UNIT 5

Change management (sometimes abbreviated as **CM**) is a collective term for all approaches to prepare, support, and help individuals, teams, and organizations in making organizational change. The most common change drivers include: technological evolution, process reviews, crisis, and consumer habit changes; pressure from new business entrants, acquisitions, mergers, and organizational restructuring. It includes methods that redirect or redefine the use of resources, business process, budget allocations, or other modes of operation that significantly change a company or organization. Organizational change management (OCM) considers the full organization and what needs to change,[2] while change management may be used solely to refer to how people and teams are affected by such organizational transition. It deals with many different disciplines, from behavioral and social sciences to information technology and business solutions.

Approach

Organizational change management employs a structured approach to ensure that changes are implemented smoothly and successfully to achieve lasting benefits.[

Reasons for change]

Globalization and constant innovation of technology result in a constantly evolving business environment. Phenomena such as social media and mobile adaptability have revolutionized business and the effect of this is an ever-increasing need for change, and therefore change management. The growth in technology also has a secondary effect of increasing the availability and therefore accountability of knowledge. Easily accessible information has resulted in unprecedented scrutiny from stockholders and the media and pressure on management. With the business environment experiencing so much change, organizations must then learn to become comfortable with change as well. Therefore, the ability to manage and adapt to organizational change is an essential ability required in the workplace today. However, major and rapid organizational change is profoundly difficult because the structure, culture, and routines of organizations often reflect a persistent and difficult-to-remove "imprint" of past periods, which are resistant to radical change even as the current environment of the organization changes rapidly]

Due to the growth of technology, modern organizational change is largely motivated by exterior innovations rather than internal factors. When these developments occur, the organizations that adapt quickest create a competitive advantage for themselves, while the companies that refuse to change get left behind.[1] This can result in drastic profit and/or market share losses. Organizational change directly affects all departments and employees. The entire company must learn how to handle changes to the organization. The effectiveness of change management can have a strong positive or negative impact on employee morale.

Change model

There are several models of change management:

John Kotter's 8-Step Process for Leading Change

Dr. John P. Kotter, a pioneer of change management, invented the 8-Step Process for Leading Change

Dr. John P. Kotter, the Konosuke Matsushita Professor of Leadership, Emeritus, at the Harvard Business School, invented the 8-Step Process for Leading Change It consists of eight stages:

- Create a Sense of Urgency
- Build a Guiding Coalition
- Form a Strategic Vision and Initiatives
- Enlist a Volunteer Army
- Enable Action by Removing Barriers
- Generate Short-Term Wins
- Sustain Acceleration
- Institute Change

Change Management Foundation and Model

The Change Management Foundation is shaped like a pyramid with project management managing technical aspects and people implementing change at the base and leadership setting the direction at the top. The Change Management Model consists of four stages:

- Determine Need for Change
- Prepare & Plan for Change
- Implement the Change

  The Plan-Do-Check-Act Cycle, created by W. Edwards Deming, is a management method to improve business method for control and continuous improvement of choosing which changes to implement. When determining which of the latest techniques or innovations to adopt, there are four major factors to be considered: ls, goals, and strategies

- Measurement system
- Sequence of steps
- Implementation and organizational changes

Managing the change process

Change management involves collaboration between all employees, from entry-level to top-management

Although there are many types of organizational changes, the critical aspect is a company's ability to win the buy-in of their organization's employees on the change. Effectively managing organizational change is a four-step process[1]

- Recognizing the changes in the broader business environment
- Developing the necessary adjustments for their company's needs
- Training their employees on the appropriate changes[1]
- Winning the support of the employees with the persuasiveness of the appropriate adjustments

As a multi-disciplinary practice that has evolved as a result of scholarly research, organizational change management should begin with a systematic diagnosis of the current situation in order to determine both the need for change and the capability to change. The objectives, content, and process of change should all be specified as part of a change management plan. Change management processes should include creative marketing to enable communication between changing audiences, as well as deep social understanding about leadership styles and group dynamics. As a visible track on transformation projects, organizational change management aligns groups' expectations, integrates teams, and manages employee training. It makes use of performance metrics, such as financial results, operational efficiency, leadership commitment, communication effectiveness, and the perceived need for change in order to design appropriate strategies, resolve troubled change projects, and avoid change failure

Factors of successful change management

Successful change management is more likely to occur if the following are included:

- Define measurable stakeholder aims and create a business case for their achievement (which should be continuously updated)
- Monitor assumptions, risks, dependencies, costs, return on investment, dis-benefits and cultural issues

- Effective communication that informs various stakeholders of the reasons for the change (why?), the benefits of successful implementation (what is in it for us, and you) as well as the details of the change (when? where? who is involved? how much will it cost? etc.)
- Devise an effective education, training and/or skills upgrading scheme for the organization
- Counter resistance from the employees of companies and align them to overall strategic direction of the organization
- Provide personal counseling (if required) to alleviate any change-related fears
- Monitoring implementation and fine-tuning as and when required[*citation needed*]

Challenges

change management is faced with the fundamental difficulties of integration and navigation, and human factors. Change management must also take into account the human aspect where emotions and how they are handled play a significant role in implementing change successfully.

Integration

Traditionally, organizational development (OD) departments overlooked the role of infrastructure and the possibility of carrying out change through technology. Now, managers almost exclusively focus on the structural and technical components of change Alignment and integration between strategic, social, and technical components requires collaboration between people with different skill-sets.

Navigation

Managing change over time, referred to as navigation, requires continuous adaptation. It requires managing projects over time against a changing context, from interorganizational factors to marketplace volatility. It also requires a balance in bureaucratic organizations between top-down and bottom-up management, ensuring employee empowerment and flexibility.[22]

Human factor

One of the major factors which hinders the change management process is people's natural tendency for inertia. Just as in Newton's first law of motion, people are resistant to change in organizations because it can be uncomfortable. The notion of doing things this way, because 'this is the way we have always done them', can be particularly hard to overcome.Furthermore, in cases where a company has seen declining fortunes, for a manager or executive to view themselves as a key part of the problem can be very humbling. This issue can be exacerbated in countries where "saving face" plays a large role in inter-personal relations.

To assist with this, a number of models have been developed which help identify their readiness for change and then to recommend the steps through which they could move. A common example is ADKAR, an acronym which stands for **A**wareness, **D**esire, **K**nowledge, **A**bility and **R**einforcement. This model was developed by researcher and entrepreneur Jeff Hiatt in 1996 and first published in a white paper entitled *The Perfect Change* in 1999 Hiatt explained that the process of becoming ready for change is sequential, starting from the current level of each individual, and none of the five steps could be avoided: "they cannot be skipped or reordered".

As change management becomes more necessary in the business cycle of organizations, it is beginning to be taught as its own academic discipline at universities. There are a growing number of universities with research units dedicated to the study of organizational change.

How Adaptation Takes Place

According to Jean Piaget's theory, adaptation was one of the important processes guiding cognitive development. The adaptation process itself can occur in two ways: through assimilation and accommodation.1

Assimilation

In assimilation, people take in information from the outside world and convert it to fit in with their existing ideas and concepts. People possess mental categories for information, known as schemas, that are used to understand the world around them.2

When encountering new information, it can sometimes be readily assimilated into an existing schema. Think of this as much as having a mental database. When information fits easily into an existing category, it can be quickly and easily assimilated into the database.

However, this process doesn't always work perfectly, especially during early childhood. One classic example: imagine a very small child is seeing a dog for the first time. The child already knows what a cat is, so when she sees the dog she immediately assumes it is a cat. After all, it fits into her existing schema for cats, since they are both small, furry, and have four legs. Correcting this mistake takes place through the next adaptation process we will explore.

Accommodation

In accommodation, people also accommodate new information by changing their mental representations to fit the new information. When people encounter information that is completely new or that challenges their existing ideas, they often have to form a new schema to accommodate the information or alter their existing mental categories.3

It is much like trying to add information to a computer database, only to find that there is not a pre-existing category that will fit the data. In order to incorporate it into the database, you will have to create a brand new field or change an existing one.

For the child in the previous example that initially thought that a dog was a cat, she might begin to notice key differences between the two animals. One barks while the other meows. One likes to play while the other wants to sleep all day. After a while, she will accommodate the new information by creating a new schema for dogs while at the same time altering her existing schema for cats.

Not surprisingly, the accommodation process tends to be much more difficult than the assimilation process. People are often resistant to changing their schemas, particularly if it involves changing a deeply held belief.

In Conclusion

The adaptation process is a critical part of cognitive development. Through the adaptive processes of assimilation and accommodation, people are able to take in new information, form new ideas or change existing ones, and adopt new behaviors that make them better prepared to deal with the world around them.

Organizational Change

Organizations are not static.

They change continually – sometimes gradually, sometimes quickly.

Some changes are intentional, and some are organic.

Organizational change typically refers to intentional, strategic changes that are initiated by the organization.

These changes can include changes to:

- **Processes** – Such as procedures, standards, operations, and workflows
- **People** – Cultural changes, hierarchical restructuring, and job duties, for instance
- **Strategy** – Including shifts to an organization's missions, aims, and marketplace strategy

There are many different types of organizational change, which can all be modeled differently, depending on who you ask.

Reasons for these changes can include:

- **Growth Opportunities** – New technologies, customer demands, or market shifts, for instance, can compel organizations to initiate new changes
- **Competitive Pressure** – Competitors are another reason that push companies to transform
- **Changes to the Status Quo** – The digital landscape, for example, makes it necessary for every company to adopt new digital technologies and even change their business models

To name a few.

Organizational Development

Organizational development is the study of successful organizational change. During the last century, this discipline emerged as an approach to efficiently manage and guide organizational transformation.

Key concepts of organizational development include:

- **Organizational Climate** – Behavioral patterns, feelings, attitudes, and perceptions of the people within an organization
- **Organizational Culture** – The beliefs, assumptions, and ideas shared by the organization, which shapes and affects the organizational climate
- **Organizational Strategies** – The organization’s mission, purpose, and strategic aims within the context of the marketplace

In practice, these ideas help organizational development professionals systematically lead, manage, and optimize change efforts.

Human resources approach

This approach recognizes that human resources in an organisation are the central force. Their development will contribute to the success of the organisation. Human resources approach provides for the changes in the managerial role. It requires that the managers, instead of controlling the employees, should provide active support to them by treating them as part of the group.

The superiors and managers should practice a style where workers are given the opportunities and encouragement to perform under loose supervision. By treating individuals as mature adults, organisations can increase productivity and at the same time meet the needs of individuals for independence and growth.

2. Contingency Approach:

The approach stresses that there is no single way to manage effectively under all circumstances. The methods of behaviours which work effectively in one situation may fail in another. The organisational structure and the processes of management are governed by the external environment and several aspects of the internal environment. Effective management processes will vary in different situations depending on the individuals and groups in the organisation, the nature of the job and technology, the environment facing the organisation and its structure.

The manager's task therefore, is to identify which method will, in a particular situation, under particular circumstances and at a particular time, best contribute to the attainment of organization's goals. Thus, the manager will have to analyze each situation prior to action and different managerial practices and styles are needed for effective management.

3. Productivity Approach:

ADVERTISEMENTS:

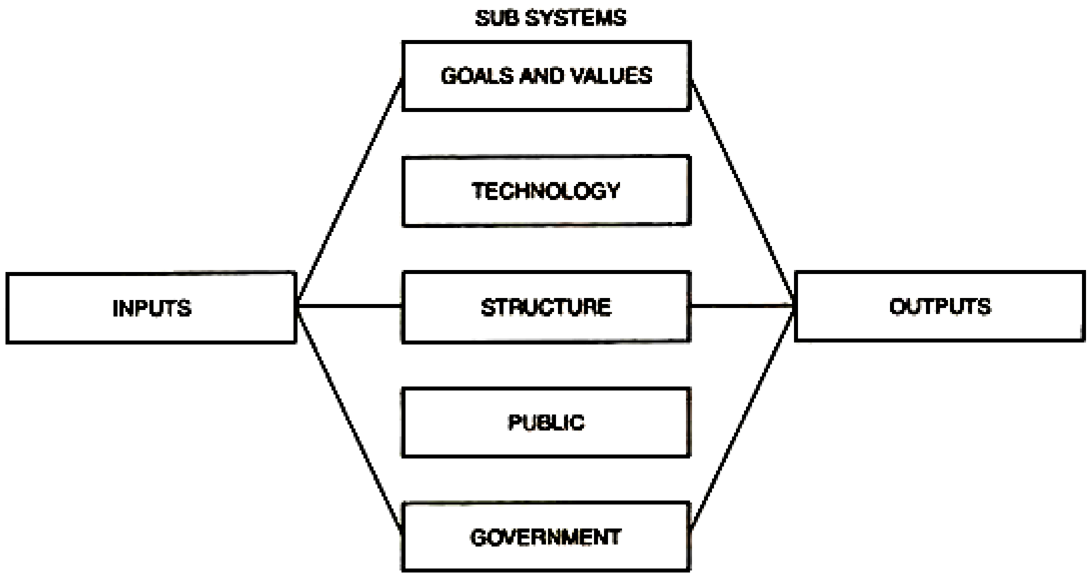
Productivity means the numerical value of the ratio of output to input. Higher the value of this ratio, greater is the efficiency and effectiveness of the management. The traditional concept of productivity was concerned with economic inputs and output only. But nowadays human and social inputs and outputs are equally important. Productivity, a significant part of organisational behaviour decisions, is recognized and discussed extensively. These decisions relate to human, social and economic issues. For example if better organisational behaviour can reduce worker's turnover or the number of absentees, a human output or benefit occurs.

4. System Approach

The systems approach is of the view that an organisation is a powerful system with several subsystems which are highly and closely interconnected. Any action taken to solve the problems in one subsystem will have its effect on the other subsystems as well; since all the parts of the organisation are closely connected. Thus, this approach gives the managers a way of looking at the organisation as a whole, whole group, and the whole social system. Systems approach has become an integral part of modern organisational theory. Organisations are termed as complex systems comprising of interrelated and interlocking systems.

According to this approach, an organisation receives several inputs from its environment such as material, human and financial. These inputs are then processed so as to produce the final output in terms of products or services.

The following figure shows the relationship clearly:



SYSTEMS APPROACH

- ORGANISATIONAL EFFECTIVNESS

Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce.[1] Organizational Effectiveness groups in organizations directly concern themselves with several key areas. They are talent management, leadership development, organization design and structure, design of measurements and scorecards, implementation of change and transformation, deploying smart processes and smart technology to manage the firms' human capital and the formulation of the broader Human Resources agenda. If an organization has practices and programs in the areas above, the OE group does many or all of the following roles

- Examines alignment between the areas and improves them
- Improves trade-offs between reliability, speed and quality in the above areas
- Strategizes for higher adoption rates in these areas
- Facilitates/initiates/catalyses capability building : structure, process and people

Rapid advances in social sciences and technology aided by clever experimentation and observation is bringing several truths to the light of society. There are several disciplines of social sciences that help the OE Practitioner be successful.

Four of them are outlined below

- Decision Making - Ways in which real people make decisions, enabling them real time to make good decisions, improving quality of decisions by leveraging adjacent disciplines (for example- Behavioral economics) and replicating relevant experiments, creating new ones and implementing their results to make organizations effective
- Change & Learning – Ways in which real people learn, change, adopt and align, get “affected” by dynamics in the environment

and leveraging this knowledge to create effective organizations that are pioneers of change and learning

- Group Effectiveness – Ways in which real people work well together, especially in bringing new ideas and innovation, working of people to people protocols, impact of digitization and virtualization in organizations on these protocols
- Self-Organizing & Adaptive Systems– Ways in which self-organizing systems and highly networked systems work, learnings from them and the tangible ways by which they can be put to play to make organizations more effective

The broader idea of organizational effectiveness is applied for non-profit organizations towards making funding decisions. Foundations and other sources of grants and other types of funds are interested in organizational effectiveness of those people who seek funds from the foundations. Foundations always have more requests for funds or funding proposals and treat funding as an investment using the same care as a venture capitalist would in picking a company in which to invest.

According to Richard et al. (2009) organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility.[2]

However, scholars of nonprofit organizational effectiveness acknowledge that the concept has multiple dimensions [3] and multiple definitions.[4] For example, while most nonprofit leaders define organizational effectiveness as 'outcome accountability,' or the extent to which an organization achieves specified levels of progress toward its own goals, a minority of nonprofit leaders define effectiveness as 'overhead minimization,' or the minimization of fundraising and administrative costs. Hence, Organizational effectiveness is typically evaluated within nonprofit organizations using logic models. Logic models are a management tool widely used in the nonprofit sector in program evaluation. Logic models are created for specific programs to link specific, measurable inputs to specific, measurable impacts.[5] Typically, logic models specify how program inputs, such as money and staff time, produce activities and outputs, such as services delivered, which in turn lead to impacts, such as improved beneficiary health.

Quality of Work Life (QWL) Definition, Importance & Overview

Definition: Quality of Work Life (QWL)

Quality of work life is a concept which talks about the overall focus on employee as a person rather than just the work done by him/her. Quality of Work Life is becoming an increasingly popular concept in recent times. It basically talks about the methods in which an organisation can ensure the holistic well-being of an employee instead of just focusing on work-related aspects.

Importance of quality of work life

Quality of work life (QWL) is a fact that an individual's life can't be compartmentalised and any disturbance on the personal front will affect his/her professional life and vice-versa. A good **work life balance** is also what motivates an employee the most to perform well at his or job and also spend quality time with the family. Therefore, organisations have started to focus on the overall development and happiness of the employee for their **motivation** and reducing his/her stress levels without jeopardising the economic health of the company. A good **time management** schedule helps employees balance their work and personal life.

Ways to achieve quality of work life

Each organisation has its own way of achieving this. But the most common elements adopted are shown in the image below:

There are several ways to achieve to quality of work life. The key elements can be described as below:

1. Providing Job Security: If an employee is confident that his job is secure, they are much more relaxed and can perform better. It gives them a confidence that even if something goes wrong by mistake, their job will not be at stake

2. Rewards and recognition: If an employee is awarded for a good performance, its helps them to perform even better. The **leadership** and top management must ensure recognition of the efforts of subordinates. This is an importance aspect of good **governance** as well.

3. Flexible work timings: Flexibility during working hours is something which is appreciated by employees. This gives employees a chance to do their work and also work on certain important personal commitments. This significantly contributes to improving the quality of work life for an employee. Companies also promote a **compressed work week** concept.

4. Increased employee participation: Involving employees in discussions, strategies & feedback is something which helps increase the employees QWL & contribution towards a particular role.

5. Open communication: Transparency between management and employees & effective **team management** gives them confidence as they are updated with the business and also feel at ease being approachable

6. Career growth plans: Discussing the future of the employee in the company, interesting aspects of the job, career development etc are all appreciated by employees

7. Job enrichment: Companies which are able to enrich the job with new tasks, better learning & training, more opportunities etc are more likely to keep employees happy at work.

All these factors contribute in achieving a QWL for an employee

Hence, this concludes the definition of Quality of Work Life (QWL) along with its overview.

Power and Politics in Organizational Life

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There are few business activities more prone to a credibility gap than the way in which executives approach organizational life. A sense of disbelief occurs when managers purport to make decisions in rationalistic terms while most observers and participants know that personalities and politics play a significant if not an overriding role. Where does the error lie? In the theory which insists that decisions should be rationalistic and nonpersonal? Or in the practice which treats business organizations as political structures?

Whatever else organizations may be (problem-solving instruments, sociotechnical systems, reward systems, and so on), they are political structures. This means that organizations operate by distributing authority and setting a stage for the exercise of power. It is no wonder, therefore, that individuals who are highly motivated to secure and use power find a familiar and hospitable environment in business.

At the same time, executives are reluctant to acknowledge the place of power both in individual motivation and in organizational relationships. Somehow, power and politics are dirty words. And in linking these words to the play of personalities in organizations, some managers withdraw into the safety of organizational logics.

As I shall suggest in this article, frank recognition of the importance of personality factors and a sensitive use of the strengths and limitations of people in decisions on power distributions can improve the quality of organizational life.

Political Pyramid

Organizations provide a power base for individuals. From a purely economic standpoint, organizations exist to create a surplus of income over costs by meeting needs in the marketplace. But organizations also are political structures which provide opportunities for people to develop careers and therefore provide platforms for the expression of individual interests and motives. The development of careers, particularly at high managerial and professional levels, depends on accumulation of power as the vehicle for transforming individual interests into activities which influence other people.

Scarcity & competition

A political pyramid exists when people compete for power in an economy of scarcity. In other words, people cannot get the power they want just for the asking. Instead, they have to enter into the decisions on how to distribute authority in a particular formal organization structure. Scarcity of power arises under two sets of conditions:

1. Where individuals gain power in absolute terms at someone else's expense.

2. Where there is a gain comparatively—not literally at someone else's expense—resulting in a relative shift in the distribution of power.

In either case, the psychology of scarcity and comparison takes over. The human being tends to make comparisons as a basis for his sense of self-esteem. He may compare himself with other people and decide that his absolute loss or the shift in proportional shares of authority reflects an attrition in his power base. He may also compare his position relative to others against a personal standard and feel a sense of loss. This tendency to compare is deeply ingrained in people, especially since they experience early in life the effects of comparisons in the family where—in an absolute sense—time and attention, if not love and affection, go to the most dependent member.

Corporate acquisitions and mergers illustrate the effects of both types of comparisons. In the case of one merger, the president of the acquired company resigned rather than accept the relative displacement in rank which occurred when he no longer could act as a chief executive officer. Two vice presidents vied for the position of executive vice president. Because of their conflicting ambitions, the expedient of making them equals drove the competition underground, but not for long. The vice president with the weaker power base soon resigned in the face of his inability to consolidate a workable definition of his responsibilities. His departure resulted in increased power for the remaining vice president and the gradual eliminnation of “rival camps” which had been covertly identified with the main contenders for power.

The fact that organizations are pyramids produces a scarcity of positions the higher one moves in the hierarchy. This scarcity, coupled with inequalities, certainly needs to be recognized. While it may be humane and socially desirable to say that people are different rather than unequal in their potential, nevertheless executive talent is in short supply. The end result should be to move the more able people into the top positions and to accord them the pay, responsibility, and authority to match their potential.

On the other side, the strong desires of equally able people for the few top positions available means that someone will either have to face the realization of unfulfilled ambition or have to shift his interest to another organization.

Constituents & clients

Besides the conditions of scarcity and competition, politics in organizations grows out of the existence of constituencies. A superior may be content himself with shifts in the allocation of resources and consequently power, but he represents subordinates who, for their own reasons, may be unhappy with the changes. These subordinates affirm and support their boss. They can also withdraw affirmation and support, and consequently isolate the superior with all the painful consequences this entails.

While appointments to positions come from above, affirmation of position comes from below. The only difference between party and organizational politics is in the subtlety of the voting procedure. Consider:

- In a large consumer products corporation, one division received almost no capital funds for expansion while another division, which had developed a new marketing approach for products common to both, expanded dramatically. The head of the static division found his power diminished considerably, as reflected in how seriously his subordinates took his efforts at influence (e.g., in programs to increase the profit return from existing volume).

He initiated one program after another with little support from subordinates because he could not make a claim for capital funds. The flow of capital funds in this corporation provided a measure of power gains and losses in both an absolute and a relative sense.

Power & action

Still another factor which heightens the competition for power that is characteristic of all political structures is the incessant need to use whatever power one possesses. Corporations have an implicit “banking” system in power transactions. The initial “capitalization” which makes up an individual’s power base consists of three elements:

1. The quantity of formal authority vested in his position relative to other positions.

2. The authority vested in his expertise and reputation for competence (a factor weighted by how important the expertise is for the growth areas of the corporation as against the historically stable areas of its business).

3. The attractiveness of his personality to others (a combination of respect for him as well as liking, although these two sources of attraction are often in conflict).

This capitalization of power reflects the total esteem with which others regard the individual. By a process which is still not too clear, the individual internalizes all of the sources of power capital in a manner parallel to the way he develops a sense of self-esteem. The individual knows he has power, assesses it realistically, and is willing to risk his personal esteem to influence others.

A critical element here is the risk in the uses of power. The individual must perform *and* get results. If he fails to do either, an attrition occurs in his power base in direct proportion to the doubts other people entertained in their earlier appraisals of him.

What occurs here is an erosion of confidence which ultimately leads the individual to doubt himself and undermines the psychological work which led him in the first place to internalize authority as a prelude to action. (While, as I have suggested, the psychological work that an individual goes through to consolidate his esteem capital is a crucial aspect of power relations, I shall have to reserve careful examination of this problem until a later date. The objective now is to examine from a political framework the problems of organizational life.)

What distinguishes alterations in the authority structure from other types of organizational change is their direct confrontation with the political character of corporate life. Such confrontations are real manipulations of power as compared with the indirect approaches which play on ideologies and attitudes. In the first case, the potency and reality of shifts in authority have an instantaneous effect on what people do, how they interact, and how they think about themselves. In the second case, the shifts in attitude are often based on the willingness of people to respond the way authority figures want them to; ordinarily, however, these shifts in attitude are but temporary expressions of compliance.

One of the most common errors executives make is to confuse compliance with commitment. Compliance is an attitude of acceptance when a directive from an authority figure asks for a change in an individual' position, activities, or ideas. The individual complies or "goes along" usually because he is indifferent to the scope of the directive and the changes it proposes. If compliance occurs out of indifference, then one can predict little difficulty in translating the intent of directives into actual implementation.[2]

Commitment, on the other hand, represents a strong motivation on the part of an individual to adopt or resist the intent of a directive. If the individual commits himself to a change, then he will use his ingenuity to interpret and implement the change in such a way as to assure its success. If he decides to fight or block the change, the individual may act as if he complies but reserve other times and places to negate the effects of directives. For example:

- In one large company, the top management met regularly for purposes of organizational planning. The executives responsible for implementing planning decisions could usually be counted on to carry them out when they had fought hard and openly in the course of reaching such decisions. When they seemed to accept a decision, giving all signs of compliance, the decision usually ended up as a notation in the minutes. Surface compliance occurred most frequently when problems involved loyalties to subordinates.

In one instance, a division head agreed to accept a highly regarded executive from another division to meet a serious manpower shortage in his organization. When the time came to effect the transfer, however, this division general manager refused, with some justification, on the grounds that bringing someone in from outside would demoralize his staff. He used compliance initially to respond to the problem of “family” loyalties to which he felt committed. Needless to say, the existence of these loyalties was the major problem to be faced in carrying out organizational planning.

Compliance as a tactic to avoid changes and commitment as an expression of strong motivation in dealing with organizational problems are in turn related to how individuals define their interests. In the power relations among executives, the so-called areas of common interest are usually reserved for the banalities of human relationships. The more significant areas of attention usually force conflicts of interest, especially competition for power, to the surface.

Interest Conflicts

Organizations demand, on the one hand, cooperative endeavor and commitment to common purposes. The realities of experience in organizations, on the other hand, show that conflicts of interest exist among people who ultimately share a common fate and are supposed to work together. What makes business more political and less ideological and rationalistic is the overriding importance of conflicts of interest.

If an individual (or group) is told that his job scope is reduced in either absolute or proportional terms for *the good of the corporation*, he faces a conflict. Should he acquiesce for the idea of common good or fight in the service of his self-interest? Any rational man will fight (how constructively depends on the absence of neurotic conflicts and on ego strength). His willingness to fight increases as he comes to realize the intangible nature of what people think is good for the organization. And, in point of fact, his willingness may serve the interests of corporate purpose by highlighting issues and stimulating careful thinking before the reaching of final decisions.

Secondary effects

Conflicts of interest in the competition for resources are easily recognized, as for example, in capital budgeting or in allocating money for research and development. But these conflicts can be subjected to bargaining procedures which all parties to the competition validate by their participation.

The secondary effects of bargaining do involve organizational and power issues. However, the fact that these power issues *follow* debate on economic problems rather than *lead* it creates a manifest content which can be objectified much more readily than in areas where the primary considerations are the distributions of authority.

In such cases, which include developing a new formal organization structure, management succession, promotions, corporate mergers, and entry of new executives, the conflicts of interest are severe and direct simply because there are no objective measures of right or wrong courses of action. The critical question which has to be answered in specific actions is: Who gets power and position? This involves particular people with their strengths and weaknesses and a specific historical context in which actions are understood in symbolic as well as rational terms. To illustrate:

- A large corporation, General Motors in fact, inadvertently confirmed what every seasoned executive knows: that coalitions of power to overcome feelings of rivalry and the play of personal ambitions are fragile solutions. The appointment of Edward Cole to the presidency followed by Semon Knudsen's resignation shattered the illusion that the rational processes in business stand apart or even dominate the human emotions and ties that bind men to one another. If any corporation prides itself on rationality, General Motors is it. To have to experience so publicly the inference that major corporate life, particularly at the executive levels, is not so rational after all, can be damaging to the sense of security people get from belief in an idea as it is embodied in a corporate image.

The fact that Knudsen subsequently was discharged from the presidency of Ford (an event I shall discuss later in this article) suggests that personalities and the politics of corporations are less aberrations and more conditions of life in large organizations.

But just as General Motors wants to maintain an image, many executives prefer to ignore what this illustration suggests: that organizations are political structures which feed on the psychology of comparison. To know something about the psychology of comparison takes us into the theory of self-esteem in both its conscious manifestations and its unconscious origins. Besides possibly enlightening us in general and giving a more realistic picture of people and organizations, there are some practical benefits in such knowledge. These benefits include:

- Increased freedom to act more directly; instead of trying to "get around" a problem, one can meet it.
- Greater objectivity about people's strengths and limitations, and, therefore, the ability to use them more honestly as well as effectively.
- More effective planning in organizational design and in distribution of authority; instead of searching for the "one best solution" in organization structure, one accepts a range of alternatives and then gives priority to the personal or emotional concerns that inhibit action.