

**Organization Management
Prof. Vinayshil Gautam
Department of Management Studies
Indian Institute of Technology, Delhi**

**Module No. # 03
Lecture No. # 36
Organizational Interdependence (Contd.)**

I am going to discuss the concerns of organizational interdependence. This is because at the end of the day, no organization is an island; there is a little bit of a debate whether organizations are closed systems or open systems and whatever they be, to what extent are they closed or to what extent are they open? This is not the time to raise these issues; this is the time to realize as I said right at the beginning, no organization is an island to itself; there have to be feeder systems.

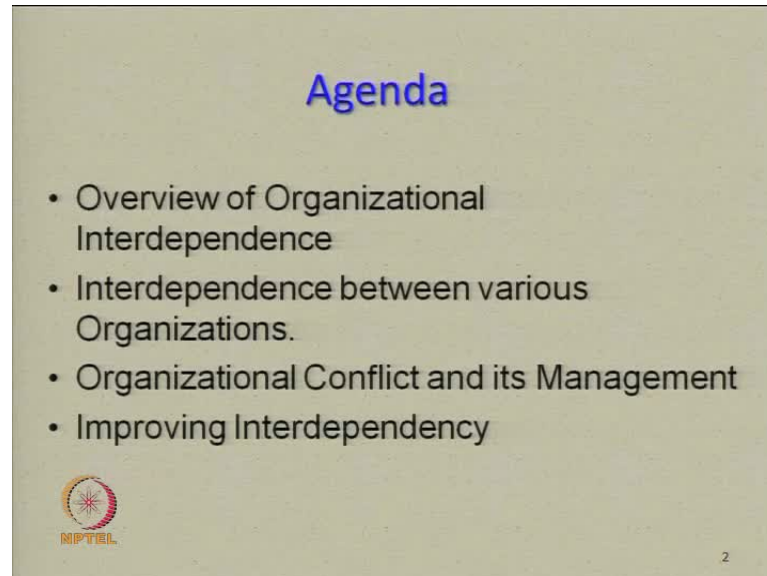
(Refer Slide Time: 00:31)



Further the reason that for any organization is its utility to someone. No organization exists for itself; so there has to be some kind of a customer, some kind of a user. The word customer has a connotation so I do not want to use that; but, there has to be a user therefore, organizations have to deal with each other. The organizations have to deal with each other not only because there is a person-to-person relationship but because at the end of the day you will find that all organizations need the other organization. It is not a question just of relationships it is a question of need and as we have maintained in these

sessions nothing exists unless there is a need even emotions do not exist unless you have need of it.


(Refer Slide Time: 02:21)



The slide is titled "Agenda" in blue text. It contains a bulleted list of four items: "Overview of Organizational Interdependence", "Interdependence between various Organizations.", "Organizational Conflict and its Management", and "Improving Interdependency". At the bottom left is the NPTEL logo, and at the bottom right is the number "2".

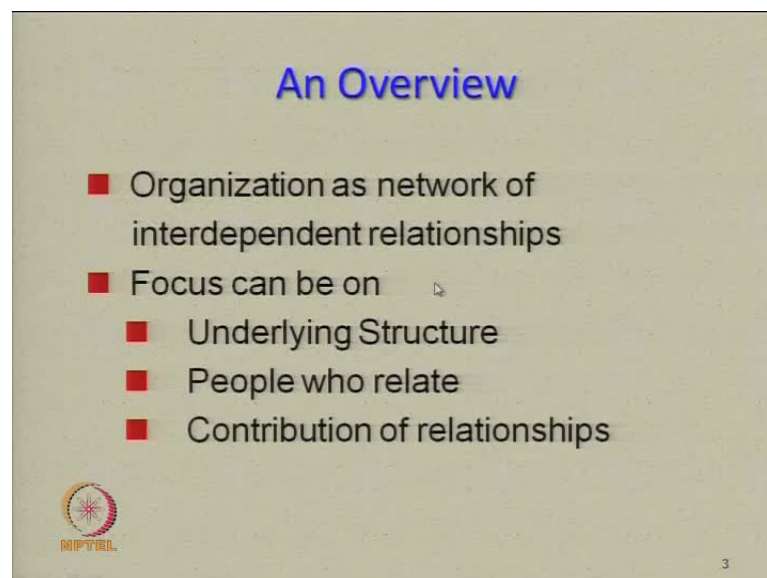
Agenda

- Overview of Organizational Interdependence
- Interdependence between various Organizations.
- Organizational Conflict and its Management
- Improving Interdependency

 NPTEL 2

I will be looking at an overview of organizational interdependence and then I will go on to interdependence between various organizations organizational conflict and its management and how to improve organizational interdependency.


(Refer Slide Time: 02:37)



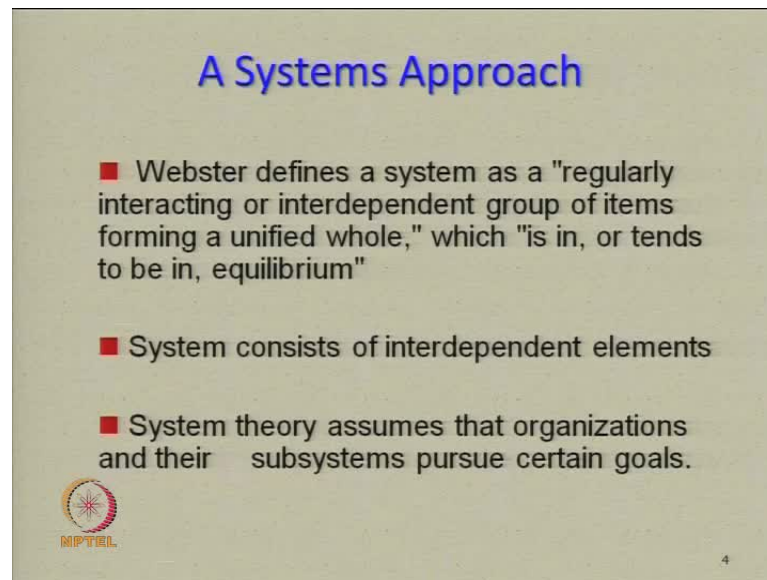
The slide is titled "An Overview" in blue text. It contains a list of four items, each preceded by a red square bullet point. The items are: "Organization as network of interdependent relationships", "Focus can be on" (with a small right-pointing arrow), "Underlying Structure", "People who relate", and "Contribution of relationships". At the bottom left is the NPTEL logo, and at the bottom right is the number "3".

An Overview

- Organization as network of interdependent relationships
- Focus can be on ▸
 - Underlying Structure
 - People who relate
 - Contribution of relationships


 NPTEL 3

(Refer Slide Time: 02:55)



A Systems Approach

- Webster defines a system as a "regularly interacting or interdependent group of items forming a unified whole," which "is in, or tends to be in, equilibrium"
- System consists of interdependent elements
- System theory assumes that organizations and their subsystems pursue certain goals.

 4

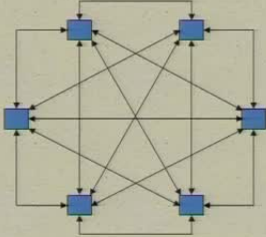
Organization as a network of interdependent relationships has been discussed earlier and also we will accept that as covered, the focus is going to be on the underlying structure people who relate and contributions of relationships Webster defines a system as regularly interacting or interdependent group of items forming a unified whole and that which is in or tends to be in a state of equilibrium. That equilibrium is not a static equilibrium; it is a dynamic equilibrium and for those who are not quite clear on how an equilibrium can be dynamic it can normatively upgrade itself or it can normatively reduce itself.

System consists of interdependent elements and that is what any system is about. Systems theory assumes that organizations and their subsystems pursue certain goals. In fact, if you go back to the definition of organizations right at the beginning of the course, we talked of people brought together in pursuit of a given set of objectives

(Refer Slide Time: 04:08)

Typical System

In a System having n elements, we have $n(n-1)$ relationships to be examined besides the n elements.



Source : <http://faculty.pnc.edu/arwas> on 3/11/2005

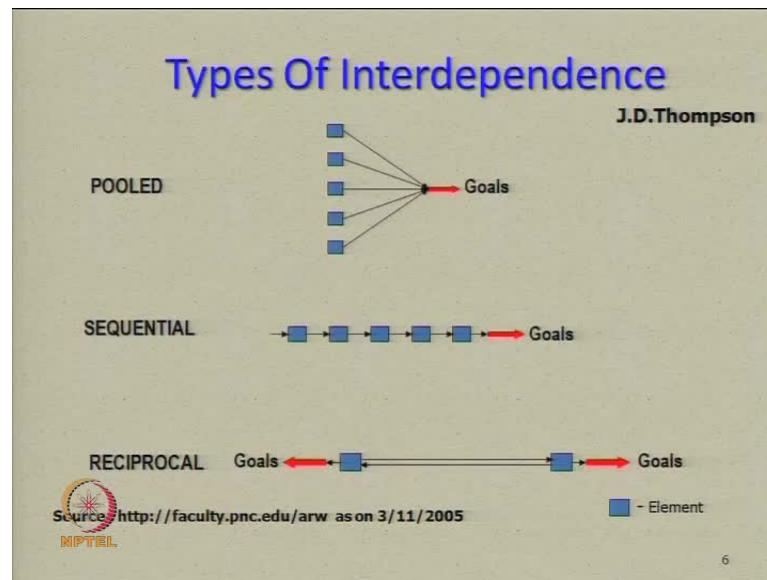
■ - Element

5

In a system which has having n elements, we have n minus 1 relationship to be examined besides the n elements and assuming these are the elements in a system having n elements we have n minus 1 relationship examined besides the n element and this is what it becomes. So, you can notice a transformation from here where no relationships are prompted here and you might recall my reference at an earlier stage to a pentagonal relationship. This case is a hexagonal relationship; you could just as well have a square relationship you could have a rectangular relationship now what is the difference between a square relationship which has 4 points and a rectangular relationship which has also 4 points. The relationship is very simple if you know the definition of a square and if you know the definition of a rectangle

A case where the latitudinal relationship is wider than the longitudinal relationship would be a rectangular relationship which means that it is a flatter organization and these are serious concerns. An organization which is diverse, widely spread with little interaction amongst themselves may have intensive interactions across the hierarchies.

(Refer Slide Time: 06:07)

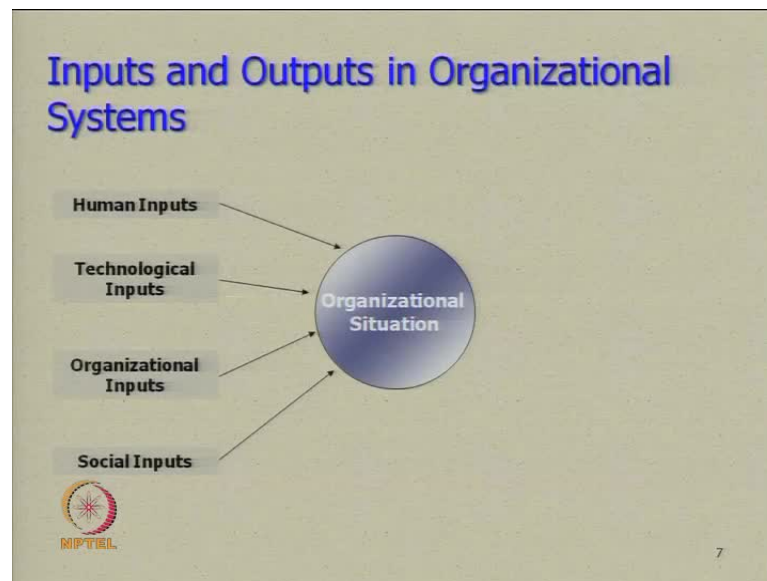


What are the different types of interdependence? This is a pooled relationship; you have 5 elements here, all brought together on a goal. This is a sequential relationship; one thing follows the other; I was talking of mechanization, automation, computerization. In a sequential relationship, computerization did not come first; mechanization came first. In fact, the root of industrial revolution is itself mechanization; we covered all that. This is a reciprocal relationship. You have got different goals but, you are brought together because of **exchange** relationship. A lot of relationships in life are reciprocal relationship. In fact, every adult relationship is a reciprocal relationship; that is a very important point to remember which not many adults do. And, by adult relationship I do not just mean a man-woman relationship, I mean any relationship between two adults a father and son, two brothers, a person and his mother-in-law, teacher and taught, a helper and an employer. At a domestic front say, that helper will not stay in your domestic environment unless he needs that job and you will not keep that helper unless he meets your bill, your requirements.

Therefore, if you want to keep a relationship it is very important to ask which I am afraid as a matter almost habit. I am happy to say at least almost which means there is still some hope in a matter of relationship. We are constantly asking give me more I do not have enough. The person who cooks will keep asking the person who eats have I cooked well; God dammit if you had cooked well I will tell you have cooked well. You know there is no salt in the mashed potato, really nobody told me; why must somebody tell

you? And, then becomes a fine art in bad logic. It is not an adult relationship; as a matter of personal choice, I always kill unproductive conversations. If you have to show how resplendent your lack of logic is I am not the audience and it is my belief that no one should believe on this because, every response is an encouragement; please remember that principle.

(Refer Slide Time: 10:05)



The same logic applies at organizational interdependence. Why would another organization deal with you unless it had **a** benefited? Unless its need was met? Why should anyone supply you raw materials unless he gains by supplying you that raw material and why should anyone serve as your distributor unless he gains by being your distributor? Forget social service league, I mean that is a different ballgame altogether. Even in social service league people do things because there is an advantage on that.

How do you establish organizational needs by making an inventory of your own requirements and selecting the best supplier of the same utilities, services, raw materials? These are inputs not an exhaustive list and the outputs are distribution systems public relations.

The diagram which I am showing to you shows what are the inputs for an organizational situation and I have listed human inputs. you need to recruit people so there is the supply market. Go back to what we have discussed in this course earlier on when we were looking at environment and its impact on organization structure. The kind of work

structure which your organization utilizes will make an impact on your organizational environment. Your organizational environment will in very rare cases be better than the outside environment. If there is corruption there will be corruption in the organization; if there is a propensity to jump the queue, there will be a propensity to jump queue in the organization; if work gets done in the environment through interventions there will be an attempt to get your work done within the organization through interventions.

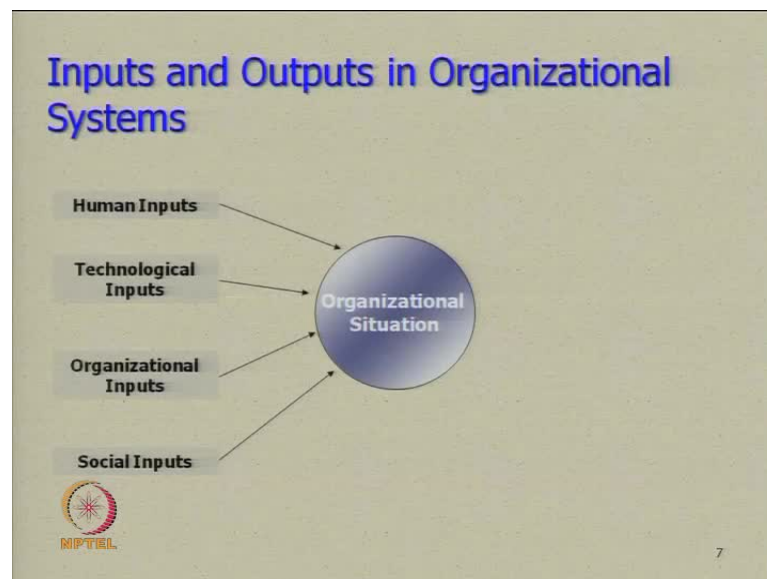
Very many times, organizations take on the characteristic of the external environment not because they consciously choose to but, because the people permeate the organization and tend to bring the culture off the organization **o double f and make it culture of the organization**. Very rarely you will find people who can behave in a particular manner outside the organization which will be different from the way they will behave inside the organization and you are the odd ball out if you do not follow it and I do not want to talk of anyone else in such intimate matters but I will give you an illustration from my own life. I do not encourage small talk; I have no time for it. I might even have no patience for it. If somebody wants to see me I want to know why and the answer is very simple, I have blocked that kind of time for him depending upon the kind of issue which he raises - seeks to raise.

I do not like 6 people in my room, each one listening to everyone else's conversation to which he did not be a party at all waiting for his turn to talk. If there are 6 people in the room they must have a common purpose for that conversation. Now, I do not think I am virtuous about it; for me it is not a creed that is just my way of doing it. Now, we know people take offense. I see absolutely no reason why I should run 24 hours like an open house; yes, but if somebody wants to see me he must know within a reasonable time when he can see me and if I do not want to see him he should be told I do not want to see you. I equally heartily disapprove of people who do not respond to telephone calls or who will not give an appointment and will not say I do not want to see you. If they think that is great PR, good luck to them but the interesting thing is people do think that is a great PR. They do not like a person who simply says I do not want to see; again, a factor of the kind of environment you live in.

For those of you who do not have sufficient work experience probably will not appreciate the illustration that I am saying in this God's own country and I do not mean a particular state. I mean, this whole country people put more weight on talking sweetly

than in talking correctly. People do not want to be told the truth; people do not want to be shown the mirror. People claim all the privileges for themselves and all the discipline for the other person. So be it; my purpose in raising it here is that is the kind of environment you bring in that is the kind of environment which will be in the organization and you need an exceptionally effective leader to alter the interfaces of the environmental culture within the organization and we have discussed all this and you still will have a price to pay.

(Refer Slide Time: 10:05)



There are technological inputs I was citing to you in another session. How do you run a computerized system when you do not have electricity? Or if I recall the way I put it, if electricity is available only for 6 hours of the day then, what do you see? You close the system and if you close the system, why have you computerized it? Anyhow, then go for a manual system; going for a manual system, computerized system because everyone else in that domain has gone for computerization, I think is plain lack of thinking.

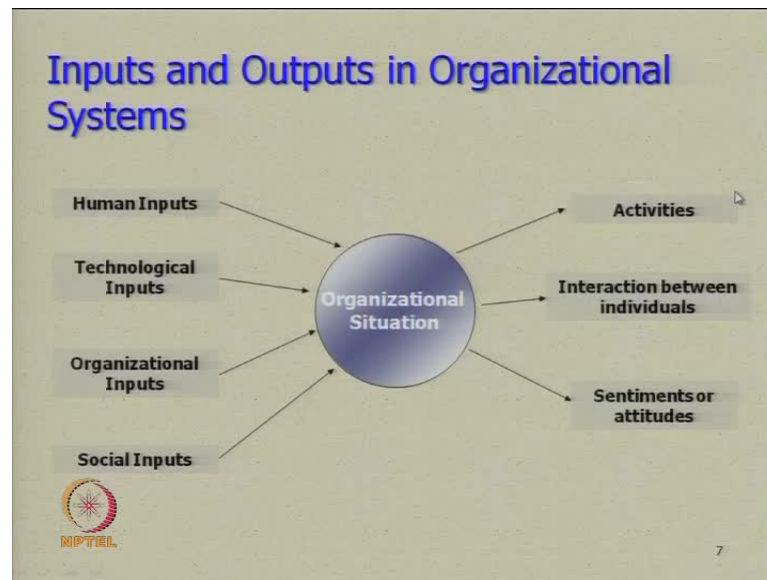
So, technological inputs there are organizational inputs. In other words, do they let you work or there is a constant pressure for employment. Give a job to this one do a favor to that one, send him abroad, do this, do that, constantly; how do you rebuff it? Then, there are social inputs in a country where each community has its own new year. If you put together new years of numerically sizable communities, you will find at least 40 new years in this country; then you give 40 holidays. Then, there have been so many saints in

this country; no other part of the word has had as many saints as this one. Each saint is, must be born in some community; that community owns that saint. Therefore, not to hurt the sentiments of that community you must proclaim that a public holiday. The matter does not finish there. Then, there are festivities; usually traditional festivities are linked up with harvest time. Now, the harvest is cut, its brought home, it is there in the granary of the household, people like to celebrate. So, you decide that holiday; so if you put together the number of new years, the number of saints, the number of harvesting season for something which is climatically as diverse as us, look at the number of harvesting seasons you have. then, at end of the day you will be bringing out list of gazetted working days; not a list of holidays.

Now, happily we have not reached that stage; yet, who knows one day we may be so blessed. I may not be even around to witness that happy situation where you will have a list of gazetted working days and even then somebody will die that day what do you do? In the meanwhile, new saints will be born. After all, you cannot say that by an act of legislation that no more saints will be born, I mean there will be new saints which will be born. These are social inputs

How do you create an organization which does not read the social inputs? Therefore, my proposition to you is very simple; whether I am making a lighthearted quip or I am serious in my elaboration is immaterial. There are serious social inputs to the running of an organizational situation and that causes organizational interdependence and incidentally, I have not yet counted the [FL] the [FL] you know, that work according to rule then [FL] I mean this country is so full of such a rich collection of industrial slogans. Not for me to comment because I do not like to comment but, by the same token you will agree what I am saying is not untrue; if it is not untrue these are social inputs in an organizational situation.

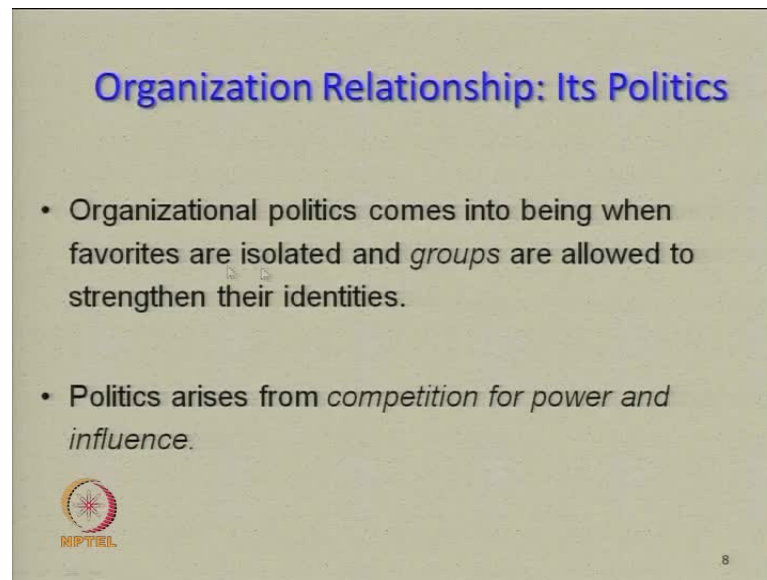
(Refer Slide Time: 21:24)



Then there are outside inputs, you have to generate activities. Now, the fellow will not come, he will say he will come at 10 o'clock on 11th of February. You can rest assured he will come at 11th of January, he will come at 11th of March; but, he will never come on 11th of February and when you tell him why you did not come, he says I gave you a date I could not observe it, so what? And, if he is properly educated he would say big deal but whether he is saying big deal or whether he is just saying, so, what he is basically saying the same thing. He says I do not care you do not want to deal with it, you do not deal with these kind of activities which you have to deal with disrupts an organizational situation.


Then interaction between individual's sentiments or attitudes, the list is endless. Therefore, if you want to lead an organizational situation, you better be skillful; you may not know your engineering and you may not know your finance but, you better know your human relations.

(Refer Slide Time: 22:37)



Organization Relationship: Its Politics

- Organizational politics comes into being when favorites are isolated and *groups* are allowed to strengthen their identities.
- Politics arises from *competition for power and influence*.

 MPTEL

8

Organizational politics comes into being when favorites are isolated and groups are allowed to strengthen their identities. Now, I think this is a very charitable statement. You have to be a very tall man to prevent groups from developing identities. You will find repeatedly organizational experience when people of the ethnicity of the key man get the larger number of jobs. You get somebody from state A; the number of people from that state A keep getting the key positions. You get a person from community B, people from his community are all being recruited and mind you, this used be done so bashfully 10 years ago. Now, all these are political slogans; my attitude as always is no comments, God bless. But, I may say no comments and I may say God bless but its impact on organization is an objective reality and that you have got to understand and this is where I emphasize that the outcome of these academic discourses is to encourage you to think at the end of the day, through these sessions you will be not knowing more organization theory and practice than exists in the libraries. At the end of the day, through your relationships, through this medium you will not have heard the last word on organization management.

But it is the way the content is delivered. It is the application that is shown; it is the provocation which is provided to your thinking that will set some of you at least thinking about it and therein lies the possibility of a solution. Please remember, I have said at the end of the day already once and the expression will be a repetition for me to say it a second time. At the end of the day, if each one is reconciled to let the external pressures

do what they are doing then of course, that is a conscious choice and again you know my attitude; my attitude will be, so be it God bless. What would be undesirable is person permitting a situation to continue without thinking about it and that is unacceptable and a situation prevails without the people exercising a conscious choice on letting it prevail. That would be terrible, so my plea forever is taking a conscious choice on all that exists and then we go from there.

Politics arises for competition of power and influence. I do not entirely agree with this; I think politics is a very important ingredient of organizational functioning. After all, politics is the struggle for the control of power and if you want your views to prevail, you do want your views to be shared by others but then, there are ways of sharing. If you try to enhance your power and influence irrespective of the means and the consequences of it and this is what made Gandhi great. Gandhi never used a negative means for a positive end.

You may like Gandhi, you may not like Gandhi, that is your personal choice. You may like the biography of mister Mashruwala on Gandhi, very sympathetic. Or, you may be a follower of Eric Ericson who wrote a scathing analysis of Gandhi's subconscious in the book Gandhi's truth; this is not the best time to get into it or discuss it. The proposition is very simple; whether you like Gandhi or you did not like Gandhi, you have to accept the fact and he was very much a part of the political process, make no mistake about it. He never used a negative argument to enhance his influence and therein I think lies his greatness and if I am not misunderstood for what I think, I wish to convey Gandhi should be the role model for any good politician then the character of politics would not degenerate.

All that I am putting across is, if you want an organization to function properly you will have to make sure that in trying to enhance your influence and power you are not arousing negative sentiments. You are not arousing forces which are best left untouched because let me tell you one thing and this applies to organizations as much as to societies, it is so easy to release a negative force so difficult to contain it. Once you have generated a negative force it takes its own course; I know of many corporate entities which have been threatened by this kind of a release of a negative force and there are illustrations. Obvious reasons that these are from the domain of my own consulting, my own researches, my own exposure; I might even say my own privileged knowledge. It is

not right for me to refer to it in a public domain but then, you do not have to **drop** on my experience to see it. Even if you look around yourself you will find that there are organizations which have been brought to a stalemate situation because people who wanted to be leaders released negative forces in running it. It may be of caste, community, religion, industrial, union, money-making allegations, anonymous letters, simple misuse of industrial action, you name it somebody released it.

Never forget that this is a country where over a 100 textile mills were held to ransom in Bombay for long months, in fact years and these mills never revived. I am talking of the railways strike; the like of which is unprecedented in the annals of industrial history and what happened to Mumbai after that? As mill after mill collapsed and this is not history; this is contemporary industrial experience as mill after mill collapsed, those manufacturing units never came up but progressively and successively they were all converted into real estates. The process has not stopped yet; it still goes on and if that is the way the productive units are to go, what is the future of manufacturing? That is the legitimate question to ask when you talk of organizational interdependence.

(Refer Slide Time: 30:53)

Interdependency – The Competitive Strength of Large Organizations

Organizations compete in different ways:

- Direct competition
 - When organizations interact directly, and compete for same 'space'.
- Diffuse competition
 - Organizations reduce one another's viability by depleting a limited common supply of resources. (Hannan & Freeman, 1989).

 9

Organizations compete in different ways just as they collaborate in different ways when organizations interact directly and compete for the same space. A fairly common example, I do not have to spend time on it or diffuse competition organizations reduce one another's viability by depleting a limited common supply of resources. The classical

example is of course, fossil fuel whereas tonnes of money have been put into alternative sources of energy. I do not see any great use of it by any industrial organization anywhere in the world.

The moment you make this argument they response it with barge of statements which say you see, but solar power cannot be put into industrial usage. But you see tidal power cannot be put to this kind of thing; you see wind power; endless arguments and my response again is so be it so, what is the future of the fossil fuel? something which this planet will one day need to realize whereas, arguments can be found for anything that you believe in and this must be heard very carefully. Arguments can be found for anything that you believe in reality; listens only to its own logic and reality is an objective situation. Therefore, like a mathematical derivation like a geometric progression, if arguments can be found for anything that you believe in and reality is to listen only to the objective reason and has a logic of its own, the only logic that prevails should be the logic of reality and if you bring it closer to the corporate world unless we do see the linkages of alternate sources of energy to corporate productivity. A different world order will not be a reality; that is organizational interdependence.

People are talking of climate change; its both fashionable, current and real; so be it. I do not see enough action on what could be a real alternate fuel therefore, my proposition depleting a limited common supply of resources and what is the current fashionable argument, oh! we are developed; we did what we did but these issues were not alive now, these issues are alive now, you do not do it and whether it is this round of discussion or that round of discussion. I do not want to refer to well-known rounds of discussion which commerce and trade moves from. In fact, the truth is they dance from one round of discussion to another round of discussion and the pun is entirely unintended.

Interdependency should create a real sense of realism not only in terms of an interdependent world which is true but in terms of interdependency of organizations and remember, I am only talking of inputs and outputs at the present stage.

(Refer Slide Time: 35:40)



Interdependence as a Business Reality

- Organizations need to sustain relationships with other groups to survive in the highly competitive business environment.
- Interdependent organizations need to cooperate and trust each other and make sure customers don't lose faith in them.

 10

Organizations need to sustain relationships with other groups to survive in the highly competitive business environment. Interdependent organizations need to cooperate and trust each other and make sure customers do not lose faith in them. Now, this is typical of the theoretical constructs; people talk of the managerial issues is, how do you cooperate when you really do not trust? How do you cooperate where deep in your hearts you are convinced you are smarter than the other person? How do you cooperate where at the bottom of it all you are convinced where will the other fellow go? Wherever he may go he is bound to come back to me.

(Refer Slide Time: 37:10)



Interdependence in Supply Chain Management

- Today's best practices in supply-chain management all center on one basic concept: interdependence.
 - Brad Berger, Publisher of Global Logistics & Supply Chain Strategies.
- All must cooperate and collaborate to provide maximum customer satisfaction and to achieve optimal performance for the supply chain as a whole.

 11

None of these three arguments are customized to cooperation but then cooperation is a nice word to use. Everyone wants to use it today's best practices in supply chain management; all centered on one basic concept of interdependence. Brad Burger says it, many other people say it but, if I quote Brad Burger you are bound to take it a little more seriously. All must cooperate and collaborate to provide maximum customer satisfaction and to achieve optimal performance for supply chain as a whole. Well known sir, well known, again at the end of the day like all managerial learning the question is, how do we get to do that and that path is not very clear.

(Refer Slide Time: 37:33)



Interdependence in Supply Chain Management contd.

- Each participant in an extended supply chain has its core competencies.
- Supply chain management concerns relations within a network of organizations.

For example

- Contract manufacturing provides specialized knowledge and assets while gaining flexibility and releasing investment capital.

MPTEL 12

Each participant in an extended supply chain has its core competencies. Fairly obvious supply chain management concerns relations within a network of organizations. Please note this example is contract manufacturing; provides specialized knowledge and assets while gaining flexibility and releasing investment capital. That is the managerial content of it; let us not lose track of a very simple proposition. Our perspective is managerial as indeed it should be.

(Refer Slide Time: 38:14)



Interdependence in Supply Chain Management contd.

- Or the outsourcing of distribution to a logistics service provider extends the supply chain to the customer.
- A supply chain thus becomes a group of specialized organizations, linked and managed for a common purpose.

 13

The outsourcing distribution to logistics service provider extends the supply chain to the customer. Of course, it does a supply chain thus becomes a group of specialized organizations linked and managed for a common purpose. Please note this definition: a supply chain thus becomes a group of specialized organizations linked and managed for a common purpose.

(Refer Slide Time: 38:51)



Interdependence in Supply Chain Management

An Example:

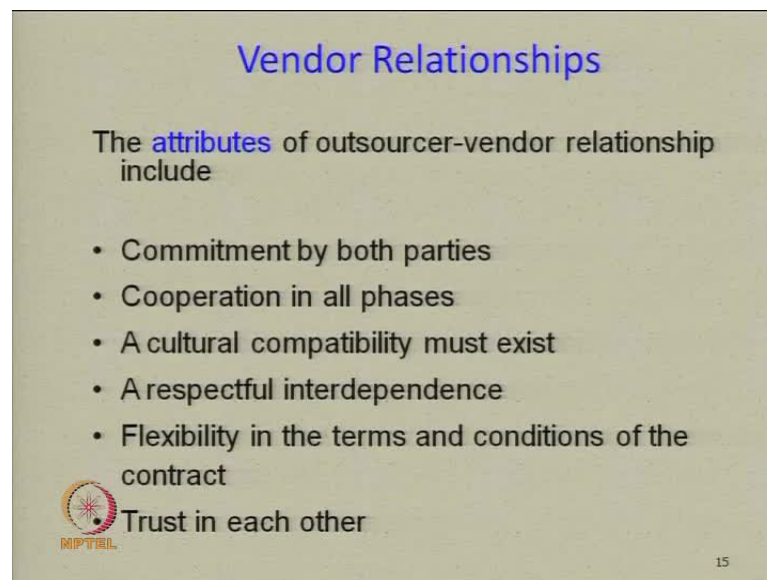
- Benetton, the Italian clothing company, pioneered the network organization by creating outsourcing and subcontracting relationships both with its suppliers and its franchised retail shops.
- The labour-intensive production of garment assembly, finishing and ironing was shifted to small companies.

 While the company retained the capital-intensive and core operations: design, weaving, cutting, dyeing and quality control. 14

Benetton, the Italian clothing company pioneered the network organization by creating outsourcing and subcontracting relationships both with its suppliers and its franchise

retail shops. the labor-intensive production of garment assembly finishing and ironing was shifted to small-companies while the company retained the capital-intensive and core of operations design weaving cutting dyeing and quality control was passed on, as indeed it is done today, not only by Benetton but by any other brand name.

(Refer Slide Time: 39:23)



The slide is titled "Vendor Relationships" in blue text. Below the title, it states "The attributes of outsourcer-vendor relationship include". A bulleted list follows, listing five attributes: "Commitment by both parties", "Cooperation in all phases", "A cultural compatibility must exist", "A respectful interdependence", and "Flexibility in the terms and conditions of the contract". Below the list, the text "Trust in each other" is written. In the bottom left corner, there is a logo for NPTEL (National Programme on Technology Enhanced Learning) featuring a stylized sun or starburst. In the bottom right corner, the number "15" is displayed.

What is so special about Benetton? maybe it got of the kick start before others did but, this is the only one to run any mega brand name today. The attributes of the outsourcer-vendor relationships include commitment by both parties. Of course, commitment is an old fashioned word but the truth is nothing happens without commitment. Even success does not come without commitment; relationships do not work without commitment; professional excellence does not come without of commitment. In fact, doing yourself a favor does not come out without a commitment to yourself.

Cooperation in all phases: now, this is a great Asian contribution to management thought where, we do not talk of competitiveness; we talk of cooperation. India is the only country where nature and animals have been woven together as a part of a collective experience. India is the only country where when you talk of the woods, when you talk of the open, when you talk of the forests you are not talking of the jungle there is a difference of meaning between forest and jungle.

Jungle evokes connotation of law of the jungle. The Indian concept of forest is something totally different. There, nature human beings and animals live in harmony. In fact, you go to the forests to meditate; this is not to denigrate urban life but it is recognized that urban life does not encourage peace and serenity to encourage meditation. So, you go to the forest; the translation is not that you go to a jungle to meditate. Jungle is a lawless situation. Now, obviously it is difficult to explain all this to a community of listeners which is culturally totally alienated with anything which is Indian but, I do believe even those who are totally intellectually alienated but are of Indian ethnic origin there is something in their DNA which will help them to realize that there is a difference between the meaning of the word forest and the meaning of the word jungle.

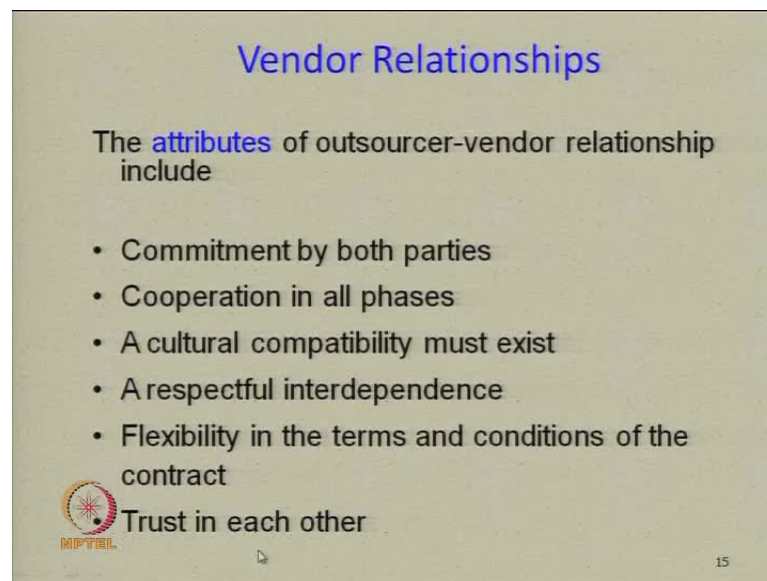
The proposition is very simple; interdependence is a derivation of the principle of cooperation which is what Asian business is about and mind you, this is not just an Indian phenomenon. You find **it** this is an Asian characteristic; the Japanese were very successful in parts of the post-world war situation essentially because they were able to convert a lot of Japanese social thought into Japanese corporate existence. For example, lifelong employment it was not hire and fire; in fact, hire and fire and lifelong appointment are two opposite ends of the spectrum and if you want to understand the success of the Japanese companies it is because of their rare ability to do two things; they, 1) they did not venture out of Asia for their manufacturing plants. 2) they converted the Asian idiom in their case the Japanese idiom, to corporate principles and wherever people wanted to cause corporate success through imitation they have met with disaster.

There are studies available on Chinese corporate life which shows how well the Chinese have converted their own ethos into the corporate ethos of their work. You may like them, you may not like them; you may agree with them, you may disagree with them but, what is in the world where everyone agrees with everything?

You name me one person about whom you would not find a few people who will say something nasty. You find me one situation where 20 people will say that was greater and 5 will say **[FL]** he should not have done this. you know that wonderful expression of superiority and a higher values **situ** no and you know how that word 'no' comes repeatedly through as such as 'no, he should not have it,' why he stole your **[FL]** no, he did not; he ate away your food, no he did not; he stole your wife, no he did not; he stole

your money, no he did not; then why are you so worried? let him lead his life peacefully, no but, even then the argument will never be dropped; it will continue but even then the reason when you lose out on everything you want to be morally superior and how are you morally superior? To say, he may be more successful that is he may have more money that is also, he even may be more happy that is also [] he may be even more healthy; will put up with that but, I am morally superior; he is nowhere near me; no I do not want any comment on that.


(Refer Slide Time: 39:23)



Vendor Relationships

The **attributes** of outsourcer-vendor relationship include

- Commitment by both parties
- Cooperation in all phases
- A cultural compatibility must exist
- A respectful interdependence
- Flexibility in the terms and conditions of the contract

 Trust in each other

15


All I am saying is in terms of objective reality for corporate success you should be able to convert the inter-organizational dependencies to valid corporate principles and on which there are no companies. Best practices one of the biggest successes of Parsis as businessmen in this country and abroad is because of their very rare ability to convert Parsi principles into corporate reasons. If I had the time I would have discussed it but the argument is so obvious that it does not really need a discussion.

(Refer Slide Time: 47:28)

Vendor Relationships

The administration of the contract between the customer and the outsourcer requires

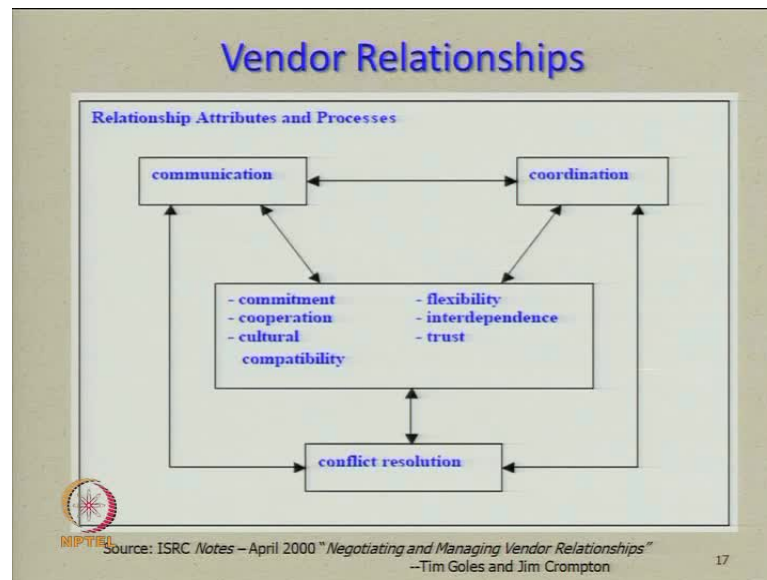
- Communication channels.
- Conflict resolution.
- Coordinating priorities and projects.

 16

So a respectful interdependence - flexibility in terms of conditions of contract; then of course, trust in each other which is easier to talk about than practice; vendor relationship, the administration of a contract between the customer and the outsourcer requires communication channels conflict resolution channels coordinating priorities and projects again very basic principles this is a must.

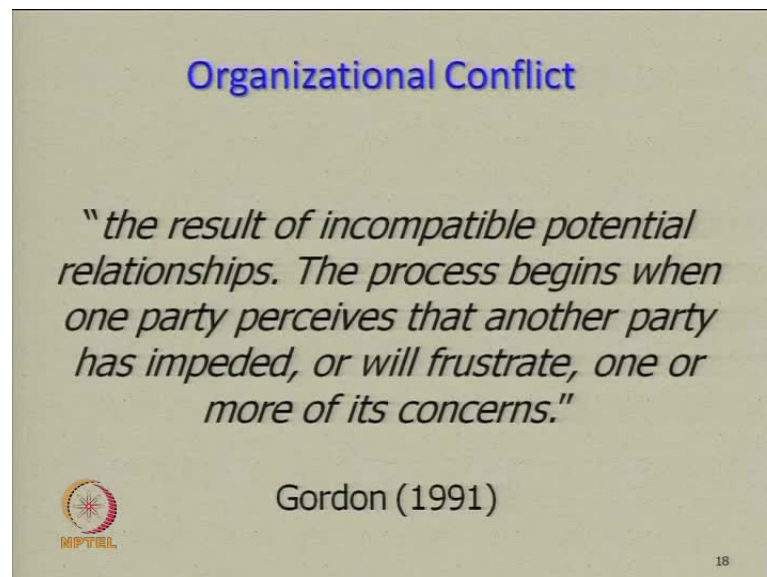
In my limited experience of researching and consulting in the Indian corporate world, one of the biggest reasons why the Indian corporates have come to grief they do not undertake project contracts with enough thought. The contract document and I do not want to say anything harsh but, the contract documents are drafted in a way which shows that much more thought could have been given in it because they do not spend time looking at clause to clause. They and I will leave the sentence incomplete. It is not that through carefully drafted contract you can avoid conflict whatever shall be but the percentage chances of it can be reduced; that is all I am saying and reduction of the percentage chances in itself is a major objective.

(Refer Slide Time: 48:55)



This diagram **which** where the source is also identified, shows to you the vendor relationships in terms of attributes and processes. Communication coordinates conflict resolution, flexibility, interdependence, trust, commitment, cooperation, cultural compatibility. This really sums up all that has been elaborated in the preceding few slides

(Refer Slide Time: 49:27)

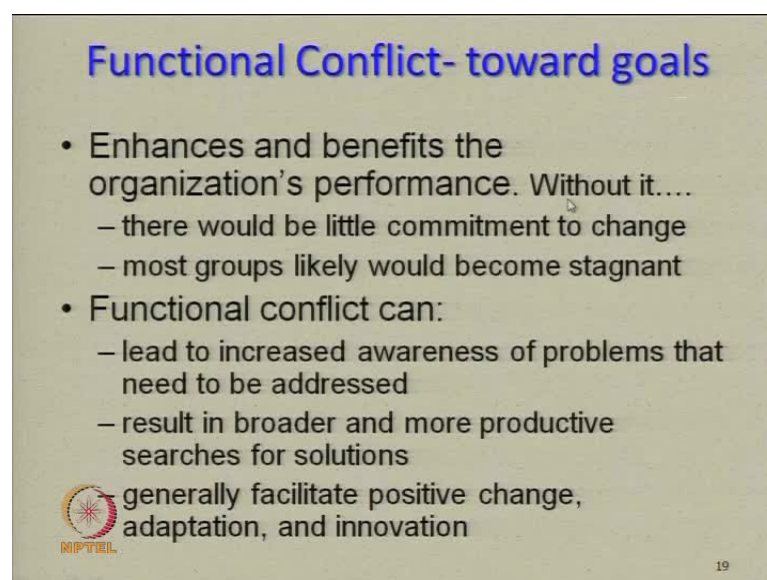


We shall walk through very quickly on conflict resolution and some other items which have to do with organization interdependence. The result of incompatible potential relationships is conflict; this is assuming the solution. Tell me mister Gordon, how would

I have known at the beginning of the relationships that it is a potentially incompatible relationship? And, if you cannot answer me that question you are becoming wise after the event. You see, the omelet got burnt because you left it on the fire too long. Obviously, how else would it get burnt? Then, what is your question? My question is, how would I know how long to keep it there? A lot of managerial recommendation is posthumous after you have known the cause of what did it. Brilliance lies in anticipatory and preemptive diagnostics; something which I have repeatedly tried to convey. Anticipatory and preventive diagnosis is the name of the game; not wise after the event prescription. You see, you fell into the ditch because you were talking to the person on your left and not seeing where you were going. Of course, why else would I fall into the ditch? What should I have done? You should have looked straight and watched the road and said I will talk to you after I have crossed the road; then at least, it is preemptive. I also know that I fell into the ditch because I was looking to the guy on my left.

The process begins when one party perceives that another party has impeded or will frustrate one or more of its concerns; he is right here, this is how conflict begins. Conflict begins when one party perceives that another party has impeded or will frustrate one or more of its concerns.


(Refer Slide Time: 51:49)



Functional Conflict- toward goals

- Enhances and benefits the organization's performance. Without it....
 - there would be little commitment to change
 - most groups likely would become stagnant
- Functional conflict can:
 - lead to increased awareness of problems that need to be addressed
 - result in broader and more productive searches for solutions

generally facilitate positive change, adaptation, and innovation

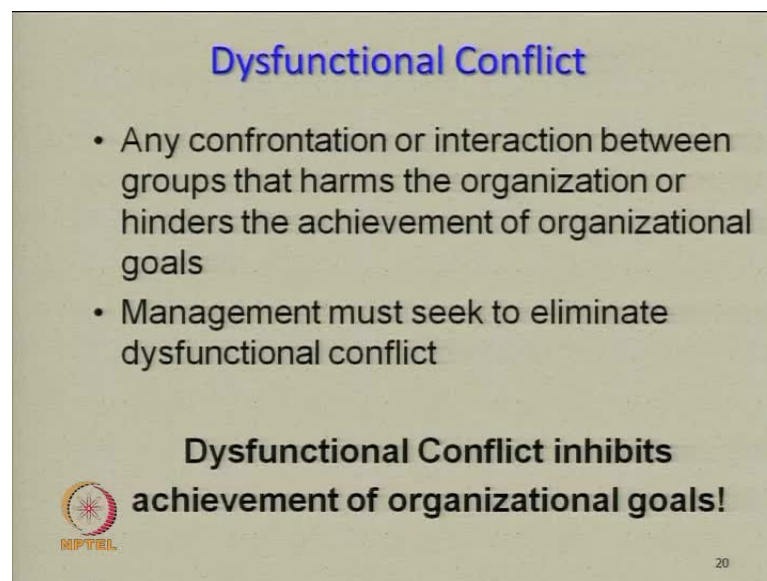
 NIPTEL

19

Enhances and benefits the organizations performance. Without it there would be little commitment to change and most groups likely would become stagnant. This is functional

conflict; in other words, like everything else, conflict can also be functional. You can use conflict for potentially useful purposes. Therefore, functional conflict is to be encouraged. Most groups likely would become stagnant. Functional conflict can lead to increased awareness of problems that need to be addressed; results in broader and more productive search for solutions; generally facilitative and positive change adaptation and innovation.


(Refer Slide Time: 52:52)



Dysfunctional Conflict

- Any confrontation or interaction between groups that harms the organization or hinders the achievement of organizational goals
- Management must seek to eliminate dysfunctional conflict

Dysfunctional Conflict inhibits achievement of organizational goals!

 NIPTEIL

20

We shall pick up the dysfunctional conflict shortly.