CHAPTER 1

INTRODUCTION

1.1. Introduction to 7S Framework

The McKinsey 7-S framework developed by McKinsey consultants (Tom Peters and Robert H. Waterman), in early 1980s, with the academic partnership of Richard Pascale and Anthony G. Athos. It presents an importance on human resources, rather than the conventional mass production resources such as capital, infrastructure, and equipment. The 7-Ss are: Structure, Strategy, Systems, Skills, Style, staff and Shared values. This framework assumes significance because it intends that the organisation is more than merely a structure; rather, it is composed of seven interrelated elements: Strategy, structure, systems, staff, shared values, style and skills. The 7 elements are further defined within the framework as either hard or soft. The three hard elements are strategy, structure and systems which are visible and capable of being accomplished. The four soft elements are shared values, skills, staff and style which are much harder to identify and manage because of the tendency to be a part of the culture of an organisation which continuously changes (Recklies, 2001). This was predominantly used a diagnostic tool for evaluating companies. This was often referred to as the Diagnostic Model for
organisational Effectiveness. Though the seven elements of the framework appear to be separate, they are dependent on inter-relationships.

When introduced in the late 1970s, the 7-S framework was a watershed in thinking about organizational effectiveness. Managers were concerned about organization as structure – who reports to whom, who does what etc. Coordination was major issue as organizations grew in size and complexity.

The book “In Search of Excellence”, by former McKinsey consultants Thomas J. Peters and Robert H. Waterman, the 7S framework is illustrated as a group of interrelated factors which will persuade an organization's ability to change. As these factors are maintaining a non hierarchical relationship, it may not be possible for an organization show the progress in one division alone.

Some 30 years later, 7-S remains as an important tool to understand the complexity of organizations. Ideas of what is correct and required (in corporate and/or individual behaviour) that are typical of the organization and general to most of its members. The concept of modern organization is different from old concept of a simple structure.

The elements of the 7-S structure classified into hard and soft elements with their definitions are shown in the table below:
### Table 1.1 McKinsey’s 7s framework

<table>
<thead>
<tr>
<th>Elements</th>
<th>Definition</th>
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<tr>
<td><strong>The Hard S factors</strong></td>
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<tr>
<td>Strategy</td>
<td>Actions that an organization plans in response to or against anticipated changes in its external environment</td>
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<tr>
<td>Structure</td>
<td>Co-ordination influenced mainly by strategy and by organisation size and diversity which is the basis for specialisation</td>
</tr>
<tr>
<td>Systems</td>
<td>Formal and informal methods that support the implementation of strategy and structure</td>
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<tr>
<td><strong>The Soft S factors</strong></td>
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<tr>
<td>Style / Culture</td>
<td>The dominant values and beliefs and norms which develop and become relatively sustainable features of organisational life, mainly among leaders and managers.</td>
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<tr>
<td>Staff</td>
<td>The people / human resource management processes used to develop managers, ways of shaping basic values of management, socialisation processes, ways of recruiting to the company, ways of career development of employees.</td>
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<tr>
<td>Skills</td>
<td>Distinctive capabilities – what the company does best, ways of developing or shifting competencies</td>
</tr>
<tr>
<td>Shared values / Superordinate goals</td>
<td>Guiding concepts- usually stated at abstract level- fundamental ideas around which a business is built – simple, most meaningful inside the organisation; May not be apparently visible to outsiders.</td>
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The increase in internal and external competition, the frequent change in demographics, and the interdependence of global economies in the 1990s are factors leading to a transformation in the way companies compete. To meet these new environmental requirements, firms are employing flexible resources. Employing flexible resources increases the competitive advantage and sustainable in the long run. (Parthasarthy & Sethi, 1992). Numerous books and articles have appeared discussing dramatic changes in organizational structure and design. Handy (1989) was the first to speak of a super Organisational form with his introduction of the 'shamrock organization', in which the core employees of the coordinating firm, external contractors, and the firm's part-time staffers were to be construed as the three petals of a shamrock leaf. Reich (1991) described the concept of the global firm as a 'strategic broker', buying or contracting for physical resources or capabilities on an as-needed basis.

Davidow and Malone's book (1992) provides evidence that firms increasingly are looking to de-integrate their activities. Other authors have focused on the breakdown of hierarchical methods of organization and have introduced their own metaphors—starburst organizations, cluster organizations, network organizations.

A study is conducted with Kerala State Electricity Board (KSEB) which is the major supplier of power in Kerala State. It was enjoying monopoly as the power supply was the unique function of the KSEB. No private players were allowed in this sector except few like Trichur Corporation, Kannan Devan Hill Development, Munnar etc. The recent initiatives of union Govt. by enacting Bill 2003, to un-bundle the electric utilities of states to various corporations and to allow open and free access to private/other players in distribution sector is a challenging step towards bringing in competition and development in the power sector of the country. The contribution of power sector to the overall economic
growth and GDP of the country endorses this view for essential reforms to take place in power sector. So change is an imperative in order to compete with the private players in this sector.

The researcher interviewed senior managers, consumers and suppliers. They expressed a number of common issues which are consistent with findings in the Task Forces’ Reports, Organizational Self Assessment Analysis and the Organizational Culture Survey done earlier in the organization.

The following issues were frequently expressed during the interaction:

- KSEB has an outstanding workforce
- There is no strategic plan – no holistic plan
- KSEB is managed by activities and events – chaos
- There is no Apex of leadership for a change process
- The role of the Board and role of Senior Management is not clear particularly at the point where corporate policy and corporate management intersect.
- There are a number of forces on the organizational culture that are creating conditions that will not support real change and reform.
- There is no shared vision for KSEB

1.2. Interview Analysis

Managers view of most likely changes:

- Power utilities will probably not be under government control.
- A complete development plan, a more autonomous organization and a “company look”.
• Nearly all believe that substantial structural change will occur and in the short term, it will be along the line suggested in the Power Policy.
• The change is being driven by a set of global forces that will prevail.
• The structural change will be paralleled with changes in the KSEB’s organizational culture, transfers and postings, and accountability.
• Strategic planning and management will begin to guide the process.
• A few managers look ahead to a ten year horizon and believe that the structures and organizational cultures will be considerably different that suggested in Power Policy.
• If strong positive leadership does not guide the process it could lead to chaos and further undermine KSEB performance.

In general the managers believe that KSEB structural reform is strongly driven by global forces and it will occur. The vision of most managers is similar to the one presented in the Power Policy.

1.2.1. Manager’s role:

The general profile of Board member and Senior Manager (Executive Engineers and above) role profile indicates that approximately 50% of the time is spend on administrative/operational activities and the remaining 50% split between dealing with the impact of the external and future direction.
Table 1.2 Time Utilization by Managers

<table>
<thead>
<tr>
<th>Administration / operational</th>
<th>Outward/environment</th>
<th>Outward/Future</th>
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<tr>
<td>20</td>
<td>80</td>
<td>20</td>
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<tr>
<td>5</td>
<td>10</td>
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<td>40</td>
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<td>70</td>
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<td><strong>40</strong></td>
<td><strong>30</strong></td>
<td><strong>30</strong></td>
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</tbody>
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1.2.2. Barriers to Change

Few barriers to changes in KSEB are identified as below

- Ignorance about global change
- Acute shortage of trained people with creativity in leadership to lead changes
- Promotion policy
- Bureaucratic culture cannot pull the organization ahead – procedural and decision making delays and political influences
- Employees are ready to change but are waiting for the signal (leadership)
- Conflicting interests
- Some trade unions and officers associations
- A general resistance to change
- Finance for implementation
• Lack of realistic data and performance information
• Lack of commitment – top to bottom
• The Reform Process does not have effective leadership from the top
• There is no presentation of a global/holistic view or vision
• There is no clear implementation process
• Lack of leadership – “groping in the dark”
• Mind set – resistance to change
• Throughout KSEB there is a lack of understanding of the business process
• KSEB has not kept abreast of new technology in all areas of its business
• The communication process is not effective

The lack of a vision and leadership and the ineffectiveness of a corporate communication process have contributed to fear of unknown and resistance to reform by individuals, unions and associations.

1.3. Organizational Culture Change

Few opinions that have come out during preliminary review of study conducted in KSEB by various organizations in different contexts like Energy Infrastructure Services Project (EISP) etc, on the needs/shortfalls for KSEB are as follows:
• Flatter organization
• More openness, honesty, and freedom to express opinions
• Increasing employee participation in decision making
• Decreasing sense of ownership and self-esteem
• Decline in values and ethics
• No risk taking behavior
• Improve the disdainful employee behavior in dealing with customers and the Public.
• Employees need to have a greater sense of ownership
• Corruption is a problem throughout the organization and it should be dealt with at a corporate level
• Many employees, the unions and associations have vested political interests that result in detrimental effects on KSEB
• Conditions and approaches cause low employee motivation at all levels
• There is a strong belief that KSEB practices do not support the idea of “getting the right person in the right job”
• Communications are not effective and often not transparent. This leads to gossip, speculation and apprehension among the employees
• The promotion system is not competency based
• “Rule of stick” – encourages people to hide mistakes, discourages learning and creativity.
• The process of senior management (chief engineers) promotion often results in senior managers and leaders being more preoccupied with pension and retirement concerns than the future direction of KSEB
• The senior managers consistently identified an overall organizational culture that will not support and effect reform process

1.3.1. Governance

The corporate governance issues related to KSEB are listed as below

• Too many operational issues at the Board
• Government procedures and regulations inhibit flexibility
• “A group activity” – no one person is responsible and accountable
• The Board has lost autonomy and independence
• The present system encourages passing the buck
• The board is not strategic or accountable
• The board does not have an overall strategic planning process.
• The overall organizational control process is driven by events and activities
• Individuals, unions, politicians all use tactics to influence Board decisions
• The present Board structure could work if left alone

The mandate and structure of the Board do not support a role which includes proactive leadership, strategic thinking, and the development of an organizational culture that will support the broad vision of the Power Policy.

1.4. KSEB Strengths

Much strength are identified in KSEB as an organization
• Employees, employees, employees
• A highly experienced, competent, quality workforce
• The Hydel resources available to KSEB
• A critical public – a public that cares
• Cooperative trade unions and associations in general
• Low cost power
• KSEB’s credit worthiness

KSEB has excellent development opportunities through effective and efficient utilization of a high quality workforce, good hydel potential, and its financial credit rating.
1.5. Other issues affect the Reform Process

Enlisted the issues that are having direct relationship with reform process in the organization

- A pervasive attitude the Board is not going to change
- The need for a different promotion criteria – that is based on specialized expertise
- The issues of corruption and accountability have to be addressed
- There is an underlying fear that the real goal of reform is privatization
- The reform process is too slow
- There is no long term vision and communication about the future evolution of KSEB
- KSEB is not a professionally managed organization and there is not central leadership

Leadership, communications and issues around organizational culture quickly come to the surface when the managers think about the reform process.

The exploratory study raised suspicion on the inclusion of every factor in the 7-S framework in the study. So, the researcher further did a content validity using 8 Senior Executives Managers (Executive side officers of and above the category of Executive Engineers and above) in KSEB. The Executives verified the 7S factors such as structure, strategy, skills, systems, leadership styles, staff, shared values and their definitions used for the factors of 7s model. They are also made aware of the description on structure, system, strategy, skill, styles, staff and shared values given in Table.1.
The McKinsey 7-S Framework is an implementation construct that identifies factors that significantly contribute to organizational effectiveness. The seven factors include structure of the organisation, strategic considerations guiding the management and operation of the organisation, systems embedded in the organisation, style of management and operation of the organisation, staffing of the organisation, skills, set of the personnel in the organisation and the shared values otherwise called as super ordinate goals that ground the business considerations and management of the organisation (Waterman, Peters & Phillips, 1980). Table.1 provides a brief description of these factors adapted from the Waterman, Peters, and Phillips original definitions. The application of the model used in companies can be implemented in organizations at all levels. Every level should be treated as a company or a department despite some differences. The number of subjects with various levels, the management hierarchy, the share of public and private sector in the organization’s management and other factors are different and more complex.

Strategy being one of the latest concepts of Management science, its firm wide application is yet to mature with respect to its application in approaches, models and processes in an organization. Mainly there were two perspectives of strategy application as per management science. First one is Mechanistic perspective and the second is organist perspective. Organizational performance is strongly related to both strategy formulation and its implementation. Earlier more thrust was given to procedure of formulating the strategy, but later it is considered to be a part of organizational planning considering the strategy implementation giving importance to environment that organization is supposed to operate and the requirement of organizational growth.

One way to retain competitive advantage is to initiate strategies to widen the capability to capture control of behavior in the organization strategically, which
is very much critical to a firm’s expansion and success. In a competitive business environment a proactive approach will be always advisable, whereas the firm’s competitors have to come with a response to your strategy which obviously would be reactive in nature. Such organizations who are acting pro actively could achieve a strategic control and shape their own destiny. More the gain that a firm gets, greater will be the position in the market and it is difficult for competitors to remove; it will be sustainable and therefore more effective.

Cyert and March (1963: 21), put forward Two questions regarding processing of information and view biases in organization. Also the effect of structure and strategy to organizational performance were discussed all time in management in Strategy literature e (Rumelt, 1991) do not discuss these also.

Raisch and Birkinshaw (2008: 380) research on organizational ambidexterity in R&D organization along with the research by Argyres and Silverman (2004) show the effect technological improvement by a multidivisional firm. Organizational design while studying the structure, environment and outcomes in modern organizations are a usual practice and not a history. (Daft and Lewin, 1993; Zenger and Hesterly, 1997; Foss, 2003).

Although each business employs its own distinctive strategy, strategic group assessments discover clusters of businesses employing a common strategy. Strategic groups are comprised of businesses in a given industry that seek to perform similar competitive strategies. Comparing outcomes between and among groups can assist to elucidate the strategic characteristics linked with high performance in a given industry without thrust on a single business unit.
Strategies could be business strategy or competitive strategy. Strategies are formed to attain competitive advantage. There were two frameworks developed with respect to strategy. First one by Miles and Snow’s (1978, 1988) framework addresses the entrepreneurial problem in an organization. They found four types of approaches like prospectors who will look for locating and exploiting new product and market whereas defenders look only for stable set of products and customers. Strategy processes are related to behaviour within organizations and substantial proof is there to give importance to manage the external environment and its stakeholders (Meier and O’Toole, 2001, 2003).

Third approach is to occupy a middle way approach to Prospectors and Defenders, where appropriate mix will be considered as their strategy among stable product and new market. Forth type is reactor who is not having specific response to entrepreneurial problem. Porter (1980) described strategy as the How one is building competitive strategy and how they explore the market. Walker and Ruekert (1987) modified the Defenders to Differentiated defenders and low cost defenders. The concept of equi-finality (e.g., Hrebiniak and Joyce 1985), it is evolved that no significant difference persists among for strategies above.

If Public organizations are able to adopt prospector strategy, it can be considered as outward looking who wishes to cash new market opportunities and emerging trends. But it is sure that organization took a prospective approach will achieve high level of performance. (Evans and Green, 2000; Woodside, Sullivan, Trappey, 1999). Defenders are generally traditional in their outlook and late adopters of innovation. Evidence from public organizations indicates that they give very little attention on organizational performance. Reactors, unlike prospectors and defenders, always follow a procrastination technique and they wait for environmental pressures either by
regulators or legislatures, to change their strategy. Intra organization performance and Inter organizational performance shall be the main criteria that public organizations must adopt to put a benchmark on performance and to sustain.

The idea of competitive advantage as described by Porter is the essence of competitive strategy. Evolving from his discussion organizations are generally using three competitive strategies, which they are utilizing to gain competitive advantage. Primarily organizations employ strategies to enhance innovation, quality and cost control which in turn improves organizational performance. Competitive strategies could be new types envisaged to apply to the whole business unit or even part of the firm. There are plants or functional areas adhering two or more competitive strategies simultaneously, are also possible based on the nature of business, process and environment.

More importantly, employees must have a suitable behavior connected to organizational performance. This rationale provides a basis for predicting studying, refinement and modification of both strategy and performance in specific conditions. The rationale developed is based on what is required from employees apart from the specific technical skills, knowledge and abilities (SKAs) helping in performing a definite task. Rather than thinking about task-specific SKAs, it is best to think about what is needed from an employee who works in team with other employees in a social environment. These needed employee behaviours are actually thought of as needed role behaviours. The significance of roles and their potential dysfunction in organizations, particularly role mismatch and ambiguity, is well documented (Schuler, & Jackson, 1987).
Standard indicators are used for describing the organizational performance, such as growth, profit, survival etc. Long term and dynamic organizational effectiveness can be considered as performance and effective use of resources would be one of the indicators for the same. Hence with regard to strategy implementation organic approach seems to be more dynamic compared to mechanistic approach. Strategy implementation is equally important to that of strategy formulation and it can be considered as practical application of theoretical models, which may contain several kinds of innovative models (Stabryla 2002). In an organization it is an incessant process that of diagnosis, strategy formulation, motivation, strategy application and feedback. (Banaszyk, Urbanowska-Sojkin, Witczak 2004). Implementation mechanisms that are associated with operations of the organization consist of explanation of operating process, improvement in structure, human capital management, creating reputation, etc. Implementation of strategy and motivating actions for human resources of a business unit/firm is to be planned, executed and controlled by the implementers i.e. the Leadership of the organization.

Organization structure is the basics of the relationships within an organization and it is the point of reference for top management while formulating the strategy. Strategy and structure to be properly aligned and structure actually follows the strategy in all successful organization. The several dimensions of organization structure discussed below are formalization, Standardization, Specialization, Centralization, flexibility and complexity of work flow. These six dimensions were projected by Pugh et al., (1968) in their research work titled “Dimensions of Organization Structure”.

The ideas within the organization are originated from a properly aligned strategy and structure exists and it decides the shape and size of the organization.. The critical goal of transform today is to instil the ability and the
will to improve organisational performance, which is possible by an proper structure built in. Structure not only moulds organisational performance, but plays a more energetic role in successful implementation of organisational strategies. An organisation’s structure helps to set up balance between the management and the employees and facilitates operation of the strategies that contribute to the organisational goals. Structure is the most significant factor which can be customized to impact organisational change and performance. By exploring the relationship between organisational structure and ability to change and organisational performance, it is vital to exercise better control on factors which restrain organisational ability to change and performance.

Changes in organizations always aims achieving better performance by bringing in changes in their strategy and structure.(Wayne, 2002; Cameron, 1996). Organizational structure may alone aligned with strategy may not be sufficient enough to ensure successful implementation of strategies, but many other factors like functional division, units and individuals are also involved in achieving the organizational effectiveness (Toffler, 1990; Denison, 2000; Feghhi Farahmand, 2000). Also the actions of such constituents are major deciding factor of effective implementation strategy. Therefore, a change strategy must be followed with some change in organizational structure for its effective implementation. (Shertzer, 2002; Ditcher, 1997; Feghhi Farahmand, 2000). People in the organization are assigned with specific tasks and certain structure is essential for execution of these activities by relating people to tasks as follows: (Denison, 2000; Drucker, 1974):

1) Management holds the right to distribute their decisions by assigning authority levels.
2) Grouping the tasks in an organization and divide labour among various groups.
Managers who make strategy effective can be termed as strategic Managers and they do design of organization rightly. (Fiedler, 1984; Feghhi Farahmand, 2005). There are chances of losing control over the strategy in a tall organization where hierarchy is too long and chain of control is lengthy. (Salvendy, 1992; Feghhi Farahmand, 2005).

It is necessary for organization to make the structure and control system for company strategy fit for effective implementation. (Fiedler, 1996; Bertalanffy, 1963; Duncan, 1999). The basic tool of strategy execution is organizational design (Perrow, 2000; Feghhi Farahmand, 2000). Companies who have to survive in competitive environments it has to align the structure and control system with business level strategies. (Howard, 1990). Organizations that are not willing to modify their structure to follow the strategy may not be able to succeed and thus structure, strategy and performance are closely knit. (Holland, 1973). During the mergers and acquisitions also the Structure and control system are very important and a proper design of the resultant or merged company to be made so as it is applicable to collection of organizations. (Boudreau, 1993).

Active & dynamic management (Morgan, 1994; Feghhi Farahmand, 2002) states the positioning of an organization by active and Dynamic management where as its anticipation of situational changes and preparedness to meet the unexpected challenges also quite important. (Fiedler, 1996; Feghhi Farahmand, 2002). Optimizing organizational objectives by active and dynamic management is a future oriented strategy. (Bertalanffy, 1963; Feghhi Farahmand, 2002). Thus, active & dynamic plan for administration is otherwise leading better managerial decisions, organizational awareness and is considered to be the game plan.
Determining the duty of company that contains expansive statements about its rationale, philosophy and goals, bringing in a company profile that reflects inside conditions and abilities, appraisal of the company internal environment, analysis of possible ways expose in the similar company profile with the external current industrial organization (Crithley, 1996; Robbins, 1990). All strategic business leaders of a successful organizations mainly concentrate on product, market and technological area that primary customer is looking for . . . (Robbins, 1990; Feghhi Farahmand, 2003). Based on available resources the performance capabilities of an organization can be analyzed. (Krom & Gvay, 1987; Salvendy, 1992). Analysis of business profile of a firm is nothing but the quantity and quality of resources that is deployed for business that of financial, human and other types. The success of any firm is to identify the current capabilities and look for capabilities of the business (Giueck, 1997; Feghhi Farahmand, 2004).

Managers at the corporate level are most worried with overall and abstract measures of organizational performance (Adizes, 1998; Feghhi Farahmand, 2002). Truly, the aim is to choose performance standards (Drucker, 1974) that gauge overall corporate performance. These measures should be coupled as closely as possible to the work activities desirable to meet strategic objectives at each level. Selecting the suitable standards for evaluation of performance in organization will be one of the important decisions that strategic leaders can make because these standards establish what the company should be doing that is its strategic mission. Because so many different kinds of standards are available, assessments of a company's performance can vary according to the factor selected (Larry, 1992; Feghhi Farahmand, 2005).

It is manifestly clear that standards and criteria are not always consistent and may be in compatible that is pursuing one type of standard may stop a company
from achieving another. The measures chosen to evaluate performance may depend on whose interests are at stake (Blake & Mouton, 1990).

Since the organization is a group of individual, functional units, divisions and the performance of an individual is summed up to reflect the total performance of the division those individual belongs to and all department performance will contribute to overall organizational performance. (Porter, 1962; Koelbel, et al, 2001; Feghhi Farahmand, 2003). Hence organization improvement can be considered as personal performance improvement and providing suitable structure of organization to optimize individual contribution would be of the challenge for business heads.

A number of experimental studies have examined the effects of organization structure upon group behavior and performance. Some researchers have studied the effects of structures which develop spontaneously from the social interaction of group members, while others have studied the effects of externally imposed Structures. This study is concerned with imposed structures or formal organizations similar to those used in industrial enterprises.

The most relevant experiments for this study are those dealing with communication structures. The theoretical and empirical work of Bavelas (1948) and Leavitt (1951) on communication nets was a significant breakthrough and has served as a basis for continuing efforts in small-group research. From his experiments with four different communication nets imposed on five-man groups, Leavitt (1951) found that a "wheel" pattern, in which one group member was placed in the most central position, took less time to complete tasks than a "circle" pattern, in which each member of the group was in a position equal with every other member of the group. Leavitt used relatively
simple problems, in which group members were required to identify a symbol held in common by all members of the group.

There have been several refinements of the Leavitt experiment. In one study, Guetzkow and Simon (1955) replicated Leavitt's work with the wheel and circle nets, but also tested the effects of an "ail-channel" pattern. In their experiments, Guetzkow and Simon made a basic distinction between the effects of communication restrictions upon task performance and the efforts of the groups to organize themselves for such performance. They hypothesized that communication restrictions would have no direct effect upon the efficiency with which the task was performed, except indirectly by "influencing the ability of the members to organize themselves for optimum performance in their line operation."

Leadership styles have developed throughout the years and have altered in accordance to the demands of the time. During the late 1970s, the method of leadership was one who is paying attention on directly supervising all operations including tight monitoring of instruction (Hart, 2006). The present day business environment gives more importance to technology, knowledge and data, especially in a global business environment (Marion, McKelvey, & Uhl-Bien, 2007). It is the ability of leaders to optimally manage their resources viz. social, physical, and technological assets, to remain competitive. Updating of technology will always force the organizations to adapt and adopt with the help of their customers and associates (Boban, Pozgaj, & Sertic, 2007). Customer needs and market conditions will be changing day to day and it is imperative for the managers to keep their information system and knowledge bank up to date and systematic, which will obviously satisfy the customer needs (Boban et al., 2007). Thus, organizational leaders shall be aware of the trends in the market and upcoming technologies, adapt new product / process after
comparing their current systems to remain competitive in the market. Thus it is necessary for organizations to invest time and resources for new developments or changes.

Researchers have brought out the requirement of having dynamic organizational leadership, especially in global and complex context that it faces in business arena. Sustaining the competitiveness on permanent basis would of greatest importance and firm’s ability to manage the change is very much essential to retain the sustainable competitive advantage. West and Tse (1998). The idea of leadership has been conceived at micro level and the leadership must be able to set policies or guidelines suitable for management to understand and capitalize the leadership capabilities at functional level. Hence functional level effective model may be extended to the entire organization with due alterations from industry to industry. In the context of how organizations aim to achieve leadership in a given business arena, Olsen et al (1998) define leadership as the “process that ensures that the organization is constantly moving onward through the continuous assessment of its business environment, looking for new opportunities to lead the industry”. Hence leadership is not static, but a constantly changing process with great alertness in observing internal and external environments and to modify the structure, strategy etc of organization, as is termed as competitive methods that leaders adopt.

Leadership while considered as a process having functions like setting goals, mission to achieve goal, motivating subordinate, ensuring team work etc., it needs the leadership to constantly monitor the above and accordingly, known as leadership behavior. Avolio & Bass proposed a "Full-Range Leadership Theory" (FRLT) ascribing three types of leadership behavior/approaches: transactional, transformational and non-transactional (laissez-faire) leadership. Leadership approach can be considered as a pattern of a set of specific behavior
that a leader exhibits in diverse leadership functions. Accordingly it is possible to differentiate numerous different leadership styles across business arena.

Transactional leadership (constructive) is a leadership style in which a leader organizes and announces predetermined thresholds for acceptable and unacceptable performance standards. Subordinates of these leaders understand at which levels rewards and punishments happen (Schermerhorn, Hunt, & Osborn, 2000). In the contrary to constructive transactional leadership, corrective transactional leadership sets standards devoid of announcing them. These transactional leaders take action when either the upper or lower threshold is breached (Pittenger, 2001). A transformational leader is recognized as being an individual who acts in a way that revitalizes and transforms the world of organizations (Bass, 1985; Greenberg, 2002).

Charisma, intellectual stimulation and individualized consideration are the three dimensions of transformational leadership and the transactional leadership has got only two dimensions management by exception and contingent reward (Bass, 1985; Koene, Vogelaar, & Soeters, 2002). An ideal leadership style of managers looks for climate that helps to achieve organizational effectiveness. Leadership is not just an action but it is a living style which motivates, empowers and organizes people to accomplish objectives of organization, upholding the ethical values of the organization.

Leaders with leadership qualities such as adaptableness, awareness, flexibility will take up the responsibility of a success organization taking care of the customers, competition and change. According to Raman, (2000), Leaders are those who can imbibe customer focus among the employees and must build star performers and teams. Attracting new talents to organization, creating sense of
ownership and emotional commitment to organization are basics to the above. Mc Call (1998) points out that the leaders are just borne within organization even without training by virtue of the roles they take up in the organization. Sarkar (1996) says that when new leaders take up position more appreciation is there in terms of the relationship.

One of the original theories of leadership concerning the characteristics that contribute to the composition of visionary leaders is the trait approach (Yukl, 2002). "This approach emphasizes attributes of leaders such as personality, motives, values, and skills. Natural leaders would exhibit specific characteristics which others may not have. (Yukl, 2002, pp. 11-12). Trait approach was the first theory developed on factors that comprise leaders; many individuals still think its validity to be superior to subsequent theories bearing in mind its shortcomings. As scholars introduced new leadership approaches, less credibility was given to the trait approach. To many, the trait approach seemed preconceived and limiting to the efforts of leaders less governing in nature. One advantage of the trait approach is that potential leaders can be chosen because of their qualities instead of subject-matter expertise. The downfall of a full investment in this theory is that it assumes that individuals different from predetermined specifications will have insignificant success leading others and most likely will never have the ability to be visionary.

An interesting and somewhat controversial leadership theory focuses on a leader's ability to persuade subordinates, peers, and superiors utilizing successfully wielded power (Covin et al., 1997). Workers respond differently depending on the kind of power utilized by the leader (Covin, Kolenko, Sightler, & Tudor 1997; Greenberg, 2002; Schermerhorn et al., 2000). Indeed, there are some situations that call for a different power-influence approach and savvy leaders need to be cognoscente of this fact. However, not all leaders
resort to this autocratic approach with the employees for which they are responsible.

Leaders use power to influence, command, or apply force as a method for the achievement of individual or positional objectives within the context of organizational missions (Rue & Byars, 1997). Scholars have identified up to seven types of power (Babcock & Morse, 2002). Frequently, three power types are associated with the leader's position within the organization and another three involve the individual's leadership characteristics (Schermerhorn et al., 2000). Furthermore, how this leader uses and sometimes shares power can designate which of the three central leadership styles.

Leaders can also possess personal power. Personal power differs from positional power in that this type of power is attributed to the individual and is independent from the position this person holds (Schermerhorn et al., 2000). The three types of personal power leaders can use to influence action among others are expert power, rational persuasion, and referent power (Greenberg, 2002).

Expert power is defined as the ability an individual possesses to control another's behavior because of the control of knowledge or experience in a particular subject (Greenberg, 2002; Schermerhorn et al., 2000). For instance, two nurses working in the same department may have different levels of authority strictly on the basis of subject-matter expertise. It would not be uncommon for the more knowledgeable nurse to assume a leadership role over the less-experienced employee. Studies have shown that newly acquired corporations may benefit greatly by having leaders who posses expert power within their corps (Krishnan & Park, 2003). Perhaps, by following these expert
leaders, employees believe their actions are less of a disloyalty to the old company and more of a show of respect to the knowledge of the subject matter expert who is also the leader.

There are some leaders who simply possess the ability to motivate those within their charge due to the perceptions these followers have regarding his or her rationale. Rational persuasion is much more than the arguments these leaders present related to why or why not the followers should do as they are told. This type of power also involves the individual who is giving the orders. If the followers feel the leader has earned their trust on an individual level, there will be fewer objections and they will be more willing to follow directives (Greenberg, 2002; Schermerhorn et al., 2000). Another advantage of leaders utilizing rational persuasion is their followers oftentimes have an increased level of information to facilitate in the decision-making process (Farrell & Schroder., 1999). The followers' increased level of information may be attributed to the rationale dispensed by the leader in an attempt to control follower behavior.

Data identification, collection and processing are essential for an organization to show high performance and standards. Opinion of stakeholders such as consumers, suppliers, employees are vital in formulating strategy to achieve high quality and standards. Retention of stakeholders such as consumers, suppliers, employees is really challenging and it is best understood by study of perseverance of customer. The quality and standards of customer service will have definite relation with customer perseverance and satisfaction. Researches in large numbers have endeavored to increase the understanding of the relationships between systems and other organizational factors such as firm performance (Chi, Holsapple & Srinivasan, 2007).
While significant progress has been made through rigorous research investigating what dividends investment on systems would pay with respect to firm performance and other factors such as ability to change (Brynjolfsson 1993; Brynjolfsson & Hitt, 1998; Malone, 1997), most researchers agree that organizational performance is difficult to achieve without systems in place (Carr, 2003). Moreover, existence of a system of any form or nature would enhance the ability of the organizations to change. Many researchers have tried to examine systems and organization performance using theories such as the resource based review of the firm (Kim, Umanath, and Kim, 2006; Premkumar, Ramamurthy & Saunders, 2005; Mithas, Ramasubbu, Krishnan and Sambamurthu 2004; Sambamurthy et al. 2003).

Researchers also tried to examine the connection between systems and organizational performance, have also used the knowledge-based view of the organization (Alavi & Leidner, 2001; Kearns & Sabherwal, 2007; Kogut & Zander, 1992). This study proposes that organizations achieve higher performance when they are capable to acquire information and knowledge through proper organizational systems and routines embedded to the structure. Few more studies have identified the relationship between systems and organization performance through evaluating the effectiveness of the match between an organization’s system requirements and its capabilities to adopt to newer systems (Gattiker & Goodhue, 2004; Kim et al., 2006) or its’ abilities to change.

Researchers have found that ‘High performance work systems’ and related practices contributes to improved organizational performance (Becker and Huselid, 2006; Macky and Boxall, 2007). But there are not standards or practices suitable for an ideal configuration. (Macky and Boxall, 2007). Hence, high performance work systems is organization specific and cannot be
generalized, but it has the ability to change and influence organizational performance (Schuler and Jackson, 1987). Systems for effective communication along with infrastructure to support the same viz. data base management systems, hardware and soft ware.

Advances in technology and data mining systems have made decision making more effective. However, the adoption and ability to change to newer technology requires management support. Adopting system has to be done carefully to reduce the complexity and easy to use. Decision makers need to get good communication to take an effective decision in business issues. It is a mixture of technology and systems to have good communication flow. Using modern communication technology is also vital in leading improvement in system which will result in effective communication flow by which decision makers will be taking effective, dynamic and correct decisions. The feedback communication from stakeholders to organization aids the organization to have better control over the service quality provided by the firm.

The science of organisational performance is an area where organisations have the ability to change with respect to adoption of enhanced system. Ability to change leads to improved stakeholders retention and organisational performance. Regardless of the sector, a system that is perceived by the stakeholders as cumbersome and counter-intuitive is most likely to be left unused and ineffective. The system is what it looks like to the user and hence, system as an interface between the user and the organisation must have a humanistic approach. The likelihood of the communication system depends on how it is presented through this interface.
Researchers have been trying to establish a relation between skill of the employees working in the organization and the organizational performance and many of them found that there is a positive relationship exists and which is strongly connected with the success of the organization. Even though both are difficult to measure and even define. Numbers of skills come in to picture depending up on organization, function, individual etc. Common skills in business sector can be expertise, education, cognitive abilities, competency and experience in addition to the social skill that every human being must possess. (Grugulis, & Stoyanova, 2011). Organizations performance measured in terms of productivity can have a direct link with the skill of employees. (Broadberry and O’Mahony 2004; O’Mahony 2002).

The role of skills in organizations are considered to be the very important to achieve the organizational performance. A high skills economy or knowledge economy (Brown 2001; Brown and Hesketh, 2004) is a debatable issue in business field with respect to its cost impact (Bach 2005). Skill, though very vital to any organization, but it is a difficult terminology to measure accurately in all organizational situations. Skills are of different types such as skill on job, soft skill and social skill. Hence specific challenges are posed for the educational researcher to have an accurate scale for measuring skill (Grugulis, & Stoyanova, 2011).

High performing organization and highly skilled organizations are synonymous to each other whereas it assimilates the skills, training, and thinking in to performance oriented outcomes. Any organization with highly skilled workers can attain sustainable competitive advantage easily that without skill. Skill set required for one organization may differ with another one but many may be common also. It is a proven fact that organization with highly skilled workers
can outperform and there is strong relation exists among performance and skills.

The increasing emphasis on skills has led to complexity in its understanding, if the emphasis on skills is stereotyped and difficult to measure objectively. Organizations build capacities based on skills developed by ‘bundles’ of complementary practices. Studies conducted significantly differ in the findings and compositions of the set of skills have to be considered. However, all the studies have been linked to performance despite differences in methodology.

Key skills identified in the organization should also be appended when the organization thinks of the change. The skills possessed should also provide capacity to change in a way that people cooperate with other areas of the firm that develop a broad base understanding on the need to change. This is an ability that was found to be deficient in many sectors, in particular, the public sector organizations in the country. Skills transcend internal functional boundaries throughout the organization and provide ability to change. In order to match the expectations of the organization in the changed setting, the employees too should have the ability to change.

Skill provides the ability to do the organization’s work. It gets reflected in the performance of the organization. Skill gives the ability to inspire compassion from others and to respond to other and to ourselves. Organisations committed to skill development have the ability to change and perform well in the competitive scenario. It also contributes confronting negative behaviour that would be detrimental to the growth of the organisation. Organisations with skilled people could be handled professionally not with decisions filled with emotions.
1.6. Need for the Study

Since the enactment of recent laws in power sector in India, it is subjected to serious transformation in their structure, strategy and their style of leadership. The enacted laws and brought out regulations along with the globally opened up and liberalized economic reforms are acting as an impetus to the reforms in power sector also. The researcher is herewith analyzing major challenges in this background, especially taking in to consideration the present scenario in Kerala State Electricity Board, which strikes in mind while thinking of reforms.

The recent initiatives of union Govt. by enacting Bill 2003, to un-bundle the electric utilities of states to various corporations and to allow open and free access to private/other players in distribution sector is a challenging step towards bringing in competition and development in the power sector of the country. The contribution of power sector to the overall economic growth and GDP of the country endorses this view for essential reforms to take place in power sector.

Power sector reforms actually started in the year 1998 with opening up of generation sector, but the actual changes have started picking up after the enactment of Electricity Act 2003 and duly approved by the Honourable president of India on June 8th 2003. But even after elapse of many years, Kerala is one of the states still not clear on the changes to be brought in to the public sector utility namely KSEB.

Electricity being a subject in concurrent list of the constitution the Central Government is not able to enforce the changes as the State Government is
responsible for implementing the changes. There are some unique features with respect to the state of Kerala, which would be of interest.

- Per Capita electricity consumption is very low compared to the Indian average (Kerala Per-capita consumption in 2013 is around 600 units only whereas Indian average is around 750 units)
- Huge Demand Supply gap persists due to no new capital investment to fill the demand-supply gap, since long period
- Thus a long period of investment inactivity points to defective and prejudiced planning in power sector of Kerala
- Consumer profile is dominated by domestic consumers i.e. to the order of 65%
- Internal productive efficiency is very low, which give rise to unhealthy financial position of the Board.

Kerala State Electricity Board since inception working as a natural monopoly in the state of Kerala. Perhaps it may be due to the same, the mindset/culture of the organization was also self-centred and not customer oriented. The mindset was more or less closed and it was not aware of the changes undergoing in the environment with regard to the

- Competition
- Technological changes
- Open access
- Demand supply gap
- Global perspective in energy sector
- Sustainability

The planning for the future was given negligible importance justified by several or other reasons. Not much capacity addition was carried out as per projected...
load growth. Moreover the adaptation of new technology, new HRM practices, Building human capital, change of structure & strategy to build new business culture, were not in the agenda of KSEB and still KSEB is unable to hit the nail right on the head. Rather it can be presumed that the mindset was more or less closed towards development and self-sustainability of the organization.

All the vision programs initiated by KSEB such as vision 2000 for providing electricity to all, HR interventions like swiping card system for attendance, computerization for office automation and other reforms failed due to lack of enough drive and sincerity. The accountability and responsibility issues are sidelined due to various other considerations. This means that still the organization culture is a “frog in the well” style. Unless we open our minds and embrace a new culture based on customer focus, the organization still will not be sustainable in the long run. The earlier act and rules related to electricity sector were emphasizing the bureaucratic organizational set up, which values the process most, with least attention to results and people. The result was poor performance and inefficient utilization of human potential. A Minister (Politician), A chairman (IAS/IFS) with connection to the ruling front, Members (usually came through promotion/pressures and not on performance) leads the organization many times without much attention to core issues (there were exceptions also); rather they concentrate on the concurrent and political issues ensuring their tenure to be passed without much problems. Thus having a good leadership (which is very essential for succeeding organization) is also at the whims and fancies of the politician/political set up.

Even the politicians interfere in the day-to-day affairs and decide where to put substation/power stations, without technical basis. There were leaders who think that, “If enough poles and lines are present, no engineers and technicians are required for running Electricity sector”. Another example to understand this
paradox is the political decision taken by the Govt. to reduce the Tariff by stating that better monsoon this year could generate better revenue. Better revenue for two months does not mean that organization has come out of its financial crisis. This is a short-term vision taken by political missionary that hampers the progress of the organization. Thus the Board is not able to take any decision autonomously to improve its situation even without affecting its consumers, is the irony of the democratic set up of the present KSEB. Similarly there are several examples viz. Disbursing salary through banks, Bringing in computer system for billing, Automation of payroll system were also sabotaged by politically motivated unions. Any cost cutting measures will be at the mercy of politicians.

The above paragraphs suggest that a study is needed to understand how the framework recounts in KSEB.

1.7. **Statement of the Problem**

Many variations are evident in the organisational settings. The manner and form of the organisations are influenced by factors that are typical of and/or unique to the settings in which the business is organised, up to and including social, economic, cultural, style and edicts. The organisational settings that include the structure, systems, strategy, skills and the style of leadership provide clues about how the business is run and suggest how the elements of the business such as the human resources, the services rendered and functional department interact with each other to accomplish the mission of the business.

Another major problem faced by Electricity Board is the huge demand supply gap and it is seen that several hydel schemes were set aside under
environmental/legal/political considerations. But during the course of time we can observe that neither the potential is used for electricity generation nor the forest is protected better, but the water of 13 rivers in Kerala is directly sunk to sea with in short period of two months of monsoon. Thus the political will and the Legal framework to carry out electricity business in a sustainable way is the second necessary condition.

Any organization to carry out its corporate social responsibility along with its business budgetary planning, it shall be primarily financially viable along with the two challenges mentioned above. Only an efficient and effective organization can be financially viable and vice versa. But till recent past (Till reforms process started), financial viability was not at all a consideration for deciding the Tariff or regulating Board’s internal expenditures.

Eventhough stipulations were there to make 3% surplus for future development, at no stage KSEB was able to realize the same and operate independently for building the future of the organization. Thus the organization was striving for survival and could not find surplus to invest for future or to carry out its CSR activity. Tariffs are prepared suitably for so-called external customer delight and without following any scientific methods. This resulted in reverse effect that of poor quality, unreliable service to the customer, which in turn caused customer dissatisfaction. The fact is that the customer is not always looking for the cheapest electricity (As politicians sometimes perceive) at the cost of quality of supply and service. But financial viability of the business is not cared either by Govt or by the stakeholders. Thus the accumulated losses during the years have pledged the whole organization and now the option may be to look for unbundling, privatizing or selling the assets of the company.
The heavy AT&C losses also added to the financial losses and could not be monitored and curtailed considerably to the best in the industry so far. Renovation and Modernization at the vested interest of the political parties, building unviable power plants using diesel fuel, rightsizing the manpower by adopting new technology and processes, lack of performance orientation in whole organization (A study conducted earlier assesses that the human potential usage to 25% only) and keeping non-core activities disproportionately are some of the areas in which the organization has really failed or neglected, to sabotage the financial viability of the organization. Thus the organization is facing a crisis to meet its day-to-day expenses, pay revision, additional investment etc. I would like to point the fingers to this aspect as the next challenge in front of the organization.

An organization shall be able to make out and implement strategies and program mainly focusing the following areas

- Business portfolio growth
- Customer Focus
- Agile Organization
- Performance Leadership
- Human Resource Development
- Financial Soundness
- Research and Development

We can define a QQQ rating (Quality of people, Quality of process and Quality of mindset) for any dynamic organization. Higher the QQQ rating for organization higher will be its sustainability and competitive advantage. The rating can be made on any customized scale for the organization until a national benchmark is defined for QQQ rating along with minimum action plan as below.
• Create political will and Manage change with determination
• Formulate clear cut organizational vision and Mission
• Derive long term/short term plan and strategy based on the Internal Business Framework shown below, to enable the changes. The strategy shall be four pronged to attack Processes, System, Structures and Education to bring in a behavioral change in the organization.
• Simplify procedures to accomplish changes easily and consumer friendly
• Ensure transparency of systems by creating and update comprehensive Database of customers, Employees and vendors
• Obtain cooperation of all stakeholders both internal and external, through Joint Interaction Forums (JIF)
• Communicate from Top to bottom properly and continuously
• Right size manpower and improve service conditions
• Bring in Performance Based Management to bring in accountability
• Introduce the state-of-the-art technology in all spheres of business functions
• Restructure the organization to achieve the business objectives
• Give importance to training and development
• Focus on Quality and benchmarking

The above challenges pose significant problems for KSEB to compete in the current market. With regulations throw open private players in the market, KSEB is contemplating on changing the structure, strategy, style of leadership, skills and systems.

1.8. Significance of the Study

Companies are fighting an uphill battle to stay in business. Sectors where a single company monopolized have become intensely competitive. In
In order to stay competitive and perform, many of them turn to concepts, models, and frameworks to help them accomplish this. Companies do not hesitate to spend a great deal of money on improvement or developmental programs especially on the human resources when it is evidenced that they receive the desired results. Moreover, companies align their current competitive or business model with the prevailing competitive or business models as these models keep changing. What is successful today becomes redundant or obsolete tomorrow. Contextually, organizations have to keep updating its operational and functional models rather than sitting on the current success. KSEB is witnessing an impending change due to de-regulating the market with private players. Accordingly, it has to reorient its functional model in order to align with the change in its structure, strategy, skills, systems and the style of leadership. This study will help KSEB to first understand its ability to change and the factors that would influence organizational performance.

1.9. **Scope of the Study**

This study is interested in developing a framework constituted with structure, strategy, systems, skills and style of leadership which is abstracted from the 7-S framework. Also this research would help to understand how the identified factors would influence ability to change and organizational performance. This study can be generalized to public sector undertaking which are enjoying monopoly and now perhaps after Government regulations witnessing competition from the private players.
1.10. Exploratory Study

Theoretically, organizational transformation will be healthy strategically in a new environmental situation, then it is required to have careful attention and reinforcing of the factors of 7-S by the management. For more than 30 years, this framework has been a useful tool for thinking about organisations in terms of people performance. The seven factors described by the model are interconnected, and when individual factors are altered its effect on organisation would be big considering the type of organization and its business area. But it is understood that any one factor is not predominantly powerful but the alignment of all factors have significant impact on the organization subject to the relative significance of each factor.

The researcher before proceeding to the research work conducted an exploratory study followed by a content analysis of the 7-S framework. The researcher has explained a brief background in which this study is conducted along with its proposed objectives. Further to that panel of 8 experts, having many years of experience in KSEB, were solicited to express the validity of each factor whether the constructs identified will provide us with true representative information expected out of this study. Their feedback as mentioned above is recorded. Based on their feedback, the content validity ratio (CVR) has been worked out for each item. The formula developed by Lawsche (1975) is used for calculation of CVR, as shown below.
\text{Content Validity Ratio} = \frac{\text{Ne} - \frac{\text{N}}{2}}{\frac{\text{N}}{2}}

Where \( \text{Ne} \) = Number of experts indicating “essential”
And \( \text{N} \) = Total number of experts.

Content validity shows that two factors shared values and staffs are redundant factors with respect to KSEB.

\textbf{Table 1.3 Content Validity Table of Exploratory Study}

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