Organization Management
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Module No. # 03
Lecture No. # 37
Organizational Interdependence (Contd.)

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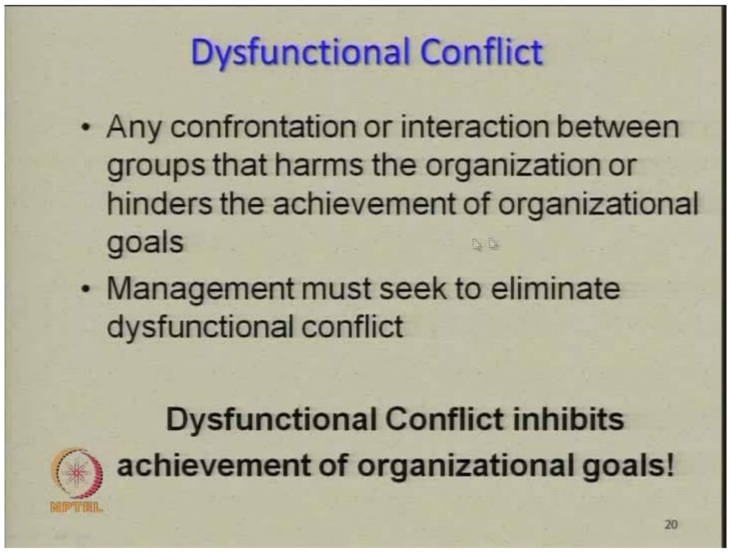

Dysfunctional conflict is the opposite of functional conflict. It causes disruption. Any confrontation or interaction between groups that harms the organization or hinders the achievement of organizational goals is dysfunctional conflict.

Management must seek to eliminate dysfunctional conflict. Dysfunctional conflicts inhibits achievements of organizational goals.

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Interdependencies and shared resources: Competition for scarce resources - we have discussed that. Personalities, hiding of information and 'office politics' may come into play.

Intergroup differences in goals, values or perceptions: Different departments have different objectives.

Authority imbalances: One department has to accept instruction for another. These are all sources of intergroup organizational conflict.

Ambiguity: When responsibilities are not clearly defined. When there is ambiguity regarding where to assign the credit or blame.

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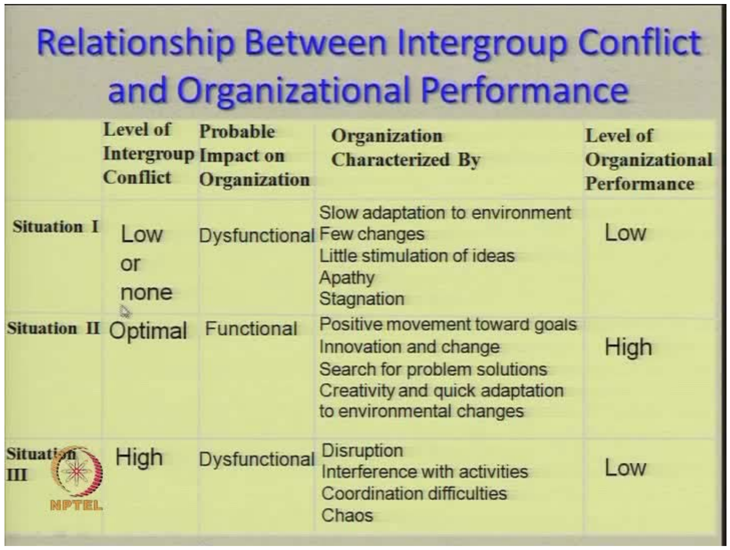
Relationship Between Intergroup Conflict and Organizational Performance

	Level of Intergroup Conflict	Probable Impact on Organization	Organization Characterized By	Level of Organizational Performance
Situation I	Low or none	Dysfunctional	Slow adaptation to environment Few changes Little stimulation of ideas Apathy Stagnation	Low
Situation II	Optimal	Functional	Positive movement toward goals Innovation and change Search for problem solutions Creativity and quick adaptation to environmental changes	High
Situation III	High	Dysfunctional	Disruption Interference with activities Coordination difficulties Chaos	Low

This matrix shows the relationship between intergroup conflict and organizational performance. This is the heart of the matter. This intergroup may be across groups which are outside the organization also.

Level of intergroup conflict

Probable impact on organization

Organization characterized by

Level of organizational performance

Situation 1: When the level of intergroup conflict is low or none, probable impact on organization is dysfunctional. Slow adaptation to environment, few changes, little stimulation of ideas, apathy and stagnation. Low. In other words, intergroup conflict here is low and nonexistent, but this itself has become something dysfunctional.

It is low because nobody cares; please register that point. The impact of low level and none in intergroup level conflict has a dysfunctional impact; because, it means there is stagnation, there is apathy, there is little stimulation of ideas, there are few changes, there is slow adaptation to environment and this will always result in low organizational performance.

Situation 2: Level of intergroup is optimal, but it is functional. Conflict is over the right issues. Positive movement towards goals, innovation and change, search for problem solutions, creativity and quick adaptation to environmental changes. The level of organizational performance is high.

Situation 3: The level of intergroup conflict is high. The probable impact on organization is dysfunctional; because that dysfunctionality is causing disruption, interference with activities, coordination difficulties and chaos. The level of organizational performance is low.

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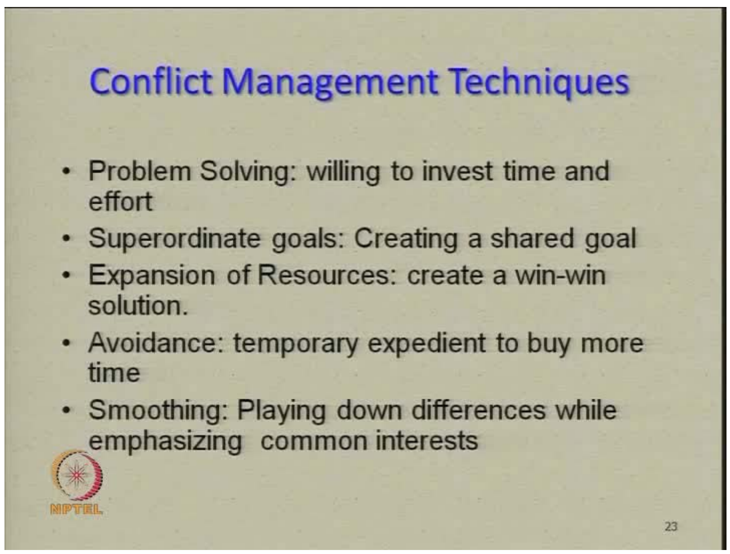

Conflict management techniques

Problem solving: Willing to invest time and effort.

Superordinate goals: Creating a shared goal. When two people are fighting, if you show them what they have in common in terms of the pursuit of the goals, the conflicts go away.

Expansion of resources: Create a win-win solution.

Avoidance: Temporary expedient to buy more time.

Smoothing: Playing down differences while emphasizing common interests.

Techniques which can help smoothen interdependence. When you show them that two organizations have the same superordinate goals, where you can show that there is enough to go around and nothing to fight over, when you practice avoidance or when you practice smoothing.

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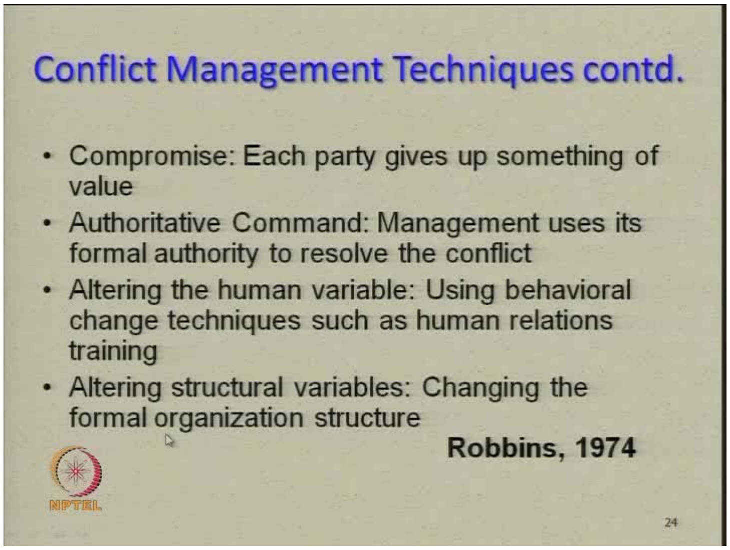

Compromise: Each party gives up something of value.

Authoritative command: Management uses its formal authority to resolve conflict. Altering the human variable: Using behavioral change techniques such as human relations training.

Altering the structural variables: We have discussed this while we were looking at organization structures.

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Negotiation is another way of smoothening inter organizational dependence. Negotiation is an integral part of conflict management. It involves two elements.

Purposeful persuasion: Attempts to persuade the other by factual information and analysis to accept their case.

Constructive compromise: Realization that possibility for the complete acceptance is extremely low. Negotiation can also be a form of bargaining. Distributive bargaining is used when the conflict relates to limited resources.

Then you get into what kind of inter organizational relationships you are having. Is it over resources? Is it over inputs? Is it over man power? These are three different categories and can we think of more and what are the conflicts?

Similarly, on the supply side, very often it happens that there is poaching of personnel. For example: if you are in a travel agency and if you are running a centralized reservation system, then you can take away people from the downstream travel agency. Nobody would really like that; because the skills needed in a travel agency are very similar to the skills needed in a centralized service system.

You will then have to get into distributive bargaining; please do not poach my employee. Integrative bargaining is the preferred type as it resistates openness of information and creates a feeling of trust, win-win and both these are possible.

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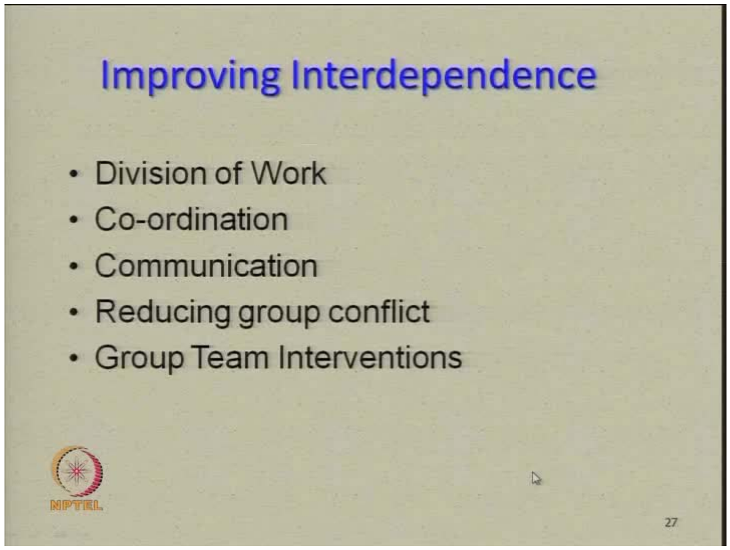

How do you improve interdependence by division of work? Again willy-nilly, in a lot of topics on organization management, you come around to a very simple proposition - greater clarity on job profiles. Just as individuals have job profiles, so also organizations can have job profiles.

Better co-ordination: Information being available where it should be, at the time it should be and the works. We have discussed this before.

Better communication: You have to talk the language the other person understands. If you are not talking the language the other person understands, you are bound to come to grief. You say one thing, the other person understands another; because language has a lot of variation. In south of England you ask somebody - do you have a phone? And he says no, then you would say, what a shame! I wish you had. Here, in a public forum, you want to denounce somebody you say Shame! Shame! Shame! Shame! You would not do that in south of England and both of them claim they are speaking English, what is not English at all. It is some variant of a language which is spoken only in India and understood only in India. So, words have different meanings in different usages in different contexts.

I have good communication.

Reducing group conflicts: How do you reduce group conflicts? Go back to interpersonal techniques. You have transactional analysis, you have guessed old therapy and you have Johari window. Subject them to a common framework of analysis; then group team interventions. That is also very important.

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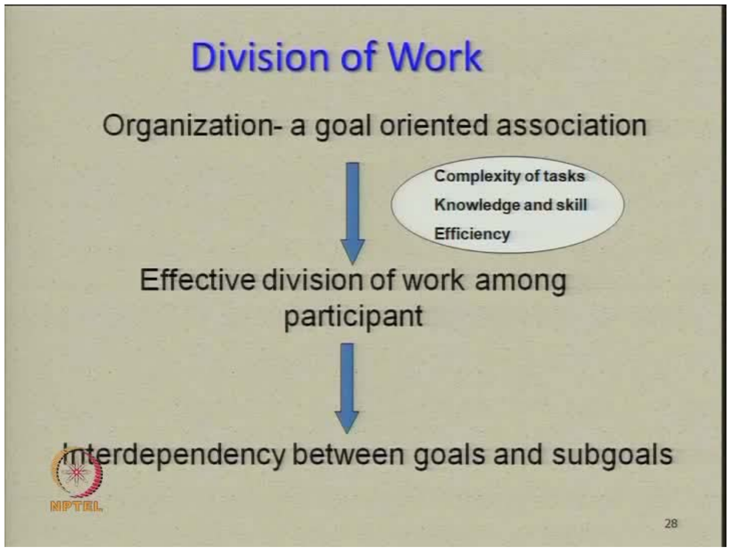

What does division of work mean? Organization is a goal oriented association. It has complexity of tasks, knowledge and skills and efficiency. It can lead to effective division of work among the participants and therefore, interdependency between goals and sub goals.

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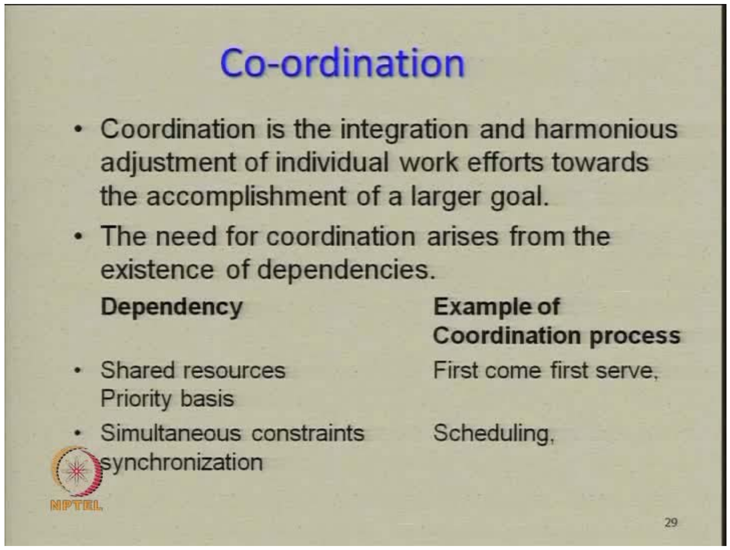

Coordination is the integration and harmonious adjustment of individual work efforts towards the accomplishment of a larger goal. Please get this definition right; because, many people do not understand what is meant by coordination. This is an integration and harmonious adjustment of individual work towards the accomplishment of larger goals.

Adjustment of individual work: one individual and another individual. The need for coordination arises from existence of dependencies. Dependency: example of coordination process, shared resources priority basis - first come first serve; simultaneous constraints synchronization - scheduling. All these are instruments which encourage better coordination and therefore lubricate intergroup relationships.

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Mechanism for coordination which is borrowed from Mintzberg's coordination mechanism is mutual adjustment. You give up something, I will give up something; because conflict is more corrosive than working together. The cost of the conflict may not be worth it. You reduce that to direct supervision and bring them under one command. Standardization of work processes - then you have got nothing to fight over. Was the work done properly?

Standardization of work output - whatever be the deliverables, the deliverables would be clean, complete and reliable.

Standardization of worker skills - very difficult to obtain, but it remains the mechanism for better coordination.

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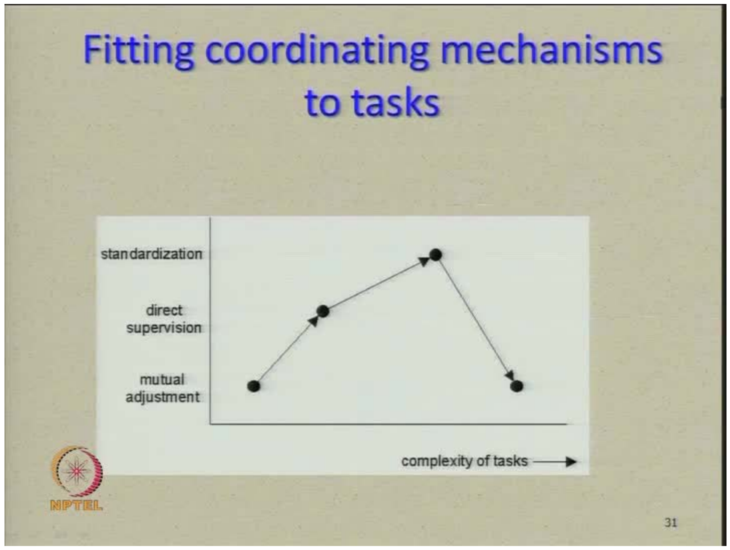

Fitting coordinating mechanism to task - this is very important. This is a relatively objective way of doing it. Standardization, direct supervision, mutual adjustment and as task complexity increases, techniques move from mutual adjustment to direct supervision to standardization and goes back to mutual adjustment.

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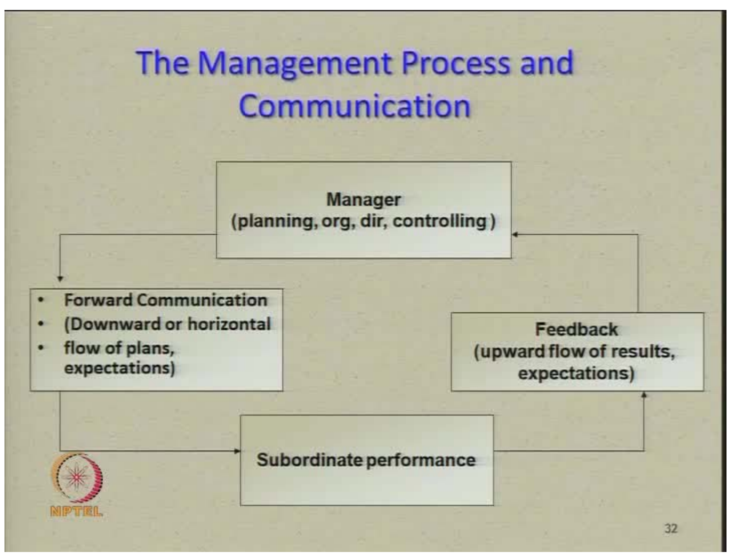

Management process and communication - Manager: planning, organization, directing and controlling - a classical definition of management if you will notice. It leads to forward communication - downward or horizontal flow of plans and expectations.

Feedback - upward flow of results and expectations. Subordinate performance - this chart gives to you how intergroup conflicts can be managed through communication.

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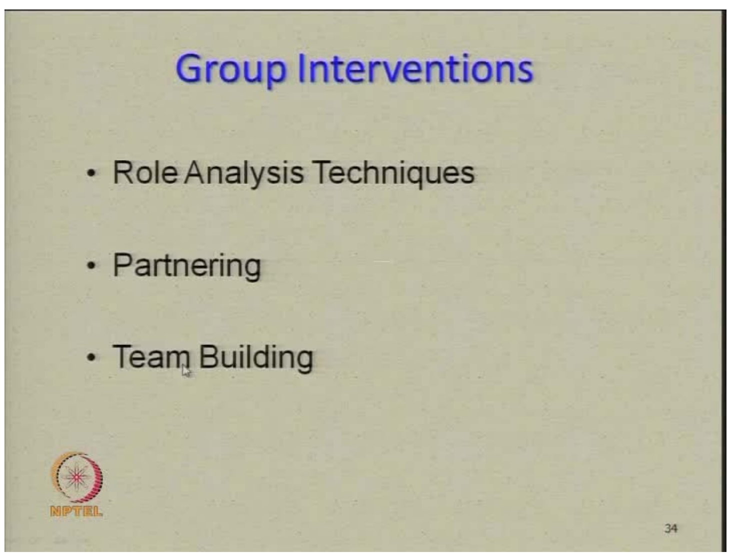

How do you improve communication? It is through trust, listening, feedback and non-verbal cues. Group interventions require role intervention techniques. It is not the place to go to these techniques which are discussed under OD techniques. But what you need to know is - role analysis techniques are used to understand and bring clarity to different roles so that they can integrate with each other. For example: when you undertake an industrial purchase, then people meet across organizations.

The buyer organization therefore sends a sales manager, a production man and a quality control officer. You meet a similar team that comes from the supply side. They negotiate with each other and settle upon the product specifications as desired by the buying organization, to check out whether as provided by the feeder organization it works or it does not work.

Therefore, what are you doing? You have clarified a role analysis of the why send a sales manager, a production man and quality control officer. You can do it by partnering, by saying everything is half - half. You can create a team - a joint team. All these comes under group interventions.

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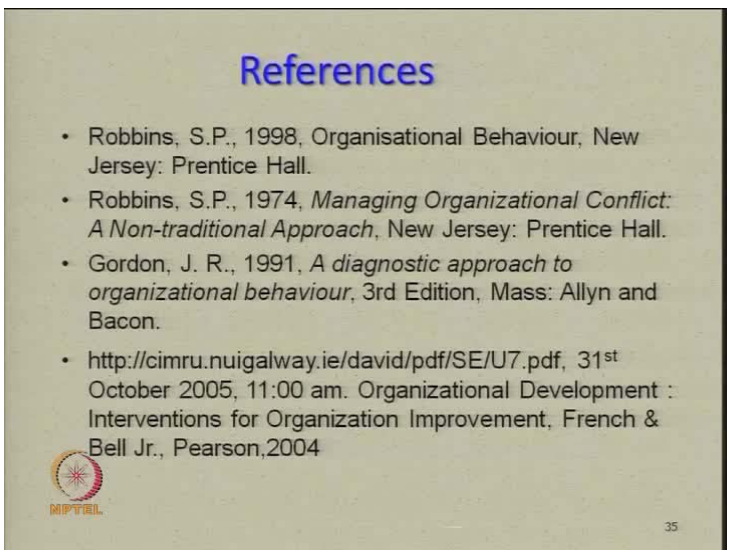

That, in essence, is all about intergroup relationships across organizations.

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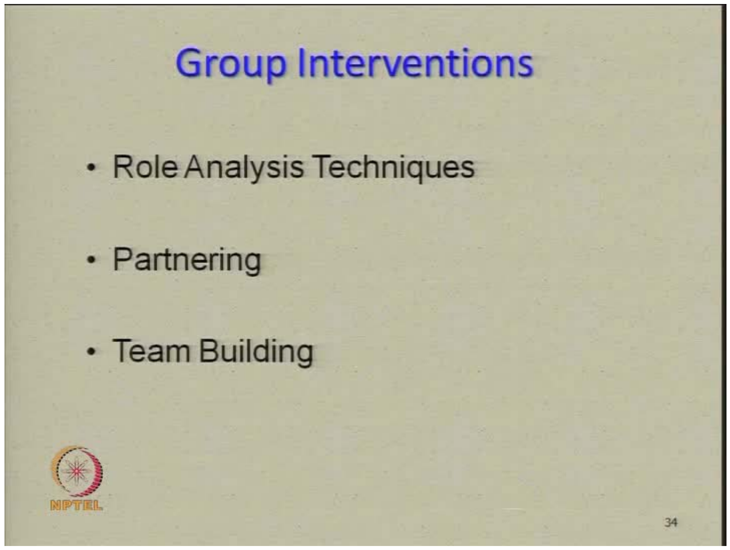

I would like to focus your attention on a few concerns of intergroup coordination and they are the following: Intergroup coordination, intergroup conflict, intergroup relationships, interdependencies which is how we began. Interdependencies upon organizations, which we defined as intergroup relationships; that is the link.

The topic was interdependence of organizations. Organizations will be depending upon each other through groups. If they will be relating through groups, then I walked you through different types of dysfunctionalities amongst groups, different types of functionalities amongst groups and I walked you through different ways through which groups could work together or be made to work together and what would be the techniques of it? But there is a catch - more than one catch.

All the relationships may not be at one-to-one basis. There may be intergroup issues of more than one person - one organization. Some of your equipments may be coming from organization x, some may be coming from y and some may be coming from z and worse.

The supplier may be giving you the equipment, but he is outsourcing the maintenance to another person; because that is the way he works. That is a very complex situation to work out; because unless you know the relationship between the parent supplier organization and his relationship with his other associates, he will never know how to work with them.

In my limited experience of dealing with such situations, I have found that the relationship between the two principal players have been disrupted by the kind of relationship between the supplier and the person who was supposed to provide him maintenance facilities. I have known of corporate entities, especially in terms of domestic appliances having had to wind up; because, a) They did not have the ability to do the maintenance themselves; b) The organizations which they were dealing with did not have the capacity to do the servicing as per specifications.

There are other types of complexities which would happen - the freaks and foibles of franchising. Of course, it is the responsibility of the agency which extends the franchise to ensure that the organization which receives the franchise acts as per the principle of the person who has given the franchise. In real life, this almost never happens; partly because, the person giving the franchise lacks the span of concentration to understand what is happening to each agency to whom they have given the franchise; two - there may be a violation of their contract which will further affect downstream relationship; three - this is the worst of all - the key personalities will change; therefore, the key assumptions of management will change. This happens any number of times with chartareas.

We are no longer interested in India; we are interested in China. What happens to the whole set of people? There may be other relationship. For example - it happened in India with case of IBM.

Mrs. Gandhi asked IBM to pack up. IBM retaliated by saying we pack up; we also pack up our service facilities. Computer Maintenance Corporation was born in that need. Later on, it rechristened itself CMC. Not only that. There would be issues of spares and all the other attendant queries which would arise.

Organizational interdependencies are also a factor of governance principles. The government may look upon the multinational corporation in a particular way; you may be looking upon it in another way.

The assumptions of governance and the time of the signing of the contract may not exist downstream. In the case of the automobile industry, it was noticed that there was a collapse of a major company in terms of what happened with Daewoo.

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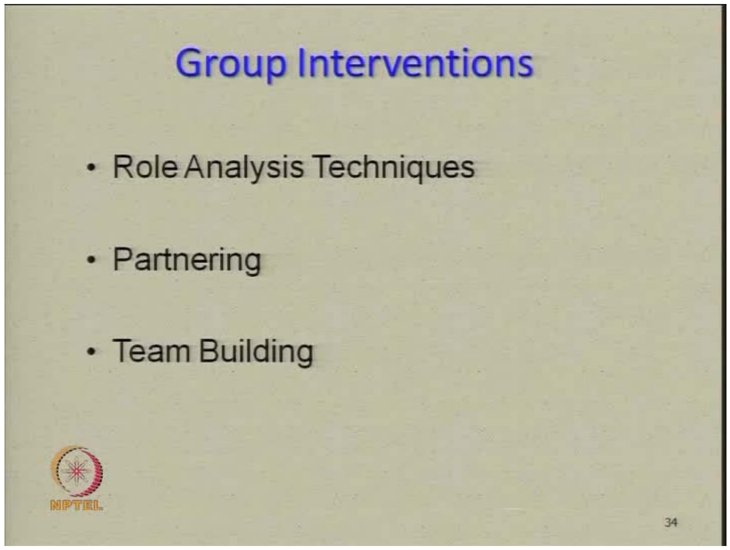

What happened to all the lending institutions? Who would they recover their money from? These cases went on for long. You see - supply chain management is such a simple version of organizational interdependency; if you ask me, that is the easiest to handle.

But, when it comes to lines of credit, when it comes to long term incubations, when it comes to long range payoffs, when it comes to long issues of break evens, the nature of interdependency between organizations may be the doing or the undoing of the organization itself. Not only that. It has to do with exchange rates. There are instances of collaborations manufacturing, where the organization which was supplying the technology was told by the organization which was receiving the technology of creating light commercial vehicle.

You are giving us this technology. If you bring about any technological change, you will pass on to us the next generation of technology. The supplier said yes; but, you will have to pay a royalty for that upgraded technology.

The people who were negotiating did not understand its complexity. More than that, he claimed that the payment will be made in the foreign currency of the country where the parent company was.

The exchange rates fluctuated. The currency of the country where the recipient organization was based, underwent devaluation. So, by implication, the organization where the supplier of the technology was based, underwent an appreciation.

The cost of the car remained the same. The cost of the light commercial vehicle remained the same. Who would bridge this gap? The conclusion was obvious. The organization sank. This was not all.

The organization may sink. What happens to all the vendors who had entered into a service relationship? If there is no car, there is no business. If there is no business, they have entered into a relationship with the recipient organization of the technology which was supposed to be existent for n number of years for them to make their investment pay off - that system collapsed.

Light commercial vehicle got grounded (( )) less than five years. These people had a breakeven point coming after n number years. It became a cascading effect. This is the risk of business. As everyone knows, the risk of the business is very different from the business of risks. These are two different things all together.

Here, of course, we are interested in risks of business. Then the government comes in. And if you look at the current directive guidelines for corporate governance, clause 3.7 directs the public sector undertakings; because that is the only thing they could direct. They could not direct the private sector undertakings to train their independent directors - the nonprofessional directors, the assumption being the professional directors would know and I do not want to comment on that either.

But the mandate is that you must train your independent and government directors on the board into your business model. Not only must you train them on your business model, but you must also train them on the risks of the business model. Holy smoke. Bless me. I do not know it myself. How do I train my directors? Oh then, who made you the CMD? My God father did. He did? Now ask him to run the training program.

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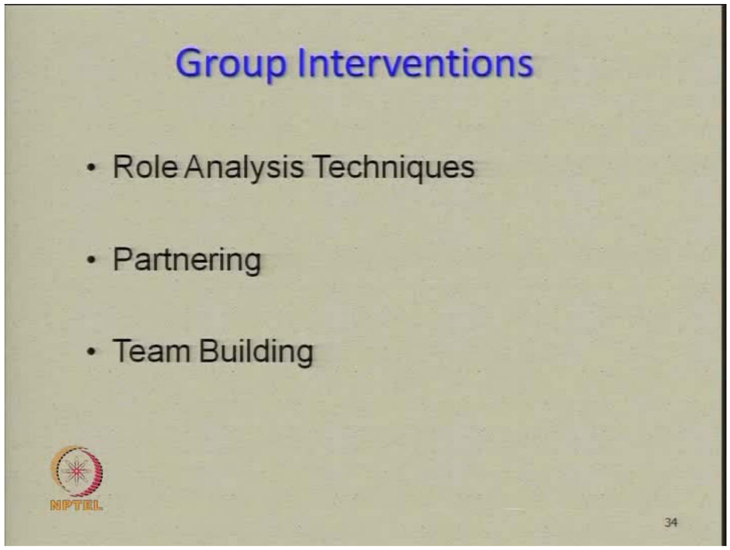

So, jokes apart. Now, there is a feeling that all the directors need to be trained into that. I do not want to get into that kind of a discussion. The discussion which I am trying to generate with you is in the topic of inter organizational relationship. This is not as simple as – you know? Help people to work together, help people be nice to each other and functional conflict dysfunction - that is there of course - of course, it is there. But, that is only one of the umpteen types of complexities which exist in intergroup situations in terms of organizational interdependencies. You might as well write the prescription and say - forget about organizational interdependencies, do away with it.

But you cannot; because if you do, there would be no organization. because, no organization would be - as I told you right at the beginning, an island. Therefore, like much else in management, you have got to begin to understand it, you have got to begin to unscramble it and you have to begin to play it as the ball cups.