minor (incremental) technological advances. Indeed, the definition offered above suggests that successful commercialization of the innovation may involve considerably wider organizational changes. For example, the introduction of a radical technological innovation, such as Polaroid's Instamatic camera invariably results in substantial internal organizational changes.

Table: 5.1. A typology of innovations

Type of innovations	Example
Product innovation	The development of a new or improved product
Process innovation	The development of a new manufacturing process such as Pilkington's float glass process
Organizational innovation	A new venture division, a new internal communication system, introduction of a new accounting procedure
Management innovation	TQM (total quality management) systems, BPR (business process re-engineering)
Production innovation	Quality circles, just-in-time (JIT) manufacturing system, new production planning software, e.g. new inspection system
Commercial/marketing innovation	New Financing arrangements, new sales approach, e.g. direct marketing
Service innovation	Telephone financial services

Hence, technological innovation can be accompanied by additional managerial and organizational changes, often referred to as

innovations. This presents a far more blurred picture and begins to widen the definition of innovation to include virtually any organizational or managerial change.

Innovation was defined earlier in this section as the application of knowledge. It is this notion that lies at the heart of all types of innovations, be they product, process or service. It is also worthy of note that many studies have suggested that product innovations are soon followed by process innovations in what they describe as an industry innovation cycle. Furthermore, it is common to associate innovation with physical change, but may changes introduced within organizations involve very little physical change. Rather, it is the activities performed by individuals that change.

It is necessary to stress at the outset that this book concentrates on the management of product innovation this dies not simply that the list of innovation. This does not imply that the list of innovations above are less significant; this focus has been chosen to ensure clarity and to facilitate the study of innovation.

5.2.3 Approaches of innovation

Traditional arguments about innovation have centered on two schools of thought. On the one hand, the social deterministic school argued that innovations were the result of a combination of external social factors and influences, and cultural changes. The argument was that when the conditions were "right" innovations would occur. On the other hand, the individualistic school argued that innovations were the result of unique individual talents and such innovators are born. Closely linked to the individualistic theory is the important role played by serendipity.

a. **Serendipity approach.** Many studies of historical cases of innovation have highlighted the importance of the unexpected discover. The role of serendipity of luck is offered as an explanation. As we have seen, this view is also reinforced in the popular media. It is, after all, every one's dream that they will accidentally uncover a major new invention leading to fame and fortune.

On closer inspection of these historical cases, serendipity is rare indeed. After all, in order to recognize the significance of an advance one would need to have some prior knowledge in that area. Most discoveries are the result of people who have had a fascination with a particular area of science or technology and it is following extended efforts on their part that advances are made. Discoveries may not be expected, but in the words of Louis Pasteur: chance favors the prepared mind.

b. Linear Approach **It was not until the 1970s that new studies of actual innovations suggested that the role of the market place was influential in the innovation process. This led to the second linear model, the 'market-pull' approach of innovation. The customer need-driven model emphasizes the role of marketing as an initiator of new ideas resulting from close interactions with customers. These, in turn, are conveyed to R&D for design and engineering and then to manufacturing for production.**

C. **Simultaneous coupling approach.** Whether innovations are stimulated by technology, customer need, manufacturing or a host of other factors, including competition, misses the point. The approaches above concentrate on what is driving the downstream efforts rather than on how innovations occur. The linear approach is only able to offer an explanation of where the initial stimulus for innovation was born, that is, where the trigger for the idea or need was initiated. The simultaneous coupling approach suggests that it

is the result of the simultaneous coupling of the knowledge within all three functions (technology, customer need and manufacturing). Furthermore, the point of commencement for innovation is not known in advance.

d. Interactive approach. the interactive approach develops this idea further and link is together the technology-push and market-pull approach. It emphasizes that innovations occur as the result of the interaction of the marketplace, the science base and the organization's capabilities. Like the coupling approach, there is not explicit starting point. The use of information flows is used to explain how innovations transpire and that they can arise form a wide variety of points.

While still over simplified, this is a more comprehensive reprehension of the innovation process. It can be regarded as a logically sequential, through not necessarily continuous, process that can be divided in to a series of functionally distinct but interacting and interdependent stages (Roth well and Zegveld, 1985). The over all innovation process can be thought of as a complex set of communication paths over which knowledge is transferred. These paths include internal and external linkages. The innovation process outlined the organization's capabilities and its linkages with both the marketplace and the science base. Organizations that are able to mange this process effectively will be successful at innovation.

At the center of the approach are the organizational functions of R&D. engineering and design, manufacturing and marketing and sales. While at first this may appear to be a linear approach, the flow of communicant is not necessarily linear. There is provision for feedback. Also, linkages with the science base and the

marketplace occur between all functions not just with R&D or marketing. For example, as often happens, it may be the manufacturing function which initiates a design improvement that leads to the introduction of either a different materials or the eventual development by R&D of a new material. Finally, the generation of ideas is shown to be dependent on inputs form three basic components organization capabilities; the needs of the marketplace; the science and technology bases.

Table 5.2: The chronological development of approaches of innovation

Date	**Approach**	**Characteristics**
1950/60s	Technology push	Simple linear sequential process, Emphasis on R&D
R&D	Market pull	The market is a recipient of the fruits of
1970s	Coupling Approach	Simple linear sequential process,. Emphasis on Marketing . The market is the source for Directing R&D. R&D has a reactive role.
1980s	Interactive Approach	Emphasis on integrating R&D and marketing.
1980/90s		Combinations of push and pull

Table 5.2 summarizes the historical development of the dominant models of the industrial innovation process.

5.2.4 Innovation as a management process

The preceding sections have revealed that innovation is not a singular event, but a series of activities that are linked in some way to the others. This may be described as a process and involves

1. a response to either a need or an opportunity that is context dependent
2. a creative effort that if successful results in the introduction of novelty
3. the need for further changes.

Usually in trying to capture this complex process the simplification has led to misunderstandings. The simple linear approach of innovation can be applied to only a few innovations and is more applicable to certain industries than others. The pharmaceutical industry characterizes much of the technology-push approach. Other industries, like the food industry, are better represented by the market-pull approach. For most industries and organizations innovations are the result of a mixture of the two. Managers working with in these organizations have the difficult task of trying to manage this complex process.

a. Management of innovation Industrial innovation and new product development have evolved considerably from their early beginnings. However, establishing departmental functions to perform the main tasks of business strategy, R&D, manufacturing and marketing does not solve the firm’s problems. Indeed, as we have seen, innovation is extremely complex and involves the effective management of a variety of different activities. It is precisely how the process is managed that needs to be examined.

Innovation is a management process. This is simply an aid in describing the main factors, which need to be considered if innovation is to be successfully managed. It helps to show that while the interactions of the functions inside the organization are important, so too are the interactions of those functions with the external environment. Scientists and engineers within the firm will be continually interacting with follow scientists in universities and other firms about scientific and technological developments. Similarly, the marketing function will need to interact with suppliers, distributors, customers and competitors to ensure that the day-to-day activities of understanding customer needs and getting products to customers are achieved. Business planners and senior management will likewise communicate with a wide variety of firms and other external institutions, such as government departments, suppliers and customers. All these information flows contribute to the wealth of knowledge held by the organization. Recognizing this, capturing and utilizing it to develop successful new products forms the difficult management process of innovation.

Within any organization there are likely to be many different functions. Depending on the nature of the business, some functions will be more influential than others. Management of innovation process identifies three main functions: marketing, research and manufacturing and business planning. Historical studies have identified these functions as the most influential in the innovation process. Whether one lists three or seven functions misses the point, which is that it is the interaction of these internal functions and the flow of knowledge between them that needs to be facilitated. Similarly, as shown on the framework, effective communication with the external environment also requires encouragement and support.

b. The need to share and exchange knowledge managers should emphasis the importance of interaction (both in formal) within the innovation process. Indeed, innovation has been described as an information-creation process that arises out of social interaction. In effect, the firm provides a structure within which the creative process is located.

These interactions provide the opportunity for thoughts, potential ideas and views to be shared and exchanged. However, we are often unable to explain what we normally do; we can be competent without being able to offer a theoretical account of our actions. This is referred to as ‘tacit knowledge. A great deal o technical skill is known how and much industrial innovation occurs through on-the -spot experiments, a kind of action -oriented research with ad hoc modifications during step-by-step processes, through which exist in repertoires are extended. Such knowledge can only be learned through practice and experience. This view has recently found support from a study of Japanese firms where the creation of new knowledge within an organization depends on tapping the tacit and often highly subjective insights, intuitions and hunches of individual employees and making those insights available for testing and use by the organization as a whole. This implies that certain knowledge and skills, embodied in the term 'know how', are not easily understood; moreover they are less able to be communicated. This would suggest that to gain access to such knowledge one may have to be practicing in this or related areas of knowledge. Cohen and Levin that refer to this condition as 'lockout', suggesting that failure to invest in research and technology will limit and organization's ability to capture technological opportunities: 'once off the technological escalator it's difficult to get back on'.

It stresses the importance of interaction and communication within and between functions and with the external environment. This networking

structure allows lateral communication, helping managers and their staff unleash creativity. This framework emphasizes the importance of informal and formal networking across al functions.

This introduces a tension between the need for diversity, on the one hand, in order to generate novel linkages and associations, and the need for commonality, on the other, to facilitate effective internal communication. Clearly, there will be an organizational trade-off between diversity and commonality of knowledge across individuals.

c. **Introducing organizational heritage.** Finally, the center of the framework is represented as organizational heritage, some times referred to as the organizational knowledge base. This does not mean the culture of the organization. It represents a combination of the organization's knowledge base (established and built up over the years of operating) and the organisation's unique architecture (explained above). This organizational heritage represents for many firms a powerful competitive advantage that enables them to compete with other firms. For most organization, it is its customer service and customer relations, developed and built up over decades that provides the company with a powerful competitive advantage. ICI's organizational heritage is dominated by its continual investment over almost a hundred years in science and technology and the high profile given to science and technology within its business. For Unilever, its organizational heritage can be said toile in its brand management skills and know how developed over many years. These heritages cannot be ignored or dismissed as irrelevant when trying to understand how companies manage their innovative effort,

Very often product innovation is viewed from purely a marketing perspective with little, if any, consideration of the R&D function and the difficulties of managing science and technology. Likewise, many manufacturing and technology approaches to product innovation have previously not taken sufficient notice of the needs of the customer. Finally, the organizational heritage of the firm will influence its future decisions regarding the markets in which it will operate. The point here is that firms do not have a completely free choice. What they do in the future will depend to some extent on what they have done in the past.

5.2.5. Theories about organizations and innovation.

To view innovation as a management process within the context of the organization. This was shown to be the case especially in a modern industrialized society where innovation is increasingly viewed as an organizational activity. This unit tackles the difficult issue of managing innovation within organizations. To do this, it is necessary to understand the patterns of interaction and behavior, which represent the organization.

The theory of organizations is a set of ideas drawn from many disciplines and lies beneath much of the study of innovation. In many ways organization theory bridges pure social and behavioral sciences and management practices at the level of the organization. As an applied science it examines the behavior of organizations and provides useful information about how organizations respond to different management techniques and practices, hence its importance in understanding how the process of innovation is managed.

Given the diversity of the literature in this field, there are few clear prescriptions on what organizations need to do in order to manage innovation successfully. Nonetheless, there are numerous analytical frameworks and organization-specific models of innovation. The literature can be classified into four dominant strands (Perrow, 1970)

a. Classical or scientific management perspective The classical view of organizations took hold after the industrial revolution and the huge increase in world trade at the beginning of the twentieth century. It is built around traditional management concepts, bureaucratic theory (Weber, 1964) and scientific management (Taylor, 1974). This school of thought tends to view the organization as an instrument for achieving established goals, in which members of the organization can be made to serve these goals by management's use of reward and motivation techniques. It assumes that all tasks confronting the organization can be combined with machines to produce and orderly output. Within this framework innovation is a series of rational decisions leading to a clearly defined outcome. Indeed, this school of thought contributed to the dominance of the 'technology-push' model of innovation.

b. Human relations approach It was following extensive questioning of the classical view in the 1930s that the human relations school evolved. Much of the original impetus was provided by the Hawthorn Studies at Western Electric (Roethlisberger and Dickinson, 1939). This new approaches identified informal and non-legitimized group processes within the tists and found to influence organizational behavior. This school of thought also led to the development of the contingency theory.

A slightly different perspective views the organization as a political a system and suggests that change will result in some conflict between different units in the organization when a unit perceives that the innovation or change might reduce its influence (Harvey and Mills, 1970) argue that an organization will tend to impose routine solutions unless there is pressure on the organization's structural arrangements. These arrangements reinforce the continuation of routine patterns around which interests have formed. Innovative solutions will only be imposed when the organization is in a higher stress-threat situation, which is more likely to demand innovative behavior if the organization is to adapt. This model builds on the work of Burns and Stalker who indicate that there are different types of solutions, mechanistic routine and organic innovative, that are appropriate for different situations.

c. Contingency approach The third main strand of literature is represented by organization contingency theories. These posit the view that there is not necessarily a single best organizational structure, but rather that the structure should be adapted to the activities being performed. Organizational activities or tasks are the things that individuals do as part of groups in order for the organization to achieve its purposes. This emphasis on internal activities rather than structure is an important factor with regard to innovation. This unit takes the view that the process of innovation is made up of a series of linked activities within an organization.

Research in this field Thompson, 1967; Perrow, 1970; Hull and Haige, 1981) has identified a range of different characteristics that organizations have exhibited that, it is argued, more accurately describe the range of different organizational environments. The

following list represents a typology of characteristics that have been identified within certain organizations:

Certainty vs uncertainty

Stability vs instability

Uniform vs not uniform

Few exceptions vs many exceptions

Many repetitive events vs few repetitive events

In general, contingency theory argues that tasks that are certain, stable, uniform, have few exceptions and many repetitive events are compatible with bureaucratic organizational forms, which stress formality. At the other end of the task continuum, tasks that are uncertain, unstable, not uniform, have many exceptions and few repetitive events are compatible with organic flexible organizational forms.

d. Systems theory The fourth set of ideas developed concurrently with contingency theory during the 1960s and 1970s. However, systems theory emphasizes processes and dynamic analysis rather than characteristic and structural analysis. The origins of the theory can be traced back to the 1950s when Ludvig von Bertalanffy, a biologist, first used the term 'systems theory' (Bertalanfy, 1951). Systems theorists analyses the commercial organization from the perspective of complex organic systems.

A system is defined as any set of elements linked in a pattern which carries information ordered according to some pre-determined rules. Organizations are seen as goal-directed systems. All systems have both structures and processed. Structures are the relatively stable

elements, whereas processes are the dynamic relationships among system elements over time.

Table 5.3 : Issues identified by systems theory that need to be managed

Issue	**Characteristics**
Adaptation	The ability to alter ways of working to meet the changing environment
Co-ordination	Enabling the different parts of the organization to function as on
Integration	The ability to harmonies a diverse range of activities and people
Strain	Coping with friction between organizational parts
Output	Achieving purposes and goals
Maintenance	Keeping elements in the system active

This school of thought has led to a richer and better understanding of organizational activities. For example, the issues in Table 5.3 are said to be continually addressed by organization. They should be viewed as issues that need to be managed rather than problems that can be solved (Georgopoulos, 1972).

In addition, systems theory has also highlighted the importance of the organization's interaction with the external would. Indeed, this interaction is identified as an important element of the innovation

process. It is precisely the way in which organizations manage and capture the benefits from the knowledge flows, which are the product of these interactions, that will affect their ability to innovate.

Together these four schools of thought have contributed enormously to the understanding of the management of innovation. Some of the more significant issues will now be addressed in more detail.

5.2.6. Managing uncertainty

It is becoming clear that product innovation is a complex process. Innovation involves numerous factors acting separately but often influencing one another. Organizations have to respond to internal and external events, some of which are beyond their control. While management in general involves coping with uncertainty, sometimes trying to reduce uncertainty, the raison d'etre of managers involved in innovation is to develop something different, may be something new. He management of the innovation process involves trying to develop the creative potential of the organization. It involves trying to foster new ides and generate creativity. Managing g uncertainty is a central feature of managing innovation process.

PEARSON'S UNCERTAINTY MAP. **PEARSON'S UNCERTAINTY MAP (PEARSON, 1991) PROVIDES A FRAMEWORK FOR ANALYZING AND UNDERSTANDING UNCERTAINTY AND THE INNOVATION PROCESS. THE MAP WAS DEVELOPED FOLLOWING EXTENSIVE ANALYSIS OF CASE STUDIES OF MAJOR TECHNOLOGICAL INNOVATIONS, INCLUDING PILKINGTON'S FLOAT LASS PROCESS, 3M'S POST-IT NOTES AND SONY'S WALKMAN (HENRY AND WALKER, 1991). IN THESE AND OTHER CASE STUDIES A GREAT DEAL OF UNCERTAINTY SURROUNDED THE PROJECT. IF IT INVOLVES NEWLY DEVELOPED TECHNOLOGY THIS MAY BE UNCERTAINTY ABOUT THE TYPE OF PRODUCT ENVISAGED. FOR EXAMPLE, SPENCER SILVER'S UNUSUAL ADHESIVE REMAINED UNEXPLOITED WITHIN 3M FOR FIVE YEARS BEFORE AN APPLICATION WAS FOUND. SIMILARLY, IF A MARKET OPPORTUNITY HAS BEEN IDENTIFIED THE FINAL PRODUCT IDEA MAY BE FAIRLY WELL ESTABLISHED, BUT MUCH UNCERTAINTY MAY REMAIN ABOUT HOW EXACTLY THE COMPANY IS TO DEVELOP SUCH A PRODUCT. FOR EXAMPLE, THE CASE STUDY AT THE END OF THE DEVELOPMENT OF A NEW RANGE OF PRODUCTS. THE MARKET WAS IDENTIFIED BUT THE TIME WAS UNCERTAINTY ABOUT HOW TO DEVELOP A PRODUCT FOR SPECIFY MARKET.**

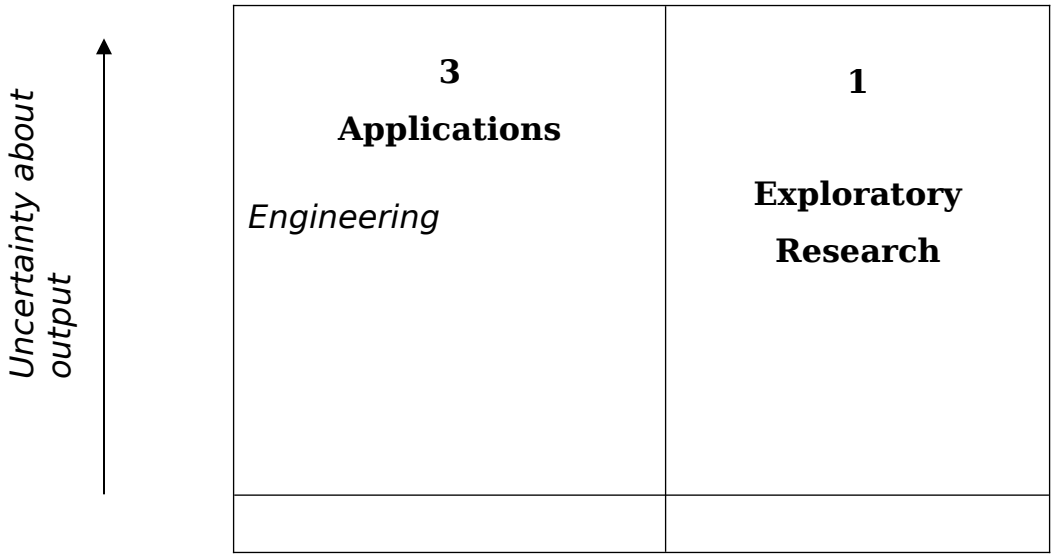
So Pearson's framework divides uncertainty into two separate dimensions:

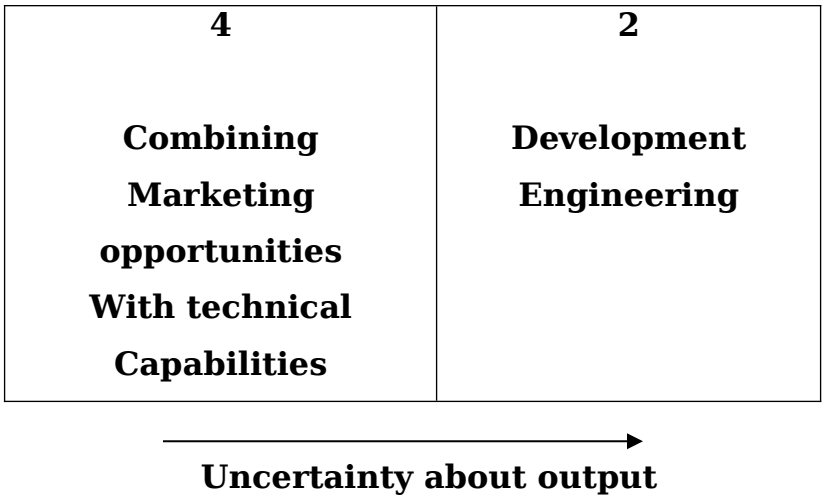
- Uncertainty about ends (what is the eventual target of the activity or project)
- Uncertainty bout means (how to achieve this target).

Several projects were unsuccessful and there were probably several occasions where decisions had to be taken regarding future funding. Decisions had to be made such as whether to cancel, continue or increase funding. In these situations, because the degree of uncertainty is high, senior mangers responsible for million-dollar budgets have to listen carefully to those most closely involved and those with the most information and knowledge. Further information and knowledge are usually available with the passage of time, so time is another element that needs to be considered. Indeed, it is because time is limited that decisions are required. It is clear, however, that many decisions are made with imperfect knowledge, thus there is usually an element of judgment involved in most decisions.

Pearson's framework, addresses the nature of the uncertainty and the way it changes over time. The framework is based on the two dimensions discussed above, with uncertainty about ends on the vertical axis and uncertainty about means on the horizontal axis. These axes are then divided, giving four quadrants.

Figure 5.1 Pearson's uncertainty map





Quadrant 1. Quadrant 1 represents activities involving a high degree of uncertainty about means and ends. The ultimate target is not clearly defined and how to achieve this target is also not clear. This has been labeled “exploratory research’ or ‘blue sky’ research, because the work sometimes seems so far removed form reality that people liken it to working the clouds! These activities often involve working with technology that is not fully understood and where potential products or markets have also not been identified. This is largely the domain of university research laboratories, which are usually removed form the financial and time pressures associated with industry. Some science-based organizations also support these activities, but increasingly it is only large organizations who have the necessary resources to fund such exploratory studies.

Quadrant 2. In this area the end of target is clear. For example, a commercial opportunity may have been identified but as yet the means of fulfilling this has yet to be established. Companies may initiate several different projects centered around different technologies or different approaches to try to achieve the desired product. Also additional approaches may be uncovered along the way. Hence, there is considerable uncertainty about precisely how the

company will achieve its target. This type of activity is often referred to as development engineering and is an on-going activity within manufacturing companies which are continually examining their production processes, looking of for efficient and ways to reduce costs. A good example of a successful development in this area is the Guinness “in-can system’. The company was clear about its target trying to make the taster of Guinness form a can taste the same as draught Guinness. Precisely how it was to achieve this was very uncertain and may different research projects were established

Quadrant 3. In this area there is uncertainty regarding ends. This is usually associated with attempting to discover how the technology can be most effectively used. Applications engineering is the title given to this area of activity. Arguably many new materials fall into this area. For example, the material Kevlar (used in the manufacture of bulletproof clothing) is currently being applied to a wide range of different possible product areas. Many of these may prove to be ineffective due to costs or performance, but some new and improved products will emerge from this effort.

Quadrant 4. This area covers innovative activities where there is most certainty. In these situations activities may be dominated by improving existing products or creating new products through the combination of a market opportunity and technical capability. With so much certainty similar activities are likely to be being undertaken by the competition. Hence, speed of development is often the key to success here. New product designs that use minimal new technology but improve, sometimes with dramatic effect, the appearance or performance of an existing product are examples of product innovations in this area.

5.2.7. Organizational characteristics that facilitate the innovation process

The innovation process, identify the complex nature of innovation. It also emphasized the need to view innovation within the context of the organization.

a. **Growth orientation** It is sometimes surprising to learn that not all companies' first and foremost objective is growth. Some companies are established merely to exploit a short-term opportunity. Other companies, particularly family-run ones, would like to maintain the company at its existing size. At size the family can manage the operation without having to employ outside help.

Companies that are innovative are those companies whose objective is to grow the business. This does not imply that they make large profits one year then huge losses the next, but they actively plan for the long term. There are many companies who make this explicit in their annual reports, companies such some auto manufactures

b. **Vigilance.** Requires continual external scanning, not just by senior management but also by all other members of the organization. Part of this activity may be formalized. For example, with in the marketing function the activity would form part of market research and competitor analysis. With in the research and development department scientists and engineers will spend a large amount of their time reading the scientific literature in order to keep up to date with the latest developments in their field. In other functions it may not be as formalized but it still needs to occur. Collecting valuable information is one thing, but relaying it to the necessary individuals and acting on it are two necessary

associated requirements. An open communication system will help facilitate this.

c. Commitment to technology Most innovative firms exhibit patience in permitting
ideas to germinate and develop over time. This also needs to be accompanied by a commitment to resources interns of intellectual input from science, technology and engineering. Those ideas that look most promising will require further investment. Without this long-term approach it would be extremely difficult for the company to attract good scientists. Similarly, a climate that invests in technology development one year then decides to cut investment the next will alienate the same people in which the company encourages creativity. Such a disruptive environment does not foster creativity and will probably cause many creative people to search for a more suitable company with a stronger commitment to technology.

d. Acceptance of risks Accepting risks does not mean a willingness to gamble. It means the willingness to consider carefully risky opportunities. It also includes the ability to make risk –assessment decisions, to take calculated risks and to include them in a balanced portfolio of perfects, some of which will have a low element of risk and some a high degree of risk.

e. Cross-functional co-operation Inter-departmental conflict is a well-documented barrier to innovation. The relationship between the marketing and R&D functions has received a great deal of attention in the research literature. Scientists and technologists can be fascinated by new technology function often fails to understand the technology involved in the development of a new product. Research has shown that the presence of some conflict is

desirable, probably acting as a motivational force. It is the ability to confront and resolve frustration and conflict that is required.

d. Receptivity The capability of the organization to be aware of, identify and take effective advantage of externally develop-ed technology is key. Most technology-based innovations involve a combination of several different technologies. It would be unusual for all the technology to be developed in-house. Indeed, businesses are witnessing and increasing number of joint ventures and alliances often with former competitors. For example, IBM and Apple have formed a joint venture to work on mutually beneficial technology. Previously these two companies fought ferociously in the battle for market share in the personal computer market.

e. "Slack" while organizations place great emphasis on the need for efficiency, there is also a need for a certain amount of 'slack' to allow individuals room to think, experiment, discuss ideas and be creative. In many R&D functions this issue is directly addressed by allowing scientists 10-15 percent of their time to spend on the projects they choose. This is not always supported in other functional areas.

f. Adaptability The development of new product innovations will invariably lead to disruptions to established organizational activities. Major or radical innovations may result in significant changes, although the two are not necessarily linked. The organization must be ready to accept change in the way it manages its internal activities. Otherwise kpropos4ed innovations would be stifled due to a reluctance to alter existing ways of working or to learn new techniques,. In short, organizations need the ability to adapt to the changing environment.

g. **Diverse range of skills** Organizations require a combination of specialist skills and knowledge in the form of experts in, say, science, advertising or accountancy and generalist skills that facilitate cross-fertilization of the specialist knowledge. In addition ;they require individuals of a hybrid nature who are able to ;understand a variety of technical subjects and facilitates the transfer of knowledge within the company. Similarly, hybrid mangers who have technical and commercial training are particularly useful in the area of product development

Learning activity 5.2

1. Describe Types of innovation

   _____

   _____

   _____

2. What are the theories about organizations and innovation?

   _____

   _____

   _____

5.3. Managing quality

Objectives:

After studying this section you should be able to:

- ✓ *Describe the term quality*
- ✓ *Identify the cost of poor quality*
- ✓ *Understand the tools of TQM*

5.3.1. The meaning of quality

The word quality has many different definitions, ranging from the conventional to those that are strategic. Conventional definitions of quality usually describe a quality items as one wears well, is well constructed and will last for long time. However managers competing in fierce global marketplace are increasingly concerned with *strategic definitions of quality.* In this regard, quality *refers to the ability of product or service to consistently meet or exceed customer expectations*. That is, Quality means getting what customers pay for. However, some scholars argue that the term quality has several meanings and they tend to give different definitions.

1. Quality is **user based**. They propose quality lies in the eyes of rte beholder. Marketing people like this approach and so do customers. To them high quality means better performance, nicely features, and other improvements.
2. Quality is **manufacturing based**. To production managers, quality means-conformance to design specifications or standards.
3. Quality is **product / service based**. Quality characteristics are understood by the attributes (such as color, size, and performance) of the product.

4. Quality is **valve based**. This considers performance of the product at a reasonable price.

Generally, quality refers to a perception of class, excellence, a type of "referential" standard or (in definition) reflecting the needs and expectations of the customer. A range of eminent champions have contributed to the definitions relating to what quality is:

- a product or service's nature or features that reflect capacity to satisfy expressed or implied statements of need ***(Deming)***
- conformance to requirements ***(Crosby)***
- fitness for purpose or use ***(Juran)***
- product and service characteristics as offered by design, marketing, manufacture, maintenance and service that meet customer expectations (***Feigenbaum)***
- Owner/user satisfaction - the perceived quality of some products or services as interpreted by owners. An expensive to maintain, unreliable car may offer a high status experience if it is, say, a '61 Thunderbird. A set of wine glasses purchased from Awash Winery factory may provide more satisfaction than similar ones from a street trader.

Note: Quality to meet requirements and exceed expectations, calls for:

- Identification of quality characteristics through *marketing research*, which identifies what the customer, wants (*user-based approach to quality*). These characteristics are then translated into specific product attributes *(a product based approach quality).* Then the manufacturing process ensures that the products are made precisely to specifications (*manufacturing based approach to quality*).

- Development of a policy for quality. In any business a clear policy framework is needed to guide the practices and behaviors essential for quality achievement throughout the system as a whole. The policy has to be properly and consistently implemented by all concerned. In a small business the traditional values of craftsmanship and personal, caring service may prevail. In larger businesses these may become confused and dispersed.

5.3.2. Dimensions of quality

Quality is ***multi-dimensional concept***. It is understood in light with the following concepts:

1. **Performance**. Refers to the main operating characteristics of the product or service.
2. **Aesthetics**. It includes appearance, feel, smell, color, taste etc.
3. **Feature**s are secondary to basic functioning and less central to users. They are simply extra characteristics of a product.
4. **Conformance**. Refers to the extent to which a product or service corresponds or matches to the customer's expectations.
5. **Reliability**. The probability of a product functioning without /with little maintenance.
6. **Durability**. The useful life of the product or length of life of the product before it becomes obsolete.
7. **Perceived**. This refers to the *overall reputation* of the product.
8. **Serviceability**. Speed, courtesy, competence and ease of maintaining or repairing the product with high quality.
9. **Safety**. The risk or harm associated with the use of the product.

5.3.3. Consequences of poor quality

The quality of the firm's product / services can affect the organization in different ways. This demands managers to develop and maintain the quality assurance program. Some of the major ways that quality affects an organization are:

1. Los of business
2. Liability results from damages or injuries due to faulty design or poor workmanship.
3. Low productivity and
5. High cost

The cost of quality

The key ingredient to the road of quality is cost-based discipline. A sound quality system contributes to customer satisfaction and organizational objectives, including financial stability. The costs of quality can be classified in to *three* categories:

1. **Failure costs**

This is the cost failing to design, make or provide the quality of product or service demanded by the customer. It is incurred by defective parts or products or faulty services. The failure can be internal or external as illustrated as follows.

Internal failure	**External failure**
1. Discovered during the production process 2. Occur for a variety of reasons including: ✓ Defective material from vendors	• discovered after delivery to customers • External failure causes are defective or poor service that goes undetected by the producer.

- ✓ Incorrect machine settings
- ✓ faulty equipments
- ✓ incorrect processing and
- ✓ incorrect material handling procedures

3. These costs include

- Lost production time
- Scrap and rework
- Investigation
- Possible equipment damage
- Possible employee injury

- Resulting costs include:
  - warranty cost
  - handling compliant
  - Replacements
  - Liability / litigation
  - loss of customer

2. Appraisal Costs

Appraisal Costs relate to inspection, testing and other activities intended to uncover defective products / services, to ensure that there are no defectives.

3. Prevention Costs

Prevention costs on the other hand are incurred in relation to an attempt to prevent defects from occurring. They include costs such as;

- planning and administration systems
- working with suppliers
- training of staffs
- quality control procedures
- Extra attention in both design and production phases to decrease the problems of defective workmanship.

5.3.4. History of quality management

The issue of quality of goods and services is not new. Throughout history of society has demanded that providers of goods and services should meet their obligations. However, people now realizing that quality is no more a tool for competitive advantage but threshold limit and a qualifier.

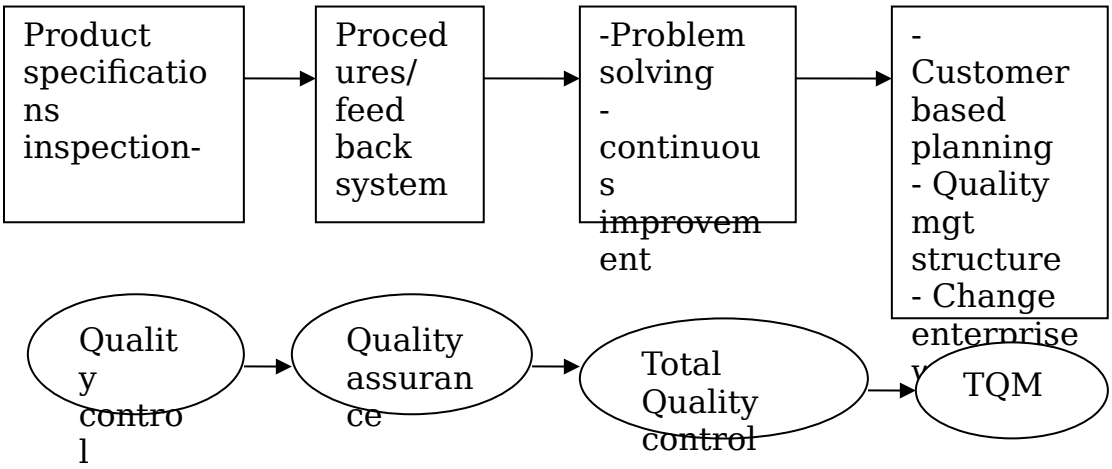


Fig 1. Quality evolution

A range of eminent champions have contributed to the development of quality management. Their contribution is briefly explained below.

Leaders in the fight for quality and philosophy

A core of quality experts has shaped modern quality practices. Among the most famous of this core of “gurus” are:

1. W. Edwards Deming.

Deming is known an American Statistics professor. Believes that management should develop a system that allows employees achieve a desired quality level. He emphasized that the key to quality problem is in the hand of management’s hand - 85 % of quality problems are due to system and only 15 % are due to employees. His approach focuses on ***preventing*** a quality problem from its occurrence by eliminating

variation and noise in the production system. The heart of quality strategy is statistical quality control to identify special causes and common causes of variation.

Deming’s 14 Universal Fourteen Points

These universal fourteen points for quality management as identified by Deming are the foundation of Total Quality Management and guide the entire TQM process. These points are briefly discussed below.

1. Create consistency of purpose with a plan toward quality improvement of service. Top management should create and publish to all employees a statement of organization aims and purposes and they must constantly demonstrate their commitment to it.

2. Adopt the new philosophy of quality. Everyone, from top management to the lowest employee, must accept the quality challenge, learn their responsibilities, and take on the leadership required for change to the new philosophy. Poor quality should never reach the customer. An organization should accept that defects in quality may occur, but it should ensure that defective products never reach the customer.

3. Cease dependence on mass inspections to achieve quality. The purpose of inspections is for improvement of processes and reduction of costs, not just to find defects. The need for mass inspections may be eliminated by building quality into a service initially.

4. End the practice of choosing suppliers based solely upon price. Organizations should stop awarding contracts based upon the lowest bid; instead, they should be concerned with minimizing total costs. Rather than trying to find the lowest bidder and then having to deal with cost overruns and low quality products, organizations should move toward a single supplier for any one item. They may then build a long-term relationship of loyalty and trust with the supplier.

5. Identify problems and work continuously to improve the system. Organizations must improve constantly and forever the system of quality service. Many managers tend to think in terms of programs having a beginning, middle, and

an end. TQM does not have an end; it is a continuous process. The phrase "continual improvement" must become common language within the organizations.

6. Institute training. Organizations must adopt modern methods of formal training, especially for new hires. On-the-job-training is not acceptable since new hires will probably be learning the "old way" of doing things from seasoned veterans who may be resisting the change to TQM. Training also involves educating external customers as to what the organization is trying to achieve. This helps when the organization later seeks input on quality from these external customers.

7. Teach and institute leadership. The aim of leadership should not be just to tell people how to do a job, but to help people do a better job. Leadership is a learned skill, so organizations must train their managers to be good leaders.

8. Drive fear out of the workplace. Organizations must create trust and a climate for innovation so that all employees may work effectively for organizational improvement. Much of workplace fear comes from by-the-numbers performance appraisals that have numerical quotas. Employees tend to do what is required to receive a good appraisal, not what is required for quality. Employees should not be afraid to bring up new ideas and the organization should tolerate failures when employees are experimenting with new ideas.

9. Break down barriers between departments. Upper management should build teamwork between departments, not competition. They should optimize the efforts of teams toward the aims and purposes of the organization instead of fostering competition between departments.

10. Eliminate exhortations from the workplace. Management must stop using slogans and targets to request zero defects and improved productivity without providing workers the methods to achieve them. Such exhortations only create adversarial relationships. Most of the causes of low quality and productivity in an organization belong to the system and thus lie beyond the power of the workforce to change.

11. Eliminate work standards and numerical quotas for production. Upper management should stress achieving service quality rather than quantity. It should remove individual punishment/reward control systems, such as incentive pay. Eliminate Management-by-Objectives. Instead of relying on objectives to reach goals,

managers should institute methods for improvement and use leadership to help workers achieve personal goals.

12. Remove barriers to pride of workmanship. Organizations should abolish merit rating systems and not blame employees for system failures that are beyond their control.

13. Institute and encourage vigorous programs of education, retraining, and self-improvement. Use master trainers to educate and nurture the workforce. Start training with the statistical vision of the organization and then broaden it to include extended process training. Extensive follow-up training should then be used to maintain the organization's vision.

14. Act to accomplish the transformation. Put everyone in the organization to work to accomplish the transformation. Transformation is the job of every employee, not just management. Establish some type of information center to keep the entire organization informed about transformation progress.

2. **Joseph M. Juran**

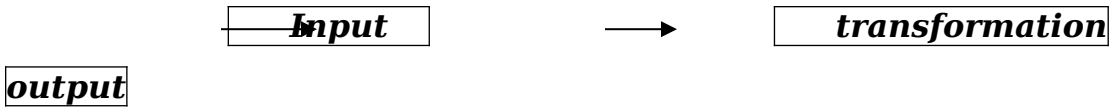
Line Deming Juran played a major role in the Japanese quality success story. He primarily introduced the quality management element, where as Deming introduced the statistical quality control element to Japanese industry in the 1950s. Juran is a pioneer in teaching the Japanese how to improve quality. He believes strongly in top management commitment and support and involvement in the quality effort i.e., team work. He varies from Deming some what in focusing on the customer and defining quality as ***"fitness to use of customers"*** not on written specifications.

3. **Philip B**. **Crosby**. He believes that the cost of poor quality should include all of the things that are involved in not doing the job right the first time. He popularized the phrase, ***"Do it right the first time."*** Because this less costly than the cost of detecting and correcting defects.

5.3.5. Quality Control (QC)

The purpose of QC is to assure that *processes* are performing in an acceptable manner. Companies accomplish this by monitoring process output using statistical techniques. If the result is acceptable, no further action is required; unacceptable results call for corrective actions. Currently companies emphasize designing quality in to the process, thereby greatly reducing the need for inspection or control of efforts – the concept of TQM. ***(See fig, 1 given above)***

Inspection. It is a means of ensuring that an operation is producing at the quality level expecting. It can occur monitoring in the production process can occur at three points: Before production, during production and after production.



Acceptance Sampling — Process control — Acceptance sampling

- The logic of checking conformance before production is to make sure that inputs are acceptable.
- The logic of checking conformance during production is to make sure that the conversion of inputs in to outputs is proceeding in an acceptable manner.
- The logic of checking conformance of out put is to make a final verification of conformance before passing goods on to customers.

⇨ Monitoring before and after production involves acceptance sampling procedures; monitoring during the production process is referred to as *"process control."*

The purpose of inspection is to provide information in the degree to which items conform to a standard. ***The basic questions of the inspection are***:

1. How much to inspect and how often? This ranges from no inspection to inspective each item so many times. The amount of inspection is governed by the costs of inspection and expected costs of passing defective items.

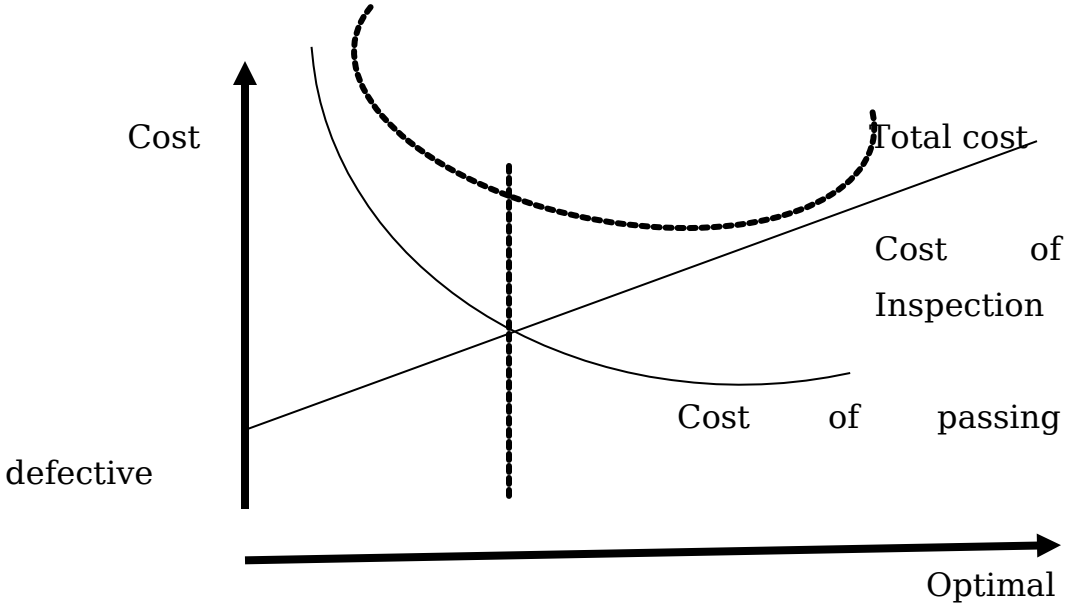


Fig 2. Amount of inspection

The optimum amount of inspection is the one that balances the cost of passing defects and the cost of inspection or minimizes total cost as shown in the above graph. Quality managers should answer the following questions in order to design an inspection policy:

1. **Where to inspect in the process?**

Many operations have many possible inspection points. But to reduce cost of inspection, it is important to restrict inspection efforts to the points where they can do the most. In manufacturing, some of the typical inspection points are:

- ✓ Raw materials and purchased parts
- ✓ Finished goods
- ✓ Before a costly production
- ✓ Before an irreversible process
- ✓ Before a covering process

2. Centralized versus decentralized inspection

Some situations require that inspection be performed on the site. For example, inspecting the hull of a ship for cracks requires inspectors to visit the ship. At other times, specialized tests can best be performed in a lab (e.g. medical tests, analyzing food samples, testing metals for hardness, running viscosity tests on lubricants).

The central issue in the decision concerning on-site or lab inspection is s is whether the advantages of specialized lab test are worth the time and interruption needed to obtain the results. Reasons favoring on-site inspection include quicker decisions and avoidance of introduction of extraneous factors (e.g. damage or other alteration of samples during transportation to the lab). On the other hand, specialized equipment and more favorable test environment offer strong arguments for using a lab.

5.4. Total Quality management (TQM)

As the 20 th century ends, business organizations are involved in what has become a ***"quality revolution."*** It began in Japan and has now

spread to North America and other parts of the world. It involves an entirely new way of thinking about, and dealing with, quality that encompasses the entire organization. This new approach has been given a variety of names, but the one we shall use is **TQM.**

5.4.1. Definition of TQM

TQM can be defined as "both a philosophy and a set of guiding principles that represent the foundation of a continuously improving organization. It is the application of quantitative methods and human resources to improve the materials and services supplied to an organization, all the processes within an organization, and the degree to which needs of customers are met, now and in the future. TQM integrates fundamental management techniques, existing improvement efforts, and technical tools under a disciplined approach focused on continuous improvement."

The term TQM refers to a quest for quality that involves everyone in an organization. ***There are two key philosophies in this approach.***

1. A never-ending push to improve, which is referred to as *continuous improvement*.
2. A goal of customer satisfaction, which involves *meeting or exceeding customer expectations.*

Successful TQM programs are built through the dedication and combined efforts of everyone in the organization (including top management's of the company)

Total Quality Management is a management style based upon producing quality service as defined by the customer. TQM is defined as a quality-centered, customer-focused, fact-based, team-driven, senior-management-led process to achieve an organization's strategic imperative through continuous process improvement. TQM principles

are also known as total quality improvement, world class quality, continuous quality improvement, total service quality, and total quality leadership.

The word "total" in Total Quality Management means that everyone in the organization must be involved in the continuous improvement effort, the word "quality" shows a concern for customer satisfaction, and the word "management" refers to the people and processes needed to achieve the quality.

Total Quality Management is not a program; it is a systematic, integrated, and organizational way-of-life directed at the continuous improvement of an organization. It is not a management fad; it is a proven management style used successfully for decades in organizations around the world. TQM is not an end in itself; it is a means to an organizational end. Total Quality Management must not be the primary focus of an organization; it should merely be the means to achieve organizational goals.

Total Quality Management differs from other management styles in that it is more concerned with quality during production than it is with the quality of the result of production. Other management styles have different concerns.

Total Quality Management requires an organizational transformation-a totally new and different way of thinking and behaving. This transformation is not easy to achieve; it is not for the weak or the statistically untrained. At first glance, many TQM techniques may seem simple and based on common sense, but they must be understood and used correctly for TQM to function properly.

5.4.2. Elements of TQM

1. Continual improvement

Continual improvement of the organization’s overall performance should be permanent objectives of the organization. It is a philosophy of continually seeking ways to improve operations. It is a never ending improvement to the process of converting inputs into outputs.

Installing a philosophy of continuous improvement in an organization may be a lengthy process, and several steps are essential to its eventual success. The major steps are:

1. Train employees in the methods of statistical process control and other tools of improving quality and performance.
2. Make statistical process control methods a normal aspect of daily operation.
3. Build work teams and employee involvement.
4. Utilize problem solving tools within the work team.
5. Develop the sense of employee belongingness in the process.

2. Employee Empowerment

Empowering the workforce involves giving employees a degree of control over the organization’s operation. When empowered, employees feel they are an active part of the organization’s decision-making process and they have an organizational sense of "family”. Once empowered, employees begin to take pride and ownership in their work, which may lead to improvement in their job performance, which then may increases overall organizational quality. As employees become more involved in the organization, they become self-motivated and do not require as much direct praise or monitoring from managers. As a part of the empowerment process, employees are permitted more management participation.

3. Participative Management

Participative management advocates using the cumulative skills and expertise of employees to solve problems and improve service quality. It calls for all members of a organization to share authority, responsibility, accountability, and decision making. Although it emphasizes group effort, a leader is needed who is responsible for keeping the group on track and making final decisions on group suggestions.

Delegation of responsibility and authority is required for participative management to be successful. Delegation is entrusting the responsibility and authority to complete a task to another person. Along with this trust comes accountability, which is holding the other person accountable for acceptable completion of the task. Many managers manage by the philosophy "If you want it done right, you have to do it yourself," so they find delegation difficult. Other managers do not mind delegating responsibility, but they are reluctant to delegate authority.

Participative management involves giving employees membership on committees that make recommendations on changes to organizational polices. Since TQM requires the formation and use of numerous committees, it has been called **management-by-committee.**

4. Competitive benchmarking

Benchmarking is a continuous, systematic procedure that measures a firm’s products, services and process against those industry leaders. Companies use benchmarking to understand better how outstanding companies do things so that they can improve their own operations. The common measures used in benchmarking are unit costs, customer retention rates, revenue per unit, ROI, and customer satisfaction levels.

5. Team approach

Teams are important elements of the TQM process. All companies treading on the path to total quality know that team activity is an answer to quality issues. It is one of the essential TQM tools that can keep the wheel of quality moving. Teams have a unique ability for

solving problems and meetings continuous improvement objectives. It is the duty of management to keep such teams active so that they can produce desired results. Two prevalent types of teams are quality circles and focus teams. This topic is briefly discussed in other units.

6. Decision based on facts rather than opinions

Making decisions on facts that have been clearly analyzed and presented should be the goal of any business. Making of the right decisions for an organization is never an easy, but using the factual information with experience and intuition can only help.

7. Mutually beneficial supplier Relations

Suppliers should be seen by any business as being as important as customers are. Think what would happen if there were no suppliers? You would probably not be in business. Where would you buy your materials and services?

Therefore, it is important to have good relations with your suppliers as it is in their interest as much it is yours. Remember, you are their customers and they want in general to do the best for you, but probably cannot if they are not fully aware of all your requirements. This certainly the case for many smaller businesses that rely heavily on their suppliers.

8. Customer focus

Organizations depend on their customers and therefore should understand current and future customer needs, should meet their requirements and strive to exceed customer expectations. Quality begins with customers and ends with customers. Gone are the days when organizations and customers were treated as two different entities as two different entities. The market place has become very

competitive, and it is no longer possible to run a business without a very strong focus on the customer.

With out customers organizations can not exist. There are many facets to the relationship with the customer, but probably the most important one is to understand what the customers' current and future requirements are. By establishing this understanding, organizations will be able to plan for their needs with, in some cases, the help of the organization's suppliers.

Disadvantages of TQM

- Long-range plans advocated by TQM may limit an organization's flexibility and agility.
- TQM calls for organizational change; it does not demand radical organizational reform.
- Total Quality Management calls for the elimination of the goals and objectives required by Management-by-Objectives. Critics of TQM claim that this may negatively affect motivation.
- Some maintain that Total Quality Management delegates the determination of quality to quality experts rather than to "real" people.
- Total Quality Management calls for the elimination of performance assessments that rate employees in relation to each other. Critics fear that without performance assessment managers would have too much power over employees and may be use it capriciously.
- Some argue that the claims of success by TQM supporters are not supported by facts but by anecdotes and stories. They argue that TQM proponents tell heart-warming stories about how teamwork makes everyone happy, but that they cannot back up their claims with hard data.
- Some critics claim Total Quality Management's focus on setting and maintaining standards makes work life unexciting and boring.

- Total Quality Management develops its own bureaucracy. TQM detractors contend its statistical burden and committee structure is cumbersome, slows organizational momentum, and consumes too much time and resources.

5.4.3. Techniques/Tools of TQM Programs

Various quantitative and quantitative techniques may be adopted to support a TQM program. They can be also be used across smaller, more specific, work-shop-focused quality projects- which tend to be successful! We need to understand:

- The application of a technique, why and how it works and when to use it.
- The skills and expertise needed for particular techniques.
- The wider competencies for managers, team leaders and others in a TQM environment.

The tools of TQM program include the following:

1. Pareto Charts

One of the tools used in a TQM program is the **Pareto Chart**. It is the tool of identifying the vital few causes (typically 20%) which cause 80% of the problems. Pareto Charts are used to determine the greatest opportunity for prevention of quality problem program. Analysis of the Pareto Chart provides information on a starting point for a TQM program.

2. Cause and Effect Diagrams

Another tool used in a TQM program is the **Cause and Effect Diagram or Fishbone Diagram.** The Cause and Effect diagram is developed through brainstorming efforts and depicts all the probable causes of the certain quality problems. This brainstorming searches for root causes of the problem and eliminates the focus on symptoms.

3. Histogram

A Histogram is used to display in bar graph format measurement data distributed by categories. **A histogram is used for:**

1. Making decisions about a process, product, or procedure that could be improved after examining the variation (example: Should the school invest in a computer-based tutoring program for low achieving students in Algebra I after examining the grade distribution?; are more shafts being produced out of specification that are too big rather than too small?)
2. Displaying easily the variation in the process (example: Which units are causing the most difficulty for students? is the variation in a process due to parts that are too long or parts that are too short?)

4. Brainstorming

Creative thinking may mean simply the realization that there's no particular virtue in doing things the way they have always been done.

Brainstorming is a group process designed to relax and energize a group so that the synergy of the group as a whole can be focused on a task. Brainstorming needs a sensitive, skills leader/facilitator and members who feel that they belong to the group and can participate with confidence.

People need to be comfortable in the group and able to express themselves. They need to be themselves and not be afraid of others or the status/rank they have outside the group in, say, their managerial or specialist jobs.

Classical brainstorming involves the application of a specific approach with rules designed to overcome some of the blocks and barriers acting to prevent the creative, imagining juices to flow.

5. Process Flow Charts

A car exhausted must be replaced, a batch of biscuits must be made, an insurance claim must be dealt with. Each of these a "transformations" involves an arrangement of people and facilities (machines, desks, computers, ovens, mixing equipment, high-speed packaging and cutting gear). The arrangement is a combination of people, methods/rules and technology. It can simple or complex, machine oriented or people-oriented.

6. Control Charts

Statistical Quality Control (SQC) or Statistical Process Control (SPC) for repetitive, high volume production began in the 1930's. Small production samples were measured periodically to monitor quality. Sample mean *(X bar)* and range *(R)* charts were used to detect when a process was going out of "economic control."

Learning activity 5.3

1. What is quality?

_____

_____

__

2. Identify the costs of quality.

_____

_____

_____

3. Why total quality management?

_____

_____

_____

5.4 CHECK LIST

Dear learner! Below are some of the important points extracted from the unit you have been reading. Please put tick mark(✓) in the box in front of the point for those you have understood yet, go back and read the unit till you understood well

I can

- ☐ Describe the different types of innovation
- ☐ Explain the theories of innovation
- ☐ Identify the characteristics of innovative organization

5.5SUMMARY

Innovation is the management of are the activities involved in the process of idea generation technology development, manufacturing and marketing of a new for improved , product or radical innovations but also minors incremental technological advancement.

The environment in which we are living is very dynamic and competitive. As a result success in business has become challenging. Currently the most important strategies are *delivering a quality product at a fastest possible speed*. **Quality management makes a strategic contribution** to achievement of a business's competitiveness.

Quality is defined according to various dimensions that pertain to customer satisfaction. The consequences of poor quality include loss of market share, liability claims, decrease in productivity, and an increase in costs.

TQM is a never ending pursuit of quality that involves everyone in an organization. The driving force is customer satisfaction: a key philosophy is continuous improvement. Training of managers and workers in quality concepts, tools, and procedures is an important aspect of the approach. Teams are the integral part of TQM. In order for total quality management to be successful, it is essential that a majority of those in an organization “buy in” to the idea.

5.6CHECK YOUR PROGRESS EXERCISE

True / False write true if the statement is correct and false if the statement is wrong

1. Innovation is a single action but a total process of interrelated subprocess.
2. The organization characteristics that facilitate the innovation process of vigilance refers to a commitment to long – term growth rather than short term profit.
3. Concurrent engineering is a small team consisting of a members from each of the various functional departments manages the design, development, manufacturing and marketing of a product.

Multiple Choice

Choose the best possible answer from the options given

1. An innovation approach which is initiate by technology, customer need; manufacturing or a host of other is

a) Liner approach
b) Serendipity approach
c) Simultaneous coupling approach
d) Interactive approach
e) None of above

2. Which of the following is an issue identified by systems theory of innovation characterized as the ability to alter ways of working to meet the changing environment.
   a) Co-ordination
   b) Integration
   c) Strain
   d) adaptation
   e) Maintenance
3. Quality means
   a) Conformance to specification
   b) Fitness for use
   c) Equivalent to high price
   d) A and B
   e) A and C
4. Identify the correct statement with regard to quality management.
   A. Training of workers is part of appraisal cost of quality
   B. A quality vision and goal is part of total quality management (TQM)
   C. Inspection, training, and auditing goods are part of prevention cost of quality
   D. Rework, lost production time are part of prevention cost of quality
   E. All of the above
5. Which of the following is not the philosophy of total quality management?
   a) Continuous improvement.
   b) Employee empowerment

c) Customer focus

d) Non participatory management

e) None of the above

6. Short answer

I. Identify and discuss the elements of TQM.

Answer to learning activities 5.2

1. a) Product innovation

b) Process innovation

c) Organization innovation

d) Management innovation

e) Production innovation

f) commercial / marketing innovation

g) Service innovation

2. a) classical or scientific management perspective

b) Human relations approach

c) contingences

d) system theory

Answer to check your progress 5

1. False
2. False
3. True
4.
5.

II. Multiple choices

1) c
2) d
3) d
4) b
5) d

III. Short answer

1. The following are the elements of TQM:
   i. Continual improvement.
   ii. Competitive benchmarking

iii. Employee empowerment.

iv. Team approach.

v. Decisions based on facts rather than opinions.

vi. Knowledge of tools

vii. Mutually beneficial supplier relationships and

viii. Participative management

UNIT 6 MANAGING CUSTOMER SATISFACTION & NEGOTIATION

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6.4. Checklist

6.5. Summary

6.6. Check your progress exercise 6

6.0 Introduction

From contemporary perspective customer is any one (organization who seek or received and uses what an individual or organization provides.

6.1 Objectives

After reading this unit you should be able to

- ✓ Define customer from broader perspective
- ✓ Descried the need of customer
- ✓ Appreciate the cost of losing customer
- ✓ Essentials of caring out negations

It is very essential to recognize the importance of both external and internal customers contribution to your organization our internal customer are the people we work with in the organization and they are important to our success in providing our external customers with what they need the major needs if every customer are service , price, quality action and appreciation.

Distribution bargaining which is called win – los approach which integrative negotiation is a win- win approach, Negotiation is aimed at reaching an agreement between two friends which satisfy the needs of both parties.

6.2. Managing Customer satisfaction and Negotiation's

Overview

Dear reader, The success of the organization is highly dependent on the ability of the organization to satisfy and handle customers. This section discuss they

Objectives

After reading this section you will be able

- ✓ Define customer and customer satisfaction
- ✓ Describe the quality service and need of a customer
- ✓ Sellout the cost losing customer
- ✓ Point out the method of handling customer relation related problems

6.2.1. Definition: Customer

Customers are group of people or individuals that seek services with in an organization and/or purchase the products of an organization, customer can be external or internal It is important to recognize the importance of both external and internal customers because both contribute to the customer service of our organization. External customers are the customers we do business with outside our organization. External customers are those customers most commonly though of when we consider whom we serve. They are the people with whom we interact and share our knowledge and positive attitude. External customers have the power to enhance our reputation and to bring new business, but they are not the only customers who we serve.

Every day we interact with a special group of customers who frequently go unrecognized. These customers are our internal customers. Our internal customers are the people we work with in

the organization. Our internal customers are important to our success in providing our external customers with what they need. If internal customers do not see the importance of completing work promptly and treating others with respect, it becomes difficult for the organization to provide outstanding customer service to our external customers. Internal customers were previously referred to as coworkers, but this title does not elicit the necessary respect deserved by the people within any organization who contribute to the overall success of the organization. Your customers may get a paycheck form the same company that you do. This unit focuses predominantly on external customers.

Difference between customer and consumer

a. Customers are buyers of a product or service for self-use or to generate profit form the purchased product.
b. Consumers are those who a buy product for self-use only lot sale or profit generation.

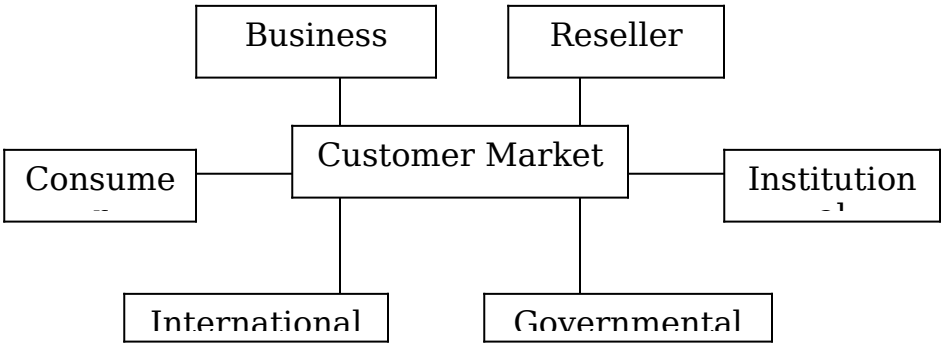
Six types of customer markets

1. **Consumer markets:** are an individual and households that buys/goods, ideas and services for personal consumption.
   Example:- like food, water and furniture etc.
2. **Business Markets:** are buying goods and services for further processing or for use in their production process

Example: - Buying flour form manufacturer to make bread and pastry (cake) and some assembly organization

3. **Reseller Markets:** are buying goods and services to resell at profit. Example: - Vendors, shoes and supermarkets

4. **Institutional markets:** are made up of schools, hospitals, nursing homes, prisons and other institutions that provide goods and services to people in their care. Example: - Unity University College, Hayat Hospital etc.
5. **Governmental Markets:** are made up of government agencies that buy goods and services in order to produce public services or transfer the goods and services to others who need them. Example:- buses, electric poser, telephone service
6. **International Customer:** Market consist of buyers in other countries including consumers market that serves in this globalization world. Example:- Internet service, Airplane, water transport etc.



But generally we can classify all the above consumer market characteristics into two major groups: Consumer and industrial market consumer

6.2.2. Defining of customer satisfaction

Satisfaction is a person's feelings of pleasure or contentment resulting from comparing a product's perceived performance (outcome) in relation to his or her expectations.

Satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is

dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

Many companies are aiming for high satisfaction because customers who are just satisfied still find it easy to switch when a better offer comes along. Those who are highly satisfied are much less ready to switch. High satisfaction or delight creates and emotional affinity with the brand not just a rational preference. The result is high customer loyalty.

How do buyers form their expectation?

Their expectation are influenced by their past buying experience, friends and associated advice, and marketers (organizations salesmen) and competitors information and promises.

For customer-centered companies, customer satisfaction is both a goal and a marketing tool. Although the firm seeks to create high customer satisfaction is both a goal and a marketing tool. Although the firm seeks to create high customer satisfaction, its main goal is not to maximize customer satisfaction. First, the company can increase customer satisfaction by lowering its price or increasing its services, but the result may be lower profits. Second, the company might be able to increase its profitability by means other than increased satisfaction (for example, by improving manufacturing processes or investing more in R& D). Third, the company has many stakeholders, including employees, dealers, suppliers and stockholders. Spending more to increase customer satisfaction might divert funds from increasing the satisfaction of other "partners".

Ultimately the company must operate on the philosophy that it is tying to deliver a high level of customer satisfaction subject to delivering at

least acceptable levels of satisfaction to the other stakeholders within the constraints of its total resources.

6.2.3. MANAGING SERVICE QUALITY

One of the major ways to differentiate a service firm is to deliver consistently higher quality service than competitors. The key is to meet or exceed the target and Customers' service quality expectations. Customers' expectations are formed by their past experiences, word of mouth, and service firm advertising. The customers choose service providers on these bases and after received, the service might fall below the expected service. Customers loss interest in the provider. If the perceived service meets or exceeds their expectations, they are appropriate to use the provider again for customer expectations.

1) **Gap between consumer expectation and management perception:** Management does not always perceive correctly what customers want. Hospital administrators may think that patient want better food. But patients may be more concerned with nurse responsiveness.
2) **Gap between management and service quality specifications:** Management might correctly perceive the customers' want but not set a specified performance standard. Hospital administrators may tell the nurse to give "fast" service without specifying it quantitatively.
3) **Gap between service quality specifications and service delivery:** The personnel might be poorly trained or incapable of or unwilling to meet the standards. Or they may be held to conflictions standards such as taking time to listen to customers and service them quickly.

4) **Gap between service delivery and external communications:** Statements made by company representatives and ads affect customer expectations. If a hospital brochure shows a beautiful room but the patient arrives and finds the room to be cheap and tacky looking then the external communications have distorted the customers' expectation.
5) **Gap between perceived service and expected service:** This gap occurs when the consumer misperceives the service quality. The physician may keep visiting the patient to show care but the patient may interpret this as an indication that something really is wrong.

Quality: - customer satisfaction is closely linked to quality. In recent years, many companies have adopted total quality management (TQM) programs designed to constantly improve the quality of their services, and marketing processes Quality can be defined as "freedom from defects".

"*Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs of customers.*"

This is clearly a customer-centered definition of quality. We can say that the seller has delivered quality whenever the seller's product or service meets exceeds the customers' expectations. A company that satisfies most of its customers' needs most of the time is called a quality company. "Pursuing a total Marketing strategies" spells out the assumptions that must underlie any total quality program.

Total quality is the key to value creation and customer satisfaction. Total quality is everyone's job just as marketing is everyone's job.

Marketers who don’t learn the language of quality improvement (the language of quality) and operation will become as obsolete as buggy whips. The days of functional marketing are gone. We can no longer afford to think of ourselves as market researchers, advertising people, direct marketers, and strategists. We have to think of ourselves as customer satisfiers. Customer advocates focused on whole processes.

Marketing managers have tow responsibilities in a quality-centered company. First, they must to participate in formulating strategies and policies designed to help the company win through total quality excellence. Second, they must deliver marketing quality alongside production quality. Each marketing activity marketing research, sales training advertising, customer service and so on must be performance to high standards.

What is Customer Service? Shockingly, the average customer service provider doesn't know! Customer service is anything we do for the customer that enhance the customer experience, Customers have varying ideas as to what they expect from customer interaction, The customer service provider must get to know his or her customers, and strive to provide them with excellent customer senesce. No matter how accurately we see our definition of customer service, we still have to live up to what our customer thinks that customer service is The Customer's satisfaction is the goal to attain.

Understanding of satisfaction. Customer satisfaction is the customer's overall feeling of contentment with a customer interaction. Customer satisfaction recognizes the difference between customer

expectations and customer perception. Satisfaction may develop quickly or may be cultivated over a period. Customers have many concerns in this day and age. Our job is to reduce as much of the customer's stress as is possible and to create a pleasant customer experience, while also providing current information and helping to solve problems for the customer. Satisfaction may be a customer's afterthought. The customer may think back on the experience, and realize how pleasant or unpleasant it was,

- Showing the customer that you care
- Excellent follow-up
- Empathy in handling customer complaints and questions
- Well-explained instructions
- Illustrations of encouragement
- Suggestion of a less expensive option, etc

Example Of Customer Service

1. Free car wash with fill-up
2. Policy of calling the customer by name
3. Easy return policy
4. Updated map of the area in rental cars
5. Follow-up call from a doctor to see how you are feeling after a professional visit
6. On-time delivery
7. Courtesy
8. Enthusiasm

6.2.4. Major needs of every customer

SERVICE. Customers expect the service that they think is appropriate for the level of purchase that they are making.

Someone who makes a small, spontaneous purchase may have a smaller service need than a customer who makes a larger purchase that has been carefully planned and researched.

PRICE. The cost of everything we purchase is becoming increasingly important. People are businesses want to use their financial resources as efficiently as possible. Many products that were previously considered to be unique offerings are now being considered as commodities. This makes the component of price even more important to the customer.

QUALITY. Customers want the products that they purchase to be durable and functional until the customer decides to replace them. This requirement of quality mandates that manufacturers and distributors producer products that live up to the customer's expectations of durability. Customers are much less likely to question price if they are doing business with a company that has a reputation for producing a high-quality product.

ACTION. Customers need action when a problem or question arises. Many companies offer toll-free customer assistance telephone lines, flexible return policies, and customer carryout services in response to the need for action. Customers are human beings antlike to think that when they have a need or question arise, someone will be ready and waiting to help them and that they are an important priority.

APPRECIATION. Customers need to know that we appreciate their business. Customer service providers can convey this appreciation in many appropriate ways. Saying thank you to the customer through our words and actions is a good starting point. Preferred customer mailing lists, informational newsletters, special discounts, courtesy, and name recognition are good beginnings to showing our customers our appreciation. Additionally, letting them

know that we are glad that they have chosen to do business with us conveys a positive message. For example, a fast-food restaurant has a sign in its drive-through lane that says: "We know that you could eat somewhere else; thank you for allowing us to serve you."

(a) Seven golden rules for improving customer service. Our recent research into Japanese companies has identified seven activities that are key to improving service quality. We recognize that many western companies are already engaged in some of these. However, this non-exhaustive list of current best practice the service areas may offer some insights into maximizing customer satisfaction.

1. **Define your corporate mission in terms of customer benefits.** Many Japanese marketers believe that customer satisfaction is, quite simply, the primary goal of management. Major corporations often spell out this idea in their corporate mission statement. Our goal is to increase consumer satisfaction through useful, innovative products that meet real market needs.
2. **Gain the commitment of senior management**. Writing customer satisfaction into the corporate mission statement is not enough to turn a company into a customer driven organization. Leading Japanese companies see the commitment of senior management as critical, just as it has been in quality management programs.
3. **Select the right people.** Japanese companies put greater effort than Western ones in to recruiting people with the right approach to the customer. Not only do leading Japanese companies recruit form the best universities, they pay particular attention to candidates personalities. Through an extension recruiting process they make sure that their future employees

will have the required empathy for customer. As a result, the best companies have exceptionally competent, reliable and responsive employees.

4. **Train → & retain**. (continuous improvement), customer satisfaction in Japan is a spiral process that starts → with training. Good training → positive service attitude → motivated employees → decreased staff turnover → improve service quality → satisfied customers
5. **Measure and communicate quality standards**. In many businesses, the real action often takes place in the first 60 seconds of interaction with customer. Do employees make the right impression? Is the company perceived as being considerate and helpful? It is important for employees to know what role they are expected to play and be aware of what he customers expect.
6. **Use technology to enhance customer satisfaction**. Japanese companies are increasingly using technology in serving their customers if the company receives 120 -130 enquiry phone calls a day and it's operators should be able to respond satisfactorily to everyone.
7. **Creatively exceed customer expectations**. Give customers more than they expect is the surest way to build and retain their loyalty. Delighted customers are more likely to come back and spread the work about how great your company is. (IDM Japan even found that customers who experience a problem and have it fixed quickly and politely are likely to have a higher level of satisfaction than customers who never experienced a problem)

But you can only exceed customer expectations if you clearly understand them in the first place.

(b) Defining Customer Value and Satisfaction

Over 40 years ago, Peter drucker observed that a company's first task is "to create customers." But today's customers face a vast array or product and brand choices prices and suppliers. How do customers make their choices?

We believe that customer's estimate which offer will deliver the most value customers are value maximizes, within the bounds of search costs and limited knowledge, mobility and income. They form an expectation of value and act on it. Whether or not the offer lives up to the value expectation affects customers' satisfaction and their repurchase probability.

(c) Delivering Customer Value and satisfaction

Customer value and satisfaction are important ingredients in the market's formula for success. But what does it take to produce and deliver customer value? To answer this, you will examine the concepts of a value chain and value delivery system.

Value Chain

Michael Porter proposed the value chain as the major tool for identifying ways to create more customer value. Every firm consists of a collection of activities performed to design, produce market, deliver and support the firms' products. The value chain breaks the firm into nine value-creating activities in an effort to understand the behavior of costs in the specific business and the potential sources of competitive

differentiation. The nine value creating activities include five primary activities and four support activities.

The primary activity involves the sequence of bringing materials into the business (in bound logistics operating on them (operations). Sending them out (out bound logistics), marketing them (marketing and sales), and servicing them (service). The support activities occur within each of these primary activities. For example, procurement involves obtaining the various inputs for each primary activity. Only the purchasing department does a fraction of procurement. Technology development and human resource management also occur in all departments. The firms' infrastructure covers the overhead of general management planning, finance, accounting, and legal and government affair is borne y all the primary and support activities.

Under the value chain concept, the firm should examine its costs and performance in as benchmarks. To the extent that the firm can perform certain activities better than its competitors it can achieve a competitive advantage.

The firm's success depends not only on how well each department performs its work, but also on how well the activities of various department are coordinated. Too often; individual; departments maximize their own interests rather than those of the total company and the customer. For example, a credit department might attempt to reduce bad debts by taking along time to check the credit of prospective customer; meanwhile sales people get frustrated and customers wait. A

distribution department might decide to save money by shipping goods by rail, again the customer waits. In each case, individual departments have erected walls that impede the delivery of quality customer service.

To overcome this problem, companies should place more emphasis on the smooth management of core business processes, most of which involve inputs and cooperation form many functions of departments. Among others these core business processes include the following.

- **Product development process** all the activities involved in identifying, researching and developing new products with speed, high quality and reasonable cost.
- **Inventory management process**: all the activities involved in developing and managing the right inventor levels of raw materials, semi-finished materials, and finished goods so that adequate supplies are available while avoiding the costs of high over stocks. Order to payment process all the activities involved in receiving orders approving them shipping the goods on time and collecting payment.
- **Customer service process** all the activities involved in making it easy for customers to reach the right parties within the company to obtain service, answers, and resolutions of problems.

(d) Value delivery system

It is search for competitive advantage the firm needs to look beyond its own value chain into the value chains of its suppliers, distributors, and ultimately customers. More companies today are

"partnering" with the other members of the supply chain to improve the performance of the customer value delivery system.

For example, Customer value delivery system Campbell operates a qualified supplier program in which it chooses only the few suppliers who can meet its demanding quality requirements. Campbell's export then work with suppliers to constantly improve their joint performance.

6.2.5. Handing customer satisfaction

Tools for tracking and measuring customer satisfaction range form the primitive to the sophisticated companies use the following methods to measure how much customer satisfaction they are creating.

a. Complaint and Suggestion Systems. A customer-centered organization makes it easy for customers to make suggestions or complaints. Restaurants and hotels provides forms upon which guests can check off their likes and dislikes. Hospitals place suggestion boxes in the corridors, supply comment cards to exiting patients, and employee patient advocates to solicit grievances. Such systems not only help companies to act more quickly to resolve problems, they also provide companies with many good ideas for improved products and service.

Customer Satisfaction Surveys. Simply running complaint and suggestion systems may not give the company a full picture of customer satisfaction and dissatisfaction. Customers may feel that their complaints are minor, or that they will be treated harshly if they complaints or that the company will do little to remedy the problem

anyway. Rather than complain, most customers simply switch suppliers. As a result, the company needlessly loses customers.

Responsive companies take direct measures of customer satisfaction by conducting regular surveys. They send questionnaires or make telephone calls to a sample of recent customers to find our how they feel about various aspects of the company's performance.

Lost Customer Analysis. Companies should contact customers who have stopped buying, or those who have switched to a competitor, to lead why this happen. When IBM loses a customer, it mounts a through effort to learn how it failed: Was IBM's price too high, its service poor, or its products substandard? Not only should the company conduct such exit interviews, it should also monitor the customer loss rate. A rising loss rate indicates that the company is failing to satisfy its customers.

b. Measuring customer satisfaction. More sophisticated customer satisfaction measures can overcome many of the problems linking changes in customer satisfaction to financial performance. In particular, for example, recent company experience and academic research indicates that the methodology used to compute the American Customer satisfaction Index (ACSI) provides customer satisfaction measures that are economically relevant to the stock market and predictive of future financial performance. The ACSI methodology offers a number of advantages over the customer satisfaction measures calculated by most companies. First, the use of multiple questionnaire items increases the precision of the customer satisfaction estimate relative to the more typical single top box measure. Second, the individual questionnaire items are measured on a ten-point scale as opposed to more typical three to five point scales in order to enhance statistical reliability. More importantly, the

customer satisfaction measure is constructed using a statistical reliability. More importantly, the customer satisfaction measure is constructed using a statistical technique known as partial least squares that weight individual customer satisfaction questions such as overall satisfaction, confirmation of expectations, and comparison to ideal such that the resulting index has maximum correlation with economic performance. In addition, the ACSI measures the predictive of future customer purchase behavior, providing a method for estimating the revenue enhancing benefits from improved quality customer satisfaction.

c. Some Cautions in measuring customer satisfaction. Customer satisfaction ratings are sometimes difficult to interpret. When customers rate their satisfaction with some element of the company's performance, say delivery, they can vary greatly in how they define good delivery. It might mean early delivery, on time delivery, order completeness, or something else.

Companies also must recognize that two customers can report being "highly satisfied" for different reasons, One might be easily satisfied most of the time whereas the other might be hard to please but was pleased on this occasion. Further, managers and sales people can manipulate their ratings on customer satisfaction. They can be especially nice to customers just before the survey or try to exclude unhappy customers form being included in the survey. Finally, if customers know that the company will go out of its way to please customers, even if they are satisfied some customers may express high dissatisfaction in order to receive more concessions.

d. Attracting and Retaining Customers. In addition to improving their relations with their parents in the supply chain, many companies are intent on developing stronger bonds and loyalty with their ultimate customers. In the past, many companies took their customers for granted. Their customers may have had many alternative sources of supply, or all suppliers were equally deficient in service, or the market was growing so fast that the company did not worry about satisfying its customers. Clearly things have changed.

6.2.6. COST OF LOSING A CUSTOMER

Because of the increased expectations of customers and the compositeness of the marketplace, customer service providers are recognizing the high cost of losing customers. It takes little effort to lose a customer. By neglecting their concerns, treating them with disrespect, and failing to follow thorough with results, customers will be tempted top make their exit.

When customers cease to do business with us and begin to do business with our completion, several unfortunate situations occur.

- **We lose the current Birr that our business relationship created**. This loss may seem insignificant to begin with, but over al period it can prove to be damaging.
- **We lose the job that our client s provides**. If business goes elsewhere, we do not need to employee the people who were working on the account(s). An advertising agency lost a major account because of a lack of courtesy and follow-through on the agency's part. This loss of business resulted in the closing of the office with more than fifty people suddenly our of work

- **A third situation that may occur is the loss of reputation**. Word travels fast in our information- based society. Our clients will possibly share their clients and friends. This loss may result in the immediate departure of other business or simply in a lack of trust among our current clients and any potential customers.
- **A final challenge is the loss of future business**. This is an intangible variable because it is difficult to assess the long-term effects of what might have happened in the future. Nevertheless, whether it is Birr 10 or
  Birr 10 million its importance is worth recognizing.

a. Computing the cost of lost customers. Today's companies must pay closer attention to their customer defection rate the rate at which they lose customers, and take steps to reduce it. There are four steps to this process.

First, the *company must define and measure its retention rate*. For example, a magazine the renewal rate is a good measure of retention. For a college, it could be the first to second year retention rate or the class graduation rate.

Second, the *company must distinguish the causes of customer attrition and identify those that can be managed better*. Not much can be done about customers who leave because of poor service, shoddy products, high prices and so on. The company needs to examine the percentages of customers who defect for different reasons.

Third, the *company needs to estimate how much profit it loses.* When it losses customers in the case of an individual customer, the lost profit is equal to the customers lifetime value that is, the present

value of the profit stream that the company would have realized on a customer if the customer had not defected prematurely., for a group of lost customers, one major transportation carrier estimated its profit lost as follows.

- The company had 64,000 accounts(clients)
- The company lost 5% of its accounts this year due to poor service. This was a loss of 3,200 accounts (.05X 64,000)
- The average lost account represented a $ 40,000 loose in revenue. Therefore, the company lost $ 128,000,000 is revenue (3,200X $ 40,00)
- The companies' profit margin is 10% therefore the company lost $12,800,00 (10 X 128,000,000) this year. Since the customers left prematurely the company's actual loss over time is much greater.

Fourth, *the company needs to figure out how much it would cost to reduce the defection rate.* As long as the cost is less than the lost profit, the company should spend that amount to reduce the defection rate.

b. The Need for Customer. The cost of attracting new customers is estimated to be five times the cost of keeping a current customer happy. It requires a great deal of effort to induce satisfied customers switch away from their current suppliers.

Unfortunately, most marketing theory and practice center on the art of attracting new customers rather than retaining exiting ones. The emphasis traditionally has been on making sales rather than building relationships. The focus has been on preselling and selling rather than one carrying for the customer afterwards. Today, however, more companies are recognizing, the importance of satisfying and retaining current customers. One study indicated that companies can improve profits anywhere from 25% to 85% by

reducing customer defections by 5% sadly Companies accounting systems fail to show the value of loyal customers.

c. Relationship Of Marketing. To understand customer relationship marketing, we must first examine the process involved in attracting and keeping customers. The starting point is suspects, everyone who might conceivably buy the product or service. The company looks hard at the suspects to determine who are the most likely prospects- the people who have a strong potential interest in the product and the ability to pay for it. Disqualified prospects are those whom the company rejects because they have poor credit or would be unprofitable.

6.2.7. Customers handling mechanism

a. Satisfied customer. Customer retention is more important than customers attraction because the key for customer retention is to satisfy according to his or her need, want and ability to purchase a product. The following are highly satisfied customers perform

2. Stays loyal longer period.
3. Buys more as the company introduces new products and upgrades existing products.
4. Talks favorably about an organization and its products
5. Pays less attention to competing brands and advertising and is less sensitive to price
6. Offers product and service ideas to an organization
7. Costs less to serve than new customers because transactions are routine

But there are few customers attitude towards their brand uses five distinguished levels.

1. Customers will change brands especially for price reasons. No brand loyalty.
2. Customer is satisfied. No reason to change
3. Customer is satisfied and world incur costs by changing brand.
4. Customer values the brand and sees it as a friend.
5. Customer is devoted to the brand

b. Handling Mechanism. An organization which use various innovative approach to motivate its employees to serve the customer well, should use the following posters and method of attracting customers.

To attract customers the employees and the organization give the service such as gifts, warranty for the goods, using mouth word such as "thank you" and showing smile face and so on.

Points to remember about customer .

- ✓ A customer is the most important person ever in this organization…in person or by mail.
- ✓ A customer is not dependent on us…. We are dependent on him
- ✓ A customer is not an interruption of our work…he is the purpose of it. We are not doing a support by serving him… he is doing us a support by giving us the opportunity to do so.
- ✓ A customer is not some to argue or match wits with nobody ever won an argument with a customer.
- ✓ A customer is a person who brings us his wants. It is our job to handle them profitably to him and to ourselves

Generally, all the above are method of handling customers and way of initiating employees to work with customers in organization,

also by collecting complaints from customer increasing facility in a good way for customer attraction to product brand.

c. Role of problem solving. The need to solve problem is an experience in life that most individual encounter frequently. In many instances, problems are challenges that we would prefer to avoid; unfortunately, in most cases, this is not a possibility. One of the most important activities in which most customer service provider's participle is helping to solve customers' problems. Problem solving is an active resolution to a challenging situation.

Problem solving is a dreaded activity by many individuals. It can add considerable stress to an otherwise peaceful work environment. One of the main reasons why problem solving is perceived as being unpleasant it because the average business professional has not worked to develop the skill necessary to accomplish it effectively and efficiently. The only training that some people may have is the memory of the way that they observed their own families dealing with problems as they were grouping up. This example is frequently not transferable to a business environment. Most individuals in an organization are aware of the repercussions that can result from and incorrect resolution to problems. Because of this they may be reluctant to take the responsibility that accompanies problem solving.

To confront the challenge of problem solving actively, organizations must prepare employees with training in possible approaches to problem solving. They must crate a safe environment that encourages employees to develop solutions to problems that are positive for both the customer and the company.

Problem solving and decision-making are individualized processed. Every individual may have his or her own method of determining and appropriate course of action. What is important is the end result, not the process of determining the solution. As long as the solution is determined in a timely manner, the process is less important.

One of the most significant challenges to problem solving when interacting with customers is the speed with which decisions must be made. Frequently, customers will call with a question or problem and after having the situation explained to them, the customer service provider might have only a few seconds or minutes to provide customers with an answer. Unfortunately, this does not allow for much though time during which the possible solutions can be examined. Customer service providers must become highly proficient in listening to a customer's explanation of a situation or pro9blem, in asking pertinent questions to clarify the information, must be one that they are willing to share regardless of the possible repercussions.

Customer service providers can effectively equip themselves to make decisions and solve problems by learning problem-solving strategies, developing negotiation skills, learning how to deal effectively with conflict, and recognizing the importance of follow - up to the problem - solving process.

d. CREATIVITY AND PROBLEM SOLVING. When individuals solving problems incorporate creativity into the process of problem solving, positive challenges result. Creative problem solving suggests that through an appropriate and innovative result may be discovered. Creative problem solving requires that employees work in a culture

that allows new ideas to flow freely and to be realistically considered. When the same problems consistently arise and are resolved in the same established manner, the opportunity for a new and more creative resolution may exist.

Customers appreciate creativity. Creativity requires effort and commitment to creating a new idea or solution. The individuals in an organization who are the closest to the pulse of the customers are those individuals who interact with them on an ongoing basis. In many organizations, these individuals are the customer service providers. By offering suggestions to customers and to management about innovative and new ways of solving challenges, customer service providers can share their creativity with others.

e. VIEW OF PROBLEMS AN OPPORTUNITIES

Criticism is an opportunity to obtain critical information. When customer express problems or frustrations, it is easy to become defensive: a productive method of response to criticism is to consider the criticism as productive input to the creation of a problem-solving environment.

Customers' frequently have ideas about how a problem might be avoided in the future. By offering them the opportunity to share their ideas, we give customers the opportunity to participate in the process of importing a situation or system with which they are disappointed. This allows a team effort that creates unity between provider and customer.

LEARNING ACTIVITIES 6.2

1. What is customer satisfaction?

   _____

   _____

   _____

2. Describe the major needs of every customer

_____

_____

_____

_____

6.3. MANAGING NEGOTIATIONS

OVERVIEW

Dear reader; Negotiation is done to reach agreement and it is a generic activity of every manager. In thus section you will explain the nature and factors of negotiation.

OBJECTIVES

After reading this section you will be able to:

- ✓ Describe the nature of negotiations
- ✓ Sellout the essentials of pre negotiations
- ✓ Identify the various techniques of negotiations

The nature of Negotiation: Negotiating is basic and, generic human activity a process that is often used in labor- management relations, in business deals like mergers and sales, in international affairs, and in our everyday activities. Negotiation IS aimed at reaching an agreement between two friends which can satisfy the needs of both parties. The negations occur between two businesses for a large joint venture, between a marketer and customer can satisfy the needs of both parties and improve their welfare and satisfaction. Knowledge and skill in negotiating are essential to any one who works either and through other people to accomplish objectives. Negotiation is a largely voluntary process. It is usually regarded as a form of alternative dispute resolution

Moreover, negotiation is a process in which each party engages in all manner of tactics to pursued the other. These tactics lead negotiators over the line of appropriate and ethical behavior to unfair, inappropriate, unethical, or even illegal activities.

Negotiation is both an **art** and a **science,**

- The **science** of it requires analyzing the relative bargaining strengths of each party
- The art of negotiation incorporate interpersonal skills the ability to employee a basketful of bargaining ploys, and wisdom to know when and how to use them.

Strategy and Tactics of distributive Bargaining: in the strategies and tactics of distributive bargaining, which is called win-loss approach to negotiation; every negotiator should be familiar with it for the following reasons:

- Some interdependent situations that negotiators face are distributive in nature, and negotiators need to understand these situations to dowell in them.
- Many people use distributive bargaining strategies and tactics almost exclusively, it is necessary to understand how these strategies and tactics work if one wishes to counter their effects. The fundamental process of distributive bargaining is to reach a settlement within a positive bargaining range. The objective of both parties is to obtain as much of the bargaining range as possible-that is to get the settlement as close to the other party's resistance point as possible. In distributive bargaining, both parties know that they might have to settle for less than what they would prefer but they hope that the settlement point will be better than their own resistance point.

The two major tasks that is important in distributive bargaining;

1. Discovering the other party's resistance point
2. Influence the other party's resistance point tactical tasks in

distributive bargaining,

An assessment of Fundamental strategies of distributive bargaining has four important tactics:

1. Assess the other party's impression of ones own outcome values and the costs of terminating negotiation
2. Manage the other party's impression of ones own outcome value
3. Manipulate the actual costs of delaying or aborting negotiations
4. Modify the other party perception

In examining the structure of distributive bargaining reveals many options for a negotiator to achieve a successful resolution most of which fall within two broad efforts; to influence the other parity's belief in what is possible and to learn as much as possible about the other party's position particularly about the resistance points. The negotiators basic strategy is to conclude the final settlement as close to the other party's resistance point is possible. The tactics used to achieve this goal involve getting information about the opposition and its positions, convincing members of other party to change their minds about their to achieve their own goals, and promoting own objectives as desirable necessary, or even inevitable.

Strategy and tactics of Integrative Negotiation: Integrative negotiation is the win- win approach to negotiation. In bargaining, there need not be winners and loser; everyone can be a winner. There are four major steps in integrative negotiation process:

- ✓ identifying and defining the problem,
- ✓ understanding the problem and bringing interests and need to the surface, generating alternative solutions and
- ✓ choosing a specific solution among those alternatives.

In distributive bargaining, the goals of the parties are initially irreconcilable or at least they appear that way to the parties. Central

to the conflict is the believe that there is a limited, controlled amount of key resources available. Both parties may want to be the winner; both may want more than half of what is available. For example, both management (on behalf of stockholders) and labor (on behalf of the rank and file) believe that they deserve the larger share of the companies profit,. In this situation, the goals of the parties are mutually exclusive and hence lead to conflict

In contrast, in integrative negotiation, the goals of the parties are not mutually exclusive. If one side pursues its goals, one party's gain is not necessarily at the other party's expense.

In distributive bargain negotiation the parties focus on achieving their own individual objectives. However, in integrative negotiation, individual goals may need to be redefined as best achievable through collaborative efforts that achieve a broader collective goal. Mangers who are quarrelling over cut backs in their individual department budgets may need to recognize that unless all departments sustain budget cuts, they will be unable to change an unprofitable firm to a profitable one.

A collaborative, problem solving, integrative approach to negotiation is the best way to approach to negotiation is the best way to approach a conflict in which the best solution is one which achieve the objective of all parties best represented by a high level of concern for having both sides achieve their own objectives. Integrative negotiation requires:

- The parties must be able to understand each other's true needs and objectives
- They must be able to create a free flow of information and an open exchange of ideas.
- They should attempt to focus on their similarities, emphasizing their commonalities rather than their differences.

- They should search for solution that meet the goals of both sides problem identification, generating solutions, and choosing a specific solution are the major stages in the integrative negotiation process. For each of these stages, we proposed a number of techniques and tactics to make the process successful.

6.3.1. Pre negotiation Essentials

This section explores more broadly the role of strategy as a process planning tools. The authors present a general model of strategic choice and identify the factors that affect how a strategy is designed. Planning and preparation are the most important steps in negotiation. Effective planning requires,

- Through understanding of the negotiation process so the negotiator has a general idea of what will happen and how things will evolve
- A clear formulation of goals and aspiration
- Careful work and research to put together the information arguments to support and defend the desired goals

    a. **Dealing with Negotiation Breakdown:** Negotiation is a conflict management process, and all conflict situations have the potential for becoming detailed. The parties become angry or entrenched in their position perceptions become distorted and judgments are biased. Communication decreases in effectiveness and is used instead accused and blame the other. In general, the parties can't find a middle ground where agreement is possible, distractive conflicts processes override the negotiation and the parties cannot proceed. These can lead to negotiation breakdowns.

To control the breakdown of negotiation, some approaches are pointed out:

- **Tension release** - tension is a natural by- product of negotiations., consequently, negotiators should be aware that it is a bound to increase, and they should know how to act to address or diminish it.
- **Acknowledgment of the other's feelings** when one party starts this views and the other openly disagrees, the first negotiator often hear the disagreement as more than just disagreement. When conflict escalates, accurate listening frequently becomes confused with agreeing and accepting. These situations can e handled by letting the other person know that you have heard and understood both the content and emotional straight of the message.
- **Understand the others position.** Reducing conflict in improving the accuracy of communication to ensure that both parties understand each others position.
- **Role Reversal** - one party attempts to put his self in the others shoes, looking at the issue from the others perspective.
- **Integrative frame works**-super ordinate goals, common enemies and mutual commitment to rules au fetors outside the boundaries of dispute; they can bring parties together to unified action. This can be solved focusing on similarities between the parties rather than on differences.

b. Communication in Negotiation: Negotiation is a communicative process involving the exchange of views, ideas, and perspectives. There are three stages;

i. **Beginning stage:** this stage is the key behavior and activities that include the clarification of issues, agendas and

the demarcation of the playing field the bounded area of interest and potential within which the negotiation will unfold. Critically important to this beginning stage is the process of social perception including the potential for perceptual distortion. Also important are the effects of framing and of the mistake that can accrue form attribution biases.

ii. **Middle stage.** This can be marked by the exchange of offers and the evolution of a frame - work and the detail that fleshes - out the negotiation moves it toward closure. Interests and expectations are expressed, bargaining ranges are narrowed, and the parties move toward settlement. Communicative behaviors in this stage include providing clear information regarding one's own interests, proactively seeking information about the other's interest, and listening requires a strong commitment to hearing the other party effectively and authentically, and it may be enhanced by emphatic behavior such as role reversal.

iii. **The end stage.** This stage is marked by efforts to bring the negotiation to conclusion. At this stage, the parties must be careful avoid a number of potential decision traps in their haste to reach a settlement went and wrap up the details. Studies report that effective negotiators communicate in a way that maintains effective relationships, between parties. The focus on issues rather than people, so, socio emotional conflict can be minimized.

c. Social context of Negotiation. The nature of negotiation encompass social environment that can be includes all parties who are present at the negotiation those who help to plan it in advance or are affected by the outcome of negotiation. Consequently, the numbers of parties in a negotiation dramatically affect the negotiation process. The greater the number of individuals, groups, and organizations that are evolved in a negotiation or have a stake in its outcomes the greater the number of possible interactions between the parties, the greater are the number of roles that can be played, and thus the more complex the flow of interaction becomes. For example, if two students want to buy the stereo and they both show up at the seller's door at the same time, then the seller must decide how to deal with them-separately or together. The buyers may get into a bidding war with each other or the seller might get greedy because his stereo seems to be very attractive, raise his price, and then have both of the buyer walk away. Audiences' influence negotiators through two different routes. One way is that negotiators desire positive evaluation from those who are in a position to observe what they have done. The other is that audience can hold negotiators responsible for the outcomes of negotiations. They can reward negotiators by publicly praising them and punish negotiators by dismissing them.

D. NEGOTIATION IN GROUPS. **MULTI - PARTY NEGOTIATIONS DIFFER FROM TWO PARTY DELIBERATIONS IN A NUMBER OF IMPORTANT WAYS. IN MULTIPART NEGOTIATION THREE OR MORE NEGOTIATORS, EACH ONE REPRESENTING EITHER THEIR OWN INDIVIDUAL INTEREST OR ACTING AS AN AGENT FOR CONSTITUENCY. IN EVERY CASE, THE DIFFERENCES ARE WHAT MAKE MULTI-PARTY NEGOTIATIONS MORE COMPLEX, CHALLENGING, AND DIFFICULT TO MANAGE. SOCIAL ENVIRONMENT CHANGES FROM A ONE-ON-ONE DIALOGUE TO A SMALL GROUP. CONSEQUENTLY, ALL THE DYNAMICS OF SMALL GROUPS AND GROUP PROCESS BEGIN TO AFFECT THE WAY THE NEGOTIATORS OPERATE. SOCIAL PRESSURES DEVELOP AND MEMBERS MUST BECOME COHESIVE, UNIFIED, AND TOGETHER, YET THE MEMBERS ARE IN CONFLICT WITH EACH OTHER AND CANNOT BE COHESIVE UNLESS THEY CAN FIND AN ACCEPTABLE SOLUTION. MEMBERS COMPARE THEMSELVES TO EACH OTHER, EVALUATE THEMSELVES AGAINST EACH OTHER AND BEGIN TO TRY TO USE A VARIETY OF INFLUENCE TACTICS TO PERSUADE EACH OTHER TOWARD THEIR POINT OF VIEW. STRONG PRESSURES FOR CONFORMITY DEVELOP AS MEMBERS TO ADOPT A COMMON PERSPECTIVE OR DEFINITION OF THE PROBLEM OR TO ENDORSE A PARTICULAR SOLUTION. THE GROUP MAY ATTEMPT TO AVOID OR MINIMIZE CONFLICT BY DOWN PLAYING THEIR DIFFERENCES OR BY NOT WORKING THEM THROUGH ADEQUATELY TO REACH AN EFFECTIVE SOLUTION. RESEARCH ON POLICY MAKING AND DECISION-MAKING GROUPS HAS SHOWN THAT THESE EFFORTS TO MINIMIZE AND AVOID CONFLICT CAN FREQUENTLY LEAD TO**

GROUP DECISION-MAKING DISASTERS. NASA'S DECISION TO LAUNCH THE CHALLENGER SPACE SHUTTLE WAS CAUSED BY THE DYNAMICS IN THE KEY DECISION-MAKING. GROUPS IN WHICH GROUP MEMBERS WERE HESITANT TO CREATE CONFLICT AND EXPRESS THEIR REAL RESERVATIONS ABOUT GOING AHEAD WITH THE PROJECT.

IN ONE -ON -ONE NEGATIONS, THE PARTIES SIMPLY TAKE TURNS IN EITHER PRESENTING THEIR ISSUES AND PERSPECTIVES, CHALLENGING THE OTHERS PERSPECTIVES, OR MOVING THE NEGOTIATION ALONG FROM ITS EARLY STAGES TO THE LATER ONES. WHEN MORE PARTIES ARE INVOLVED, HOWEVER, THE PROCEDURAL RULES BECOME FAR LESS CLEAR.

E. POWER IN NEGOTIATION. **POWER HAS MULTIPLE, OFTEN OVER LAPPING, OR EVEN CONTRADICTORY MEANINGS. IT IS OFTEN USED INTERCHANGEABLY WITH LEADERSHIP; "INFLUENCE" AND PERSUASION. IN A BROAD SENSE, PEOPLE HAVE POWER WHEN THEY HAVE "THE ABILITY TO BRING ABOUT OUTCOMES THEY DESIRE" OR " THE ABILITY TO GET THINGS DONE THE WAY ONE WANTS THEM TO BE DONE". ONE WELL-KNOWN TYPOLOGY OF POWER IDENTIFIED FIVE MAJOR POWER BASES:**

- Information power
- Expert power
- Resource control power
- Legitimate (authority, reputation, performance) power
- Personal power (attractive and friendliness, integrity, patience and tenacity, emotion)

Within the context of negotiation, information power is the most common source of power. Information power refers to the accumulation and presentation of information that will change the other's point of view or position on an issue. In even the simplest negotiation, the parties take a position and them present facts, arguments, viewpoints, and data to support that position. Expert power is a special form of informational power.

The other major power in negotiation is control over resources. People who control resources are powerful because they can allocate and dispense those resources to people who will do what they want and withhold those resources from people who do not what they want. Resource power comes not only from being able to control and dispense resources, but also from the ability to create a resource base in an environment where resources appear to be scarce.

To use resources as a basis for power, we must develop or maintain control over some scarce commodity that the other party wants.

There are time when proper respond to directions from another, even directions they don't like, because they feel it is proper (legitimate) for others to tell them and proper (obligatory) for them to obey, even though they do not like what they are being directed to do. This type of power is legitimate power, derived from occupying a particular jobs title, office, or position in an organizational hierarchy.

In the context of extending legitimate authority, it is important to consider reputation and performance. Reputation is the image one develops in an organization, the way people come to talk about and describe a particular individual.

Reputation is shaped by what one has done before-performance. We began by stating that power is important to negotiators for different reasons, depending on their intentions. If their intent is to gain some competitive advantage over other party, then they will seek way to enhance and sue their power to achieve that objective.

6.3.2. Third-Party Interventions

If negotiators are unable to manage dispute effectively or when the negotiator fail to implement their techniques and couldn't take action toward defusing conflict, third- party intervention may be a way to help. There are three prototypical styles of third - party intervention:

- Arbitration
- Mediation
- Process consultation

Arbitration is a form of conciliation, where the mediating party is given power by the disputant parties to settle the dispute by making a friend. It is typically involves low level of negotiator control over outcomes, but high levels of negotiator control over process. Arbitration may serve distinct purpose: as alternative to strike and lockouts as a means of resolving labor dispute. Labor arbitration comes in two varieties: interest arbitration, which provides a method for resolving disputes about the terms to be included in a new contract when the parties are unable to agree, and grievance arbitration, which provides a method for resolving disputes over the interpretation and application of a collective bargaining agreement.

Mediation consists of a process of alternative dispute resolution in which neural third party assists two or more parties to help them in negotiate an agreement, with concrete effects, on a matter of common interest.

Although the ultimate objective of mediation is the same as arbitration - to resolve the dispute the major difference is that mediation seeks to achieve the objective by having the parties themselves create the agreement. Several elements of the mediation process are integral to its success. The first is timing the mediation efforts based on the readiness of the parties. Because mediation is a voluntary process. Secondly, the mediator must be acceptable to the parties.

Ethics in Negation. In determining what is ethically appropriate in negotiation, we can distinguish different criteria for judging and evaluating a manager's actions, particularly when question of ethics involved. There are at least three standards for evaluating strategies and tactics in business and negotiation, we can distinguish different criteria for judging and evaluating a manager's actions, particularly when question of ethics involved. There are at least three standards for evaluating strategies and tactics in business and negotiation: ethics, prudent, and practicality. Ethical judgments evaluate strategies and tactics based on some standards of moral behavior, or of what is right and wrong. Prudent judgments are based on what is most effective.

Practicality judgments are based on what is the easiest, cheapest, of fastest way of getting some thing done to achieve and objective. For example, a salesperson preparing a presentation on a new product could use one or more of those standards in determining his strategy. The ethical sales person would ask, "What is the truth

about this new product? " or" how can compare this product fairly to its competitor on market?"

There are three primary motivations that may lead to unethical conduct: **profit making**, **competition**, and **the restoration of justice**. Most unethical negotiating tactics is to increase the negotiator's power in bargaining environment. Most unethical tactics in negotiation are violations of standards for telling the truth. A lie enhances the power of the liar by changing the balance of "accurate" information in the negotiating relationship. This can occur in:

- Misrepresentation of one's position to another party
- Bluffing
- Falsification
- Deception
- Selective disclosure or misrepresentation to constituencies

Negotiator who chooses to use an unethical tactic usually decides to do so to increase his negotiating power. Power is gained by manipulating acting the perceived base of accurate information in the negotiation, getting better information about opponent's plan, or by undermining an opponent's ability to achieve his objectives. The decision to use ethical or unethical tactics may be influenced by factors such as difference in individual backgrounds, personality, past rewards, or punishments associated with ethical or unethical actions, the anticipated relationship with the other party, and the social and cultural norms that dictate what is appropriate or inappropriate in given environment.

Global Negotiation. The frequency of global negotiation is increasing rapidly as people travel more frequently and farther,

and business become more international scope and extent. The factors that increase the challenge of conducting negotiation across borders are:

- Political and legal pluralism
- International economic factors
- Foreign government and bureaucracies
- Instability
- Ideology
- Culture

Each of these factors acts to make cross-border negotiations more difficult, and effective international negotiators need to understand how to manage these factors. Especially, the cultural context of negotiation significantly influences the amount and type of preparation for bargaining, the relative emphasis on task versus interpersonal relationship and the tactics used. International Business executives of the future are going to be challenge to take a more conscious short to rediscover their own cultural programming and stretch the range of assumptions with which they have already been programmed.

Some characters of negotiation that are common to all negotiations are:

- There is a conflict of interest between two or more parties, that's what one wants, is not necessarily what other one wants, and the parties much search for a way to resolve the conflict.
- The parties negotiate because they think they can use some form of influence to get a better deal instead of simply taking what the other side will voluntarily give them or let them have.

- When we negotiate, we expect give and take. We expect that either sides will modify or opening statements, request, or demand.

LEARNING ACTIVITIES 6.3

1. What one the three prototype third part intervention

_____

_____

_____

2. Identify the factors that increase the challenge of conducting negotiation across borders.

_____

_____

_____

6.4 CHECK LIST

Dear learner! Below are some of the important points extracted from the unit you have been reading. Please put tick mark(✓) in the box in front of the point for those you have understood yet, go back and read the unit till you understood well

I can

☐ Recall the types of customer market

☐ Define customer, customer satisfaction and negation

☐ Describe customer services and major needs of customers

6.5. Summary

It is very essential to recognize the importance of both external and internal customers contribution to your organization our internal customer are the people we work with in the organization and they are important to our success in providing our external customers with what they need the major needs if every customer are service , price, quality action and appreciation.

Distribution bargaining which is called win–loss approach which integrative negotiation is a win- win approach, Negotiation is aimed at reaching an agreement between two friends which satisfy the needs of both parties.

6.6 Check your program exercise

Part I. True /False Read each statement carefully

1. Total equality is the key to value creation and customer Satisfaction.
2. Integrative negotiation strategies and tactics is called win – loss approach to negotiation.
3. Negation is largely voluntary process.

Part II Multiple choice. Choose the best possible answer from the option

1. I dandify from the following the major bases of power in negotiation
    a) Legitimate
    b) Personal
    c) Expert
    d) Information
    e) All of the above
2. Which of the following refers the seven golden rules for improving customer services?
    a) gain the commitment of senior management

b) ask questions and listen to the spoken and un spoken messages

c) fear of success or failure

d) ask for the opportunity to correct the problems

e) none of the above

6.7. Answer to learning activities and check your progress exercise

Learning activities 6.2

(a) when the performance matches the expectation of the customer

(b)
(a) services
(b) quality
(c) action
(d) appreciation

Learning activity 6.2

1. (a) arbitration
   (b) mediation
   (c) process consultation

2. (a) Political and legal pluralism
   (c) international economic factor
   (d) foreign government and bureaucracies
   (e) in stability
   (f) ideology
   (g) culture

Check your progress exercise 6

Part I

1. True
2. False
3. True

Part II

1. E
2. E

UNIT 7. MANAGING ORGANIZATIONAL CHANGE AND STRESS

Content:

7.0. Introduction

7.1. Objectives

7.2. Managing organizational change and development

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- 7.2.2. Managing Planned Change
  - 7.2.2.1.. What are the goals of planned change?
  - 7.2.2.2. What Can Change Agents Change?
- 7.2.3. Resistance to Change
  - 7.2.3.1. Individual Resistance
  - 7.2.3.2. Organizational Resistance
  - 7.2.3.3. Overcoming Resistance to Change
- 7.2.4. The politics of Change
- 7.2.5. Approaches to Managing Organizational Change
- 7.2.6. Organizational Development
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  - 7.2.6.2. OD interventions

7.3. Stress and its management
    7.3.1. Experience of stress
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    7.3.4. Managing Stress
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7.5. Summary
7.6. Check your progress questions
7.7. Answers to check your progress questions

7.0. Introduction

This unit is about change and stress. You will learn environmental forces that are requiring managers to implement comprehensive change programs. You will also study why people and organizations often resist change and how this resistance can overcome. Various ways of managing organizational change is also described in this unit. Then you will move to the topic of stress. In this part of the material you will study the causes of stress, consequences of stress and approaches of managing stress. Most people consider stress as having a negative impact. But stress is not necessary bold in and of it self. It is an opportunity when it offers potential gain.

Workplace related stress is now considered an epidemic in the workplace. Studies show that a large majority of employees & organizations regardless of their nature experience workplace stress. This costs organizations and the nation at large a great deal of money

partner in lower productivity and higher absenteeism, turnover, alcoholism, and medical costs.

Chronic work-related stress is not just a problem of one nation, though it is serious in developed countries, it also affects all nations including our country and organization operating in the country. Therefore, in this unit we look at the dynamic of work – related stress and how to manage it.

7. 1. Objectives:

After reading this unit, you should be able to:

- Describe forces that act as stimulants to change
- Discus individual and organizational resistance to change
- Explain the value underlying most OD efforts
- Identify different types of stressors (causes of stress) in the workplace
- Explain the effect of stress
- Identify the common ways to manage workplace stress

7.2. Managing organizational change and development

Overview:

Today’s business environment is changing so rapidly that it leaves everyone breathless. The velocity of change is so rapid, so quick that requires firms to accept the change and move with change in order to not to left behind. Work related stress, which may arise because of the dynamic change in the environment or other factors, is now considered an epidemic in the work place. In this unit, you will study

the ways to bring about meaningful change in organizations and the dynamics of work related stress and how to manage it.

Objective:

After reading this section you should be able to;

- ✓ *Outline the forces of change*
- ✓ *Describe the goals of planned change*
- ✓ *Understand the roles/activities of change agents*
- ✓ *Identify the types of resistance to change*
- ✓ *Understand the reasons why individuals and organizations resist change*
- ✓ *Describe way through which change agents overcome resistance to change*

7.2.1. Forces for Change

More and more organizations today face a dynamic and changing environment. This, in turn, requires these organizations to adapt. “Change of die” is the rallying cry among today’s managers worldwide. We can generally summarize six specific forces that are acting as stimulants for change listed down in the table below.

Force	**Examples**
Nature of the work force	More cultural diversify Increase in professionals Many new entrants with inadequate skills
Technology	More computers and automation TQM Programs Reengineering programs
Economic shocks	Security marker crashes Interest rate fluctuations Foreign currency fluctuation
Competition	Global competitors Mergers and consolidations Growth of specialty retailers
Social trends	Increase in college attendance Delayed marriages by young people Increase in divorce rate
World politics	Collapse of Soviet Union Iraq's invasion of Kuwait Overthrow of Haitian dictator

Table 1. Forces for change

One very important stimulant of change is the ***nature of the work force***. For instance, almost every organization has to adjust to a multicultural environment. Human resource policies and practices have to change in order to attract and keep this more diverse work force. And many companies are having to spend large amounts of

money on training to upgrade reading, math, computer, and other skills of employees.

On the other hand, ***technology*** is changing jobs and organizations. The substitution of computer control for direct supervision for instance is resulting in wider spans of control for managers and flatter organizations. Sophisticated information technology is also making organizations more responsive. Large number of companies can now develop, make and distribute their products in a fraction of the time it took them a decade ago. And, as organizations have had to become more adaptable, so too have their employees. This time many jobs are being reshaped. Individuals doing narrow specialized and routine jobs are being replaced by work teams whose members can perform multiple tasks and actively participate in team decisions.

We live in an ‘‘age of discontinuity’’ In the 1960s, the past was a fairly good prologue to the future. Tomorrow was essentially an extended trend line from yesterday. That’s no longer true. Beginning in the early 1970s, with the overnight quadrupling of world oil prices ***economic shocks*** have continued to impose changes on organizations.

Competition is changing. The global economy means competitors are as likely to come from across the ocean as from across town. Heightened competition also means established organizations need to defend themselves against both traditional competitors who develop new products and services and small entrepreneurial firms with innovative offerings. Successful organizations will be the ones that can change in response to the competition. They’ll be fast on their feet, capable of developing new products rapidly and getting them to market quickly they’ll rely on short production runs short product

cycles and an ongoing stream of new products. In other words they'll be flexible. They will require an equally flexible and responsive work force that can adapt to rapidly and even radically changing conditions.

The ***social trends*** have also a stimulating factor for organizational change. Because the demography, educational level, and other factors are changing demanding organizations change their products, marketing practice and their relationship with their customers.

While business schools have been preaching a global perspective for OB since the early 1990s, no one –not even the strongest proponents of globalization - could have imagined how ***world politics*** would change in recent years. The several changes in the environment have forced companies to rethink their business and make serious changes in response these changes.

7.2.2. Managing Planned Change

In this section we want to clarify what we mean by planned change describe its goals, contrast first order and second-order change and consider who is responsible for bringing about planned change in an organization.

Some organizations treat all changes as an accidental occurrence. However, we're concerned with change activities that are proactive and purposeful. In this unit we address change as an intentional goal-oriented activity.

7.2.2.1. What are the goals of planned change?

Essentially there are two. First it seeks to improve the ability of the organization to adapt to changes in its environment. Second, it seeks to change employee behavior.

If an organization is to survive, it must respond to changes in its environment. When competitors introduce new products or services, government agencies enact new laws, important sources of supply go out of business, or similar environmental changes take place the organization needs to adapt. As you'll see in the rest of this unit efforts to stimulate innovation, empower employees and introduce work teams are examples of planned change activities directed at responding to changes in the environment.

Since an organization's success or failure is essentially due to the things its employees do or fail to do, planned change also is concerned with changing the behavior of individuals and groups within the organization. In this unit, we review a number of techniques that organizations can use to get people to behave differently in the tasks they perform and in their interactions with others.

It also helps to think of planned change in terms of order of magnitude. **First-order change** is linear and continuous It implies no fundamental shifts in the assumptions that organizational members hold about the world or how the organization can improve its functioning. In contrast, **second-order change** is a multidimensional multilevel discontinuous radical change involving reframing of assumptions about the organization and the world in which it operates.

Who in organizations is responsible for managing change activities? The answer is **change agents**. Change agents can be

managers or non-managers, employees of the organization or outside consultants. Typically we look to senior executives as agents of change.

For major change efforts top managers are increasingly turning to temporary outside consultants with specialized knowledge in the theory and methods of change. Consultant change agents can offer a more objective perspective than insiders can. However they are disadvantaged in that they often have an inadequate understanding of the organization's history, culture, operating procedures and personnel. Outside consultants are also more willing to initiate second-order changes - which can be a benefit or a disadvantage - because they don't have to live with the repercussions. In contrast internal staff specialists or managers, especially those who've spent many years with the organization, are often more cautious because they fear offending long term friends and as associates

.

7.2.2.2. What Can Change Agents Change?

What can a change agent change? The options essentially fall in to four categories: structure, technology, physical setting and people. Changing structure involves making an alteration in authority relations, coordination mechanisms, job redesign, or similar structural variables. Changing technology encompasses modifications in the way work is processed and in the methods and equipment used. Changing the *physical setting* covers altering the space and layout arrangements in the workplace. Changing *people* refers to changes in employee attitudes, skills, expectations, perceptions and/or behavior.

1. Changing structure

It is believed that you are familiar with structural issues such as work specialization, span of control and various organizational designs. But

organizational structures are not set in concrete. Changing conditions demand structural changes. As a result the change agent might need to modify the organization's structure.

An organization's structure is defined as how tasks are formally divided, grouped and coordinated. Change agents can alter one or more of the key elements in an organization's design. For instance, departmental responsibilities can be combined, vertical layers removed, and spans of control widened to make the organization flatter and less bureaucratic. More rules and procedures can be implemented to increase standardization. An increase in decentralization can be made to speed up the decision-making process.

Change agents can also introduce major modifications in the actual structural design. This might include a shift from a simple structure to a team-based structure or the creation of a matrix design. Change agents might consider redesigning jobs or work schedules. Job descriptions can be redefined, jobs enriched, or flexible work hours introduced. Still another option is to modify the organization's compensation system. Motivation could be increased by for example introducing performance bonuses or profit sharing.

2. Changing Technology

Most of the early studies in management and organizational behavior dealt with efforts aimed at technological change. At the turn of the century for example, scientific management sought to implement changes based on time and motion studies that would increase production efficiency. Today major technological changes usually involve the introduction of new equipment tools or methods; automation; or computerization.

Competitive factors or innovations within an industry often require change agents to introduce new equipment tools or operating methods. For example many aluminum companies have significantly modernized their plants in recent years to compete more effectively. More efficient handling equipment furnaces and presses have been installed to reduce the cost of manufacturing a ton of aluminum.

The most visible technological change in recent years has been expanding is computerization. Many organizations now have sophisticated management information systems. Large supermarkets have converted their cash registers in to in put terminals and linked them to computers to provide instant inventory data.

3. Changing the physical Setting

The layout of work space should not be a random activity. Typically management thoughtfully considers work demands formal interaction requirements and social needs when making decisions about space configuration interior design equipment placement and the like.

For example by eliminating walls and partitions and opening up an office design, it becomes easier for employees to communicate with each other. Similarly management can change the quantity and types of lights, the level of heat or cold, the levels and types of noise and the cleanliness of the work area as well as interior design dimensions like furniture decorations and color schemes.

The evidence indicates that change in the physical setting in and of itself doesn’t have a substantial impact on organizational or individual performance. But it can make certain employee behaviors easier or

harder to perform. In this way employee and organizational performance may be enhanced or reduced.

4. Changing People

The final area in which change agents operate is in helping individuals and groups within the organization to work more effectively together. This category typically involves changing the attitudes and behaviors of organizational members through processes of communication, decision making and problem solving. As you'll see near the end of this chapter the concept of organizational development has come to encompass an array of interventions that are designed to change people and the nature and quality of their work relationships. We review these people-changing interventions in our discussion of organizational development.

7.2.3. Resistance to Change

One of the most well-documented findings form studies of individual and organizational behavior is that organizations and their members resist change. In a sense, this is positive. It provides a degree of stability and predictability to behavior. If there weren't some resistance, organizational behavior would take on characteristics of chaotic randomness resistance to change can also be a source of functional conflict. For example, resistance to a reorganization plan of a change in a product line can stimulate a healthy debate over the merits of the idea and result in a better decision. But there is a definite down side to resistance to change. It hinders adaptation and progress.

Resistance to change doesn't necessarily surface in standardized ways. Resistance can be ***overt, implicit, immediate or deferred***. It is easiest for management to deal with resistance when it is overt and immediate. For instance a change is proposed and employees quickly respond by voicing complaints, engaging in a work slowdown threatening to go on strike or the like. The Greater challenge is managing resistance that is implicit or deferred. *Implicit resistance* efforts are more subtle- loss of loyalty to the organization, loss of motivation to work increased errors or mistakes, increased absenteeism due to 'sickness' - and hence more difficult to recognize. Similarly deferred actions cloud the link between the source of the resistance and the reaction to it. A change may produce what appears to be only a minimal reaction at the time it is initiated but then resistance surfaces weeks, months, or even years later. Or a single change that in and of itself might have little impact becomes the straw that breaks the camel's back Reactions to change can build up and then explode in some response that seems to tally out of proportion to the change action it follows. The resistance of course has merely been deferred and stockpiled. What surfaces is a response to an accumulation of previous changes.

7.2.3.1. Individual Resistance

Individual sources of resistance to change reside in basic human characteristics such as perceptions, personalities and needs. The reasons why individuals may resist change are briefly explained as follows.

i. ***Habit.*** every time you go out to eat do you try a different restaurant? probably not. If you're like most people you find a couple of places you like and return to them on a some what regular basis.

As human beings, we're creatures of habit Life is complex enough we don't need to consider the full range of options for the hundreds of decisions we have to make every day. To cope with this complexity we all rely on habits or programmed responses. But when confronted with change this tendency to respond in our accustomed ways becomes a source of resistance. So when your department is moved to a new office building across town it means you're likely to have to change many habits waking up ten minutes earlier taking a new set of streets to work finding a new parking place adjusting to the new office layout developing a new lunchtime routine and so on.

ii. ***Security*** People with a high need for security are likely to resist change because it threatens their feeling of safety When sears announces it's laying off 50'000 people or ford introduces new robotic equipment many employees at these firms may fear their jobs are in jeopardy.

iii. ***Economic factors.*** Another source of individual resistance is concern that changes will lower one's income. Changes in job tasks or established work routines also can arouse economic fears if people are concerned they won't be able to perform the new tasks or routines to their previous standards, especially when pay is closely tied to productivity.

iv. ***Fear of the unknown***. Changes substitute ambiguity and uncertainty for the known. Regardless of how much you may dislike attending college, at least you know what expected of you. But when you leave college and venture out in to the world of full – time employment, regardless of how much you want to get out of college, you have to trade the known for the unknown.

Employees in organizations hold the same dislike for uncertainty. If for example the introduction of TQM means production workers will have to learn statistical process control techniques some may fear they'll be unable to do so they may therefore develop a negative attitude toward TQM or be have dysfunctional if required to use statistical techniques.

v. ***Selective information processing***. Individuals shape their world through their perceptions. Once they have created this world it resists change. So individuals are guilty of selectively processing information in order to keep their perceptions intact. They hear what they want to hear. They ignore information that challenges the world they've created. To return to the production workers who are faced with the introduction of TQM they may ignore the arguments their bosses make in explaining why knowledge of statistics is necessary or the potential benefits the change will provide them.

7.2.3.2. Organizational Resistance

Organizations by their very nature are conservative. They actively resist change. You don't have to look far to see evidence of this phenomenon. Government agencies want to continue doing what they have been doing for years, whether the need for their service changes or remains the same. Organized religions are deeply entrenched in their history. Attempts to change church doctrine require great persistence and patience. Educational institutions, which exist to open minds and challenge established doctrine, are themselves extremely resistant to change. Most school systems are using essentially the same teaching technologies today as they were 50 years ago. The majority of business firms too appear highly resistant to change.

Six major sources of organizational resistance have been identified. They are:

1. **Structural inertia.** Organizations have built-in mechanisms to produce stability. For example the selection process systematically selects certain people in and certain people out. Training and other socialization techniques reinforce specific role requirements and skills. Formalization provides job descriptions, rules and procedures for employees to follow.

The people who are hired in to an organization are chosen for fit, they are then shaped and directed to behave in certain ways. When an organization is confronted with change this structural inertia acts as a counterbalance to sustain stability.

2. **Limited focus of change**. Organizations are made up of a number of interdependent subsystems You can't change one without affecting the others For example if management changes the technological processes without simultaneously modifying the organization's structure to match the change in technology is not likely to be accepted. So limited changes in subsystems tend to get nullified by the larger system.

3. **Group inertia.** Even if individuals want to change their behavior group norms may act as a constraint. An individual union member, for instance may be willing to accept changes in his job suggested by management But if union norms dictate resisting any unilateral change made by management he's likely to resist.

4. **Threat to expertise.** Changes in organizational patterns may threaten the expertise of specialized groups. The introduction of decentralized personal computers which allow managers to gain

access to information directly from a company's mainframe is an example of a change that was strongly resisted by many information systems departments in the early 1980s. Why? Because decentralized end-user computing was a threat to the specialized skills held by those in the centralized information systems departments.

5. **Threat to established power relationships**. Any redistribution of decision making authority can threaten long established power relationships within the organization The introduction of participative decision making or self – managed work teams is the king of change that is often seen as threatening by supervisors and middle managers.

6. **Threat to established resource allocations.** Those groups in the organization that control sizable resources often see change as a threat. They tend to be content with the way things are. Will the change for instance mean a reduction in their budgets or a cut in their staff size? Those that most benefit from the current allocation of resources often feel threatened by changes that may affect future allocations.

7.2.3.3. Overcoming Resistance to Change

Six tactics have been suggested for use by change agents in dealing with resistance to change. Let's review them briefly.

1. **Education and communication**. Resistance can be reduced through communicating with employees to help them see the logic of a change. This tactic basically assumes the source of resistance lies in misinformation or poor communication If employees receive the full facts and get any misunderstandings cleared up resistance will subside communication can be

achieved through one- on –one discussions memos, group presentations or reports. Does it work? It does, provided the source of resistance is inadequate communication and that management-employee relations are characterized by mutual trust and credibility If these conditions don’t exist the change is unlikely to succeed.

2. **Participation.** It’s difficult for individuals to resist a change decision in which they participated prior to making a change those opposed can be brought in to the decision process. Assuming the participants have the expertise to make a meaningful contribution their involvement can reduce resistance obtain commitment and increase the quality of the change decision However against these advantages are the negatives potential for a poor solution and great time consumption.

3. **Facilitation and support.** Change agents can offer a range of supportive efforts to reduce resistance. When employees’ fear and anxiety are high employee counseling and therapy new-skills training or a short paid leave of absence may facilitate adjustment. The drawback of this tactic is that as with the others it is time consuming. Additionally it’s expensive and its implementation offers no assurance pf success

4. **Negotiation.** Another way for the change agent to deal with potential resistance to change is to exchange something of value for a lessening of the resistance. For instance if the resistance is centered in a few powerful individuals, a specific reward package can be negotiated that will meet their individual needs. Negotiation as a tactic may be necessary when resistance comes

from a powerful source. Yet one cannot ignore its potentially high costs. Additionally there is the risk that once a change agent negotiates with one party to avoid resistance he or she is open to the possibility of being blackmailed by other individuals in positions of power.

5. **Manipulation and cooptation.** Manipulation refers to covert influence attempts Twisting and distorting facts to make them appear more attractive, withholding undesirable information and creating false rumors to get employees to accept a change are all examples of manipulation. If corporate management threatens to close down a particular manufacturing plant if that plant's employees fail to accept an across the board pay cut and if the threat is actually untrue management is using manipulation Cooptation however is a form of both manipulation and participation. It seeks to buy off the leaders of a resistance group by giving them a key role in the change decision the leaders advice is sought not to seek a better decision but to get their endorsement both manipulation and cooptation are relatively inexpensive and easy ways to gain the support of adversaries but the tactics cab backfire if the targets become aware they are being tricked or used Once discovered the change agent's credibility may drop to zero.

6. **Coercion.** Last on the list of tactics is coercion that is the application of direct threats or force on the resisters If the corporate management mentioned in the previous discussion really is determined to close a manufacturing plant if employees don't acquiesce to a pay cut then coercion would be the label attached to its change tactic Other examples of coercion are threats of transfer loss of promotions negative performance evaluations and a poor letter of recommendation The

advantages and drawbacks of coercion are approximately the same as those mentioned for manipulation and cooptation.

7.2.4. The politics of Change

No discussion of resistance to change would be complete without a brief mention of the politics of change. Because change invariably threatens the status quo, it inherently implies political activity.

Internal change agents typically are individuals high in the organization who have a lot to lose from change They have in fact, risen to their positions of authority by developing skills and behavioral patterns that are favored by the organization Change is a threat to those skills and patterns What if they are no longer the ones the organization values? This creates the potential for others in the organization to gain power at their expense.

Politics suggests that the impetus for change is more likely to come from individuals who are new to the organization (and have less invested in the status quo) or from executives slightly removed from the main power structure Those managers who have spent their entire careers with a shingle organization and eventually achieve a senior position in the hierarchy are often major impediments to change, change itself is a very real threat to their status and position. Yet they may be expected to implement changes to demonstrate they’re

Not merely caretakers. By acting as change agents they can symbolically convey to various constituencies —stockholders suppliers employees customers---that they are on

Power struggles within the organization will determine to a large degree the speed and quantity of change You should expect that long

time career executives will be sources of resistance This incidentally explains why boards of directors who recognize the imperative for the rapid introduction of second order change in their organizations frequently turn to outside candidates for new leadership.

7.2.5. Approaches to Managing Organizational Change

Action Research

Though there are a large number of approaches to managing organizational change, here action research is discussed Action research refers to a change process based on systematic collection of data and then selection of a change action based on what the analyzed data indicates. Its importance lies in providing a scientific methodology for managing planned change.

The process of action research consists of five steps: diagnosis, analysis, feedback, action and evaluation. You'll note that these steps closely parallel the scientific method.

1. **Diagnosis.** The change agent often an outside consultant in action research begins information about problems concerns and needed changes form members of the organization this diagnosis is analogous to the physician's search to find what specifically ails a patient In action research the change agent

asks questions interviews employees reviews records and listens to the concerns of employees.

2. **Analysis.** The information gathered during the diagnostic stage is then analyzed what problems do people key in no? what patterns do these problems seem to take? The change agent synthesizes this in formation in to primary concerns, problem areas and possible actions

3. **Feedback** Action research includes extensive involvement of the change targets. That is the people who will be involved in any change program must be actively involved in determining what the problem is and participating in creating the solution. So the third step is sharing with employees what has been found from step 1 an 2 the employees with the help of the change agent develop action plans for bringing about any needed change.

4. **Action.** Now the 'action' part of action research is set in motion. The employees and the change agent carry out the specific actions to correct the problems that have need identified.

5. **Evaluation**. Finally, consistent with the scientific underpinnings of action research the change agent evaluates the effectiveness of the action plans. Using the initial data gathered as points of reference any subsequent changes can be compared and evaluated

Action research provides at least two specific benefits for an organization. First it's problem focused the change agent objectively

looks for problems and the type of problem determines the type of change action while this may seem intuitively obvious a lot of change activities aren’t done this way Rather they’re solution centered The change agent has a favorite solution- for example implementing flextime team or a management by objectives program—and then seeks out problems his or her solution fits. Second because action research so heavily involves employees in the process resistance to change is reduced. In fact once employees have actively participated in the feed back stage the change process typically takes on a momentum of its own. The employees and groups that have been involved become an internal source of sustained pressure to bring about the change.

7.2.6. Organizational Development

No discussion of managing change would be complete without inclusion of organizational development Organizational development (OD) is not an easily definable dingle concept. Rather it’s a term used to encompass a collection of planned-change interventions built on humanistic democratic values that seek to improve organizational effectiveness and employee well-being.

7.2.6.1. OD Values

The OD paradigm values human and organizational growth collaborative and participative processes and a spirit of inquiry. The change agent may be directive in OD, however there is a strong emphasis on collaboration Concepts such as power authority control conflict and coercion are held in relatively low esteem among OD change agents. The following briefly identifies the underlying values in most OD efforts.

1. ***Respect for people***. Individuals are perceived as being responsible conscientious and caring They should be treated with dignity and respect.
2. ***Trust and support***. The effective and healthy organization is characterized by trust authenticity openness and a supportive climate
3. ***Power equalization***. Effective organizations deemphasize hierarchical authority and control
4. ***Confrontation problems*** shouldn't be swept under the rug they should be openly confronted.
5. ***Participation***. The more that people who will be affected by a change are involved in the decisions surrounding that change the more they will be committed to implementing those decisions.

7.2.6.2. OD Interventions

The following are the five interventions that change agents might consider using.

I. **Sensitivity Training.** It can go by a variety of names—laboratory training Sensitivity training encounter groups or T-Groups (training groups) but all refer to a method of changing behavior through unstructured group interaction Members are brought together in a free and open environment in which participants discus themselves and their interactive processes loosely directed by a professional behavioral scientist The group is process oriented which means individuals learn through observing and participating rather than being told The professional creates the opportunity for participants to express

their ideas, beliefs, and attitudes He or she does not accept—in fact overtly rejects—any leadership role.

II. **Survey Feedback.** One tool for assessing attitudes held by organizational members identifying discrepancies among member perceptions and solving these differences is the survey feedback approach.

Everyone in an organization can participate in survey feed back but of key importance is the organizational family the manager of any given unit and those employees who report directly to him or her. A questionnaire is usually completed by all members in the organization or unit Organization members may be asked to suggest questions or may be interviewed to determine what is sues are relevant. The questionnaire typically asks members for their perceptions and attitudes on a broad range of topics including decision making practices, communication effectiveness coordination between units and satisfaction with the organization job peers and their immediate supervisor.

III. **Process Consultation No**. organization operates perfectly. Managers often sense their unit's performance can be improved but they are unable to identify what can be improved and how it can be improved The purpose of process consultation is for an outside consultant to assist a client usually a manager 'to perceive, understand and act upon process events' With which he or she must deal. These might include work flow informal relationships among unit members and formal communication channels.

Importantly the process consultant need not be an expert in solving the particular problem that is identified the consultant's expertise lies in diagnosis and developing a helping relationship. If the specific problem uncovered requires technical knowledge outside the client and consultant's expertise the consultant helps the client to locate such an expert ant then instructs the client in how to get the most out of this expert resource.

IV. **Team Building.** As we've noted in numerous places throughout this book, organizations are increasingly relying on teams to accomplish work tasks. Team building utilizes high interaction group activities to increase trust and openness among team members.

Team building is applicable to the case of interdependence such as in football the objectives are to improve coordinative efforts of members that will result in increasing the team's performance.

The activities considered in team building typically include goal setting development of interpersonal relations among team members role analysis to clarify each member's role and responsibilities and team process analysis of course team building may emphasize or exclude certain activities depending on the purpose of the development effort and the specific problems with which the team is confronted. Basically however team building attempts to use high interaction among members to increase trust and openness.

It may be beneficial to begin by having members attempt to define the goals and priorities of the team. This will bring to the surface different perceptions of what the team's purpose may be Following this members can evaluate the team's performance—how effective are

they in structuring priorities and achieving their goals? This should identify potential problem areas. This self critique discussion of means and ends can be done with members of the total team present or, where large size impinges on a free interchange of views may initially take place in smaller groups followed up by the sharing of their findings with the total team.

Still another team-building activity can be similar to that performed by the process consultant, that is, to analyze key processes that go on within the team to identify the way work is performed and how these processes might be improved to make the team more effective.

V. **Inter-group Development.** A major area of concern in OD is the dysfunctional conflict that exists between groups. As a result this has been a subject to which change efforts have been directed.

Inter-group development seeks to change the attitudes stereotypes and perceptions that groups have of each other. For example in one company the engineers saw the accounting department as composed of shy and conservative types and the human resources department as having a bunch of ‘ultraliberals who are more concerned. That some protected group of employees might get their feelings hurt than with the company making a profit ‘such stereotypes can have an obvious negative impact on the coordinative efforts between the departments.

Although there are several approaches for improving inter-group relations a popular method emphasizes problem solving. In this method each group meets independently to develop lists of its perception of itself the other group and how it believes the other group perceives it the groups then share their lists after which

similarities and differences are discussed. Differences are clearly articulated and the groups look for the causes of the disparities

Learning activity 7.1

1. "Change is always bad and should be avoided" do you agree/ Why or why not?

_____

_____

_____

2. What are the forces of change?

_____

_____

3. Why individuals and organizations resist change?

_____

_____

4. Identify tactics that can be used to overcome resistance to change.

_____

_____

_____

7.3. Work stress and its management

Learning objective:

After reading this section you will be able to;

- ✓ *Define work related stress*
- ✓ *Understand the source/causes of work stress*
- ✓ *Understand how to manage work stress*

7.3.1. Definitions:

Stress has been defined by different authors differently. However, the meaning is the same. Some of these definitions are:

- "Stress is a dynamic condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires and for which the out come is perceived to be both uncertain and important." (Robbins, Stephen ,1998)
- "Stress is the unconscious preparation to fight or flee that a person experiences when faced with any demand." (Nelson, Debra L. & James Cambell Quick, 1997)
- "Stress is an adoptive response, mediated by individual difference and/or psychological processes, that is a consequence of any external (environmental) action, situation, or event that places excessive psychological and/or physical demands on a person." (Ivanceevich, John M. & Michael T. Matheson, 1990)
- "Stress is an adaptive response to a situation that is perceived as challenging or threatening to the person's well-being" (S. Mc Shane PP: 134)

From the definition we can infer that stress is the person's reaction to a situation, not the situation itself. Moreover, we experience stress when we believe that something will interfere with our need fulfillment. Stress has both psychological & physiological dimensions. Psychologically, people perceive a situation & interpret it as challenging or threatening. This cognitive appraisal leads to a set of physiological responses, such as higher blood pressure, sweaty hands, and faster heart beat.

- Stress is the discomfort of individual emotional disequilibria. In a wider sense, stress is discomfort whether it creates problem or not.

Stress has both negative and positive out comes. We often hear about stress as a negative consequence of modern living. People are stressed from overwork, job insecurity, information overload, and the increasing pace of life. This events produce **distress-**the degree of physiological, psychological and behavioral deviation from healthy functioning. There is also a positive side of stress, called **eustress** that refers to the healthy, positive constructive outcome of stressful events and the stress response. In this sense stress is a source of deep inspiration to work which leads to action and become successful in their lives. In other words we need some stress to survive however, most research focuses on distress, because it is a significant concern in organizational settings. Consequently, the focus of this unit will be more on distress than eustress.

7.3.2. Experiences of stress

Hans Selye, a pioneer in stress research determined that people have a fairly consistent physiological response to stressful situations. This response, called the general adaptation syndrome, provides an automatic defense system to help us cope with environmental demands. The figure below illustrates the three stages of the general adaptation syndrome: ***alarm, resistance, and exhaustion***. The line in this figure shows the individual's energy and ability to cope with the stressful situation.

Stage 1 Stage2

stage 3

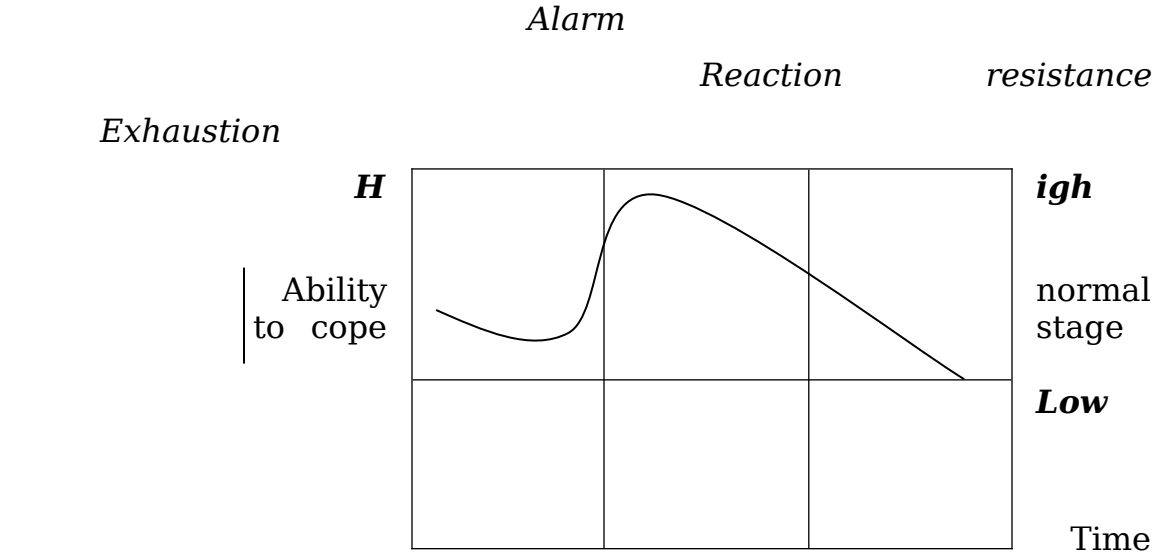


Fig 1. Selye's general adaptation syndrome

a) **Alarm reaction-** in the alarm reaction stage, the perception of a threatening or challenging situation causes the brain to send a biochemical message to various parts of body, resulting in increased respiration rate, blood pressure, heartbeat, muscle tension, and other physiological responses. The individual's energy level and coping effectiveness immediately decreases in response to the initial shock.

b) **Resistance** – the person's ability to cope with the environmental demands rises above the normal state during the resistance stage because the body has activated various biochemicals, psychological, and behavioral mechanisms.

c) **Exhaustion** – people have a limited resistance capacity and, if the source of stress persists, they will eventually move in to the exhaustion stage as this capacity diminishes. In most work situations, the general adaptation syndrome, ends long before total exhaustion. Employees resolve tense situations before the destructive consequences of stress become manifest, or they withdraw from the stressful environment with renewed energy. However, people who frequently experience the general

adaptation syndrome have increased risk of long –term physiological & psychological damage.

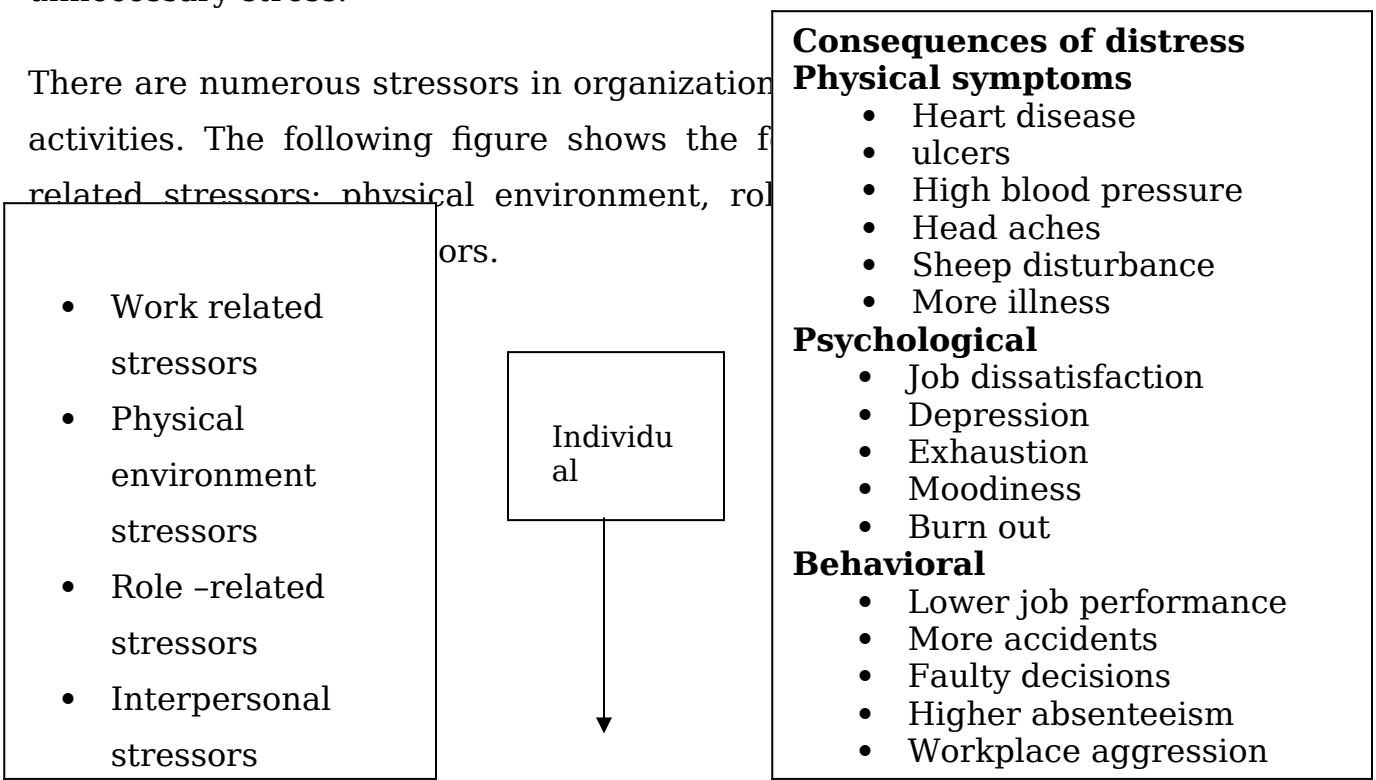
7.3.3. Potential sources /Causes of Stress

As the model given below shows, stressors, the causes of stress, include any environmental conditions that place a physical or emotional demand on the person.

People move through many different contexts: work, family, school, social activities, etc. each has its own stresses and strains. It is not always possible to keep the stress form one area of life totally separate from the other areas. A conflict at home can easily be displayed on an employee at work, and vice versa. Therefore, whatever the source of stress, its effects are often played out in other contexts.

Nevertheless, as a manager, one won't be in a position or have the responsibility to deal with an employee's home life, even if problems sometimes spill over into the workplace. But understanding the source of employees stress will help the manager to make the employees organize and carryout their jobs in ways that minimize unnecessary stress.

There are numerous stressors in organization
activities. The following figure shows the f
related stressors: physical environment, rol
ors.



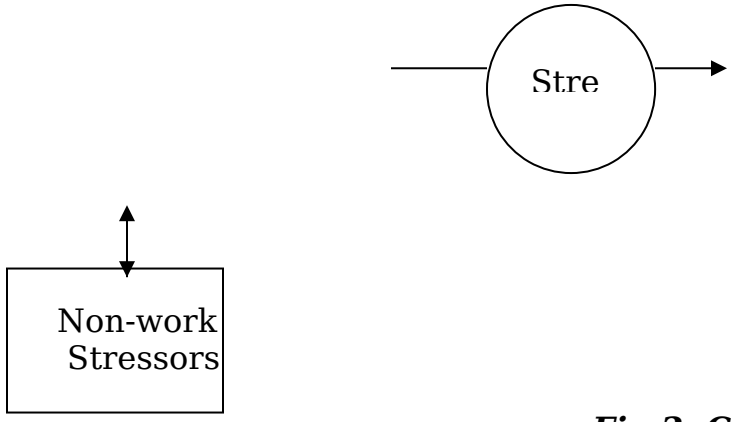


Fig 2. Causes & consequences of stress

1. Physical environment stressors

Some stressors are found in the physical work environment, such as excessive noise, poor lighting and safety hazards. In addition to these & other physical stressors, economic uncertainty, political uncertainty, and technological uncertainty are also the three different environmental factors that lead to stress.

- Economic uncertainty- is usually created by change in the business cycle.
- Political uncertainty –usually occurs in countries that have no political stability.
- Technological uncertainty- is a third type of environmental factor that can cause stress. Because new innovations can make an employee's skills and experience obsolete in a very short period of time. For example, computers, robotics, automation and similar forms of technological innovations are a threat to many people and cause them stress.

Physical stressors are also becoming apparent in office settings, including poorly designed office space, lack of privacy, inefficient lighting and poor air quality.

2. Organizational Factors

There are a lot of factors that can cause stress within an organization. Pressures to avoid errors or complete tasks in a limited time period, work over load, a demanding or insensitive boss and unpleasant co-workers are a few examples. These causes are categorized as follows:

1. ***Task demands***- are factors related to a person's job. Change and lack of control are two of the most stressful demands people face off work. Change leads to uncertainty, a lack of predictability in person's daily tasks and activities, may be caused by job insecurity related to difficult economic times. Lack of control is a second major source of stress, which is caused by inability to influence the timing of tasks and activities, to select tools or methods for accomplishing the work, to make decisions that influence work outcomes, or to exercise direct action to affect the work outcomes. New technologies also create both career stress and "techno stress" for people at work who wonder if they will be replaced by "smart" machines. Besides both work over load and under load also create stress on the worker.
2. ***Role demand***- release to pressures placed on a person as a function of the particular role he or she plays in the organization. People encounter two major categories of role stress at work: role conflict and role ambiguity. Role conflicts create expectations that may be hard to reconcile or satisfy.

Role ambiguity is the confusion a person experiences related to the expectations of others. it is caused by not understanding what is expected: not knowing how to do it: or not knowing the result of failure to do it.

3. ***Interpersonal Demands***- are pressures created by other employees. Lack of social support from colleagues and poor interpersonal relationships can cause considerable stress, especially among employees with high social needs. Interpersonal stressors will likely become increasingly common as the work-force becomes more diverse and as organizations rely more on teams than individuals working alone to perform the work.
4. ***Organizational structure***- defines the level of differentiation in the organization, the degree of rules and regulations, and where decisions are made. Excessive rules and lack of participation in decisions that affect an employee are examples of structural variables that might be potential sources of stress.
5. ***Organizational leadership***- the leadership styles in organizations, whether authoritarian or participative, creates stress for different personality. Employees who feel comfortable with participatory leadership may feel restrained by a directive style.

3. Individual Factors

Individual stressors/factors are non-work demand create stress for people, which may carry over into the work environment or vice versa. These factors include family issues, personal economic problems, and inherent personality characteristics.

Stressors evoke different responses from different people. Some individuals are better able to cope with a stressor than others. the

same stressful events may lead to distress for one person and to excitement and healthy results for another person.

There are various factors which moderate between stressors and stress. A moderator is a condition, behavior, or characteristic that qualifies the relationship between two variables'' (Ivancevich 1990:230). According to the above explanation the individual personality may moderate or affect the extent of stress experienced by a person due to some stressor. There are at least five variables (Moderators):- perception, job experience, social support, belief in locus of control and hostility.

1. ***Perception-*** '' employees react in response to their perception of reality rather than to reality itself. Perception, therefore, will moderate the relationship between a potential stress condition and an employee's reaction to it (M. Fein 1973:50). What one employee perceives as a challenging job may be viewed as threatening and demanding by others. so the stress potential is environmental, organizational, and individual factors doesn't lie in their objective condition.
2. ***Job experience***- experience is said to be a great teacher. It can also be a great stress reducer. Experience on the job tends to be negatively related to work stress, i.e. as the employees become experienced the extent of work stress will decrease. One reason for this is people eventually develop coping mechanisms to deal with stress.
3. ***Social support***- " it is the comfort assistance, or information one receives through formal or informal contacts with individuals or groups." (Wallston, Barbara S. & et. Al, 1983). Evidence shows that collegial relationships with co-workers or supervisors can buffer the impact of stress. The logic underlying

this moderating variable is that social support acts as a palliative, mitigating the negative effects of even high strain jobs.

4. ***Belief in Locus of control***- locus of control is a personality characteristic that describes a person's perception of his/her fate. Those with an internal locus of control believe they control their own destiny. Those with an external locus believe their lives are controlled by outside forces. Evidence indicates that internals perceive their jobs to be less stressful than do externals rather than doing something to reduce stress they acquiesce.
5. ***Type A behavior pattern***- it is a complex of personality and behavioral characteristics, including competitiveness, time urgency, social status insecurity, aggression, hostility, and a quest for achievement.

7.3.4. Consequences of Stress

Not all the consequences of stress are bad or destructive. Some effects are positive, such as self-motivation, stimulation to work harder increased inspiration to live a better life. These healthy, normal consequences of stress are called enstress. However, many effects of stress are disruptive and potentially dangerous. For instance, an individual who is experiencing high level of stress may develop high blood pressure, ulcers, irritability, difficulty in making routine decision. Loss of appetite, accident proneness, and the like. These can be subsumed under three general categories: physiological, psychological and behavioral effects.

- ⋆ ***Physiological effects***- increase heart and breathing rates, increase blood pressure, headaches, heart attack, etc.….

- ⭐ ***Psychological effects***- stress can cause dissatisfaction. Job related stress can cause job dissatisfaction. Stress also shows itself in other psychological states- for instance, tension, anxiety, irritability, boredom, etc. it is discovered that when people are placed in jobs that make multiple and conflicting demands or in which there is a lack of clarity is to the incumbent's duties, authority, and responsibilities, both stress and dissatisfaction are increased.
- ⭐ ***Behavioral effects***- this include changes in productivity, absence, and turnover, as well as changes in eating habits, increase smoking or consumption of alcohol, rapid speck, fidgeting, and sleep disorders.

7.3.5. Managing Stress

From the organization's standpoint, management may not be concerned when employees experience low to moderate levels of stress. The reason is that such levels of stresses may be functional and lead to higher employee performance. But high levels of stress, or even low levels which sustained over long periods of time, can lead to reduce employee performance; and this, require action by management. The two approaches used in managing stress are:- individual approach and organizational approach.

1. Individual approach

It focuses on how the person can mange stress before it becomes a problem. Individual strategies that have proven effective can be of primary, secondary or tertiary in nature. The primary prevention activities include learned. Optimism, time management and leisure time activities. The secondary prevention activities involve physical

exercise, relaxation, and diet. Tertiary prevention activities include opening up and professional help.

A brief explanation of individual preventive stress management is given in the following table.

Table 1. Individual preventive stress management

Primary Prevention	
Learned Optimism: Time Management Leisure time activities:	Alters the person's internal self talks and reduces depression. Improves planning Balance work and non-work activities
Secondary prevention	
Physical exercise: Relaxation training Diet:	Improves cardiovascular function and muscular flexibility. Lowers all indicators or the stress response. Lowers the risk of cardiovascular disease improves overall physical health.
Tertiary prevention	
Opening up: Professional help:	Releases internalized traumas and emotional tensions. Provides information, emotional support, and therapeutic guidance

(Source: Nelso, Debral. & James Comball Quick, 1997)

2. Organizational Approach

Several of the factors that cause stress particularly task and role demands. And organizational structures are controlled by management. As such, they can be modified or changed. Strategies that management might want to consider include improved personnel selection and job placement, use of realistic goal setting. Redesigning of jobs, increased employee involvement, improved organizational communication and establishment of corporate wellness programs.

- Selection and placement considers the response difference of individuals to stress situations. For example, individuals with little experience or an external locus of control tend to be more prone to stress. So these have to be replaced based on the condition of the work.
- Goal setting- individuals perform better when they have specific and challenging goals. Goals can reduce stress as well as provide motivation. Redesigning jobs- to give employees more responsibility. More meaningful work, more autonomy, and increased feed back can reduce stress because these factors give the employee greater control over work activities and lessen dependence on others.
- Increase organizational communication with employees reduces uncertainty by lessening role ambiguity and role conflict. Management can also use effective communications as a means to shape employee perceptions.
- Wellness programs- are organizationally supported programs that focus on the employee's total physical and mental condition (work life).

3. Remove the stressor

The following figure identifies several stress management strategies, but some writers argue that the only way companies can effectively

manage stress is by removing the stressors that cause unnecessary tension and job burnout. Other stress management strategies may keep employees “stress-fit” but they don’t solve the fundamental cause of stress.

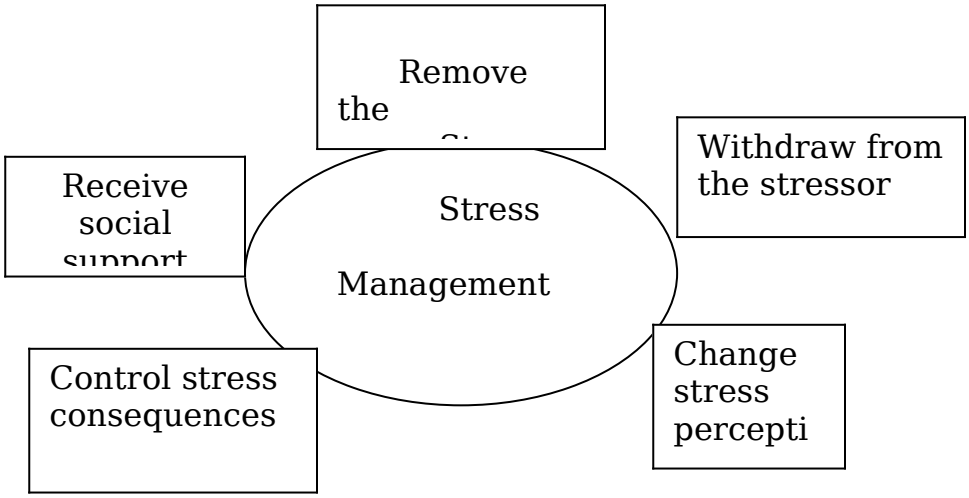


Fig 4. Stress management strategies

There are many ways to remove stressors in the work place. One of the best solution is to empower employees so that they have more control over their work and work environment. Task-related stressors can be minimized through more effective selection & placement of employees so that their competencies are compatible with your requirements. Noise & safety risks are stressful, so improving these conditions would also go a long way to minimize stress in the workplace.

Learning activity 7.2

1. Discuss approaches to managing work related stress.

_____

_____

_____

2. List down the causes of stress (individual, organizational and environmental factors)

_____

_____

_____

7.4. Checklist

Dear student: below are some of the important points extracted from the unit you have been reading. Please put a tick mark in front of the points for those you have understand well and if there are pints you have not understand yet, go back and read the unit till you understand it well.

I can

- Identify the forces of change
- Identify the reasons for resistance to change at an individual and organizational level
- Describe techniques of managing/overcoming resistance to change
- Define work related stress
- List the causes of work related stress
- Describe approaches to managing stress

7.5. Summary and Implications for Managers

Think about leadership, motivation, organizational environment and roles. It is impossible to think about these and other concepts without inquiring about change'.

If environments were perfectly static if employees skills and abilities were always up to date and incapable of deteriorating and if tomorrow

was always exactly the same as today organizational change would have little or no relevance to managers. But the real world is turbulent requiring organizations and their members to undergo dynamic change if they are to perform at competitive levels.

Managers are the primary change agent players in most organizations. By the decisions they make and their role modeling behaviors they shape the organization's change culture. For instance management decisions related to structural design cultural factors and human resource policies largely determine the level of innovation within the organization. Similarly management decisions, polices and practices determine the degree to which the organization learns and adapts to changing environmental factors.

Stress is a dynamic condition in which an individual is confronted with opportunity, constraint, or demand related to what he/she desires and for which the outcomes is perceived to be both uncertain and important.

There are three categories of potential stressors: environmental, organizational and individual.

The existence of work stress, in and of itself, need not imply lower performance. The evidence indicates that stress can be either positive or a negative influence on employee performance. For many people, low or moderate amounts of stress enable them to perform their jobs better, by increasing their work intensity, alertness, and ability to react. However, a high level of stress eventually takes its toll, and performance declines. The impact of stress on job satisfaction is straightforward. Job related tension tends to decrease general job satisfaction.

7.6. Check your progress questions

1. What causes organizational change?
2. How it is possible for organizations to overcome resistance to change?
3. Identify and briefly discuss the sources of work related stress.
4. How it is possible to manage the stress?

7.7. Answers to check your progress

1. the major stimulants of organizational change in this dynamic environment are:
    a. workforce diversity
    b. advancement in technology
    c. economic changes
    d. dynamism of competition
    e. change in social trend and
    f. world politics
2. Six tactics have been suggested for use by change agents in dealing with resistance to change.
    i. Education and communication
    ii. Participation
    iii. Facilitation and support
    iv. Negotiation
    v. Manipulation and cooptation and
    vi. Coercion.
3. There are numerous stressors in organizational settings. The following are the four main types of work related

stressors: *physical environment, role-related, interpersonal, and organizational stressors. (for reading refer section 7.8.5)*