CHAPTER 2

ORGANISATIONS: RETROSPECT AND PROSPECTS

2.1 ORGANISATIONS

Organisations as diverse as a church, a hospital, a government office, a municipal corporation, an NGO, a corporate of a multinational, have characteristics in common. Organisations are social entities that are goal directed, are designed as deliberately structured and coordinated activity systems, and are linked to the external environment.

The key element of an organisation is not a building or a set of policies and procedures; organisations are made up of people and their relationships with one another. An organisation exists when people interact with one another to perform essential functions that help attain goals. Recent trends in management recognize the importance of human resources with most new approaches designed to empower employees with greater opportunities to learn and contribute as they work together toward common goals.

Organisations are relatively recent in the history of mankind. Even in the late nineteenth century, there were a few large businesses or nonprofit organisations, or government departments. A change has occurred since then. The development of large organisations transformed the society. The bureaucratic organisation may be the most significant innovation of the past 150 years ever since the British ruled India. Today the changing demography of the workforce presents challenges and opportunities to individuals and the organisations of which they are a part. It is explored by Chemers and Oskamp (1995) how diversity in organisations affords
benefits such as a broader talent pool but at the same time can lead to tension, misunderstanding and at times outright hostility.

2.2 TYPES OF ORGANISATIONS

Some organisations are large multinational corporations, others are small, and family owned business organisations. Some manufacture products such as automobiles or computers, whereas others provide services such as legal organisations, banking, or medical services. Another important distinction is between for-profit business and non-profit business organisations. Financial resources from non-profit organisations come from government appropriations, grants and donations. In non-profit organisations, services are typically provided to non paying clients, and a major problem for many organisations is securing a steady stream of funds to continue operating. Non-profit organisations committed to serving clients with limited funds must focus on keeping organisational costs as low as possible and demonstrate a highly efficient use of resources. Another problem is that since non-profit organisations do not have a conventional “bottom line”, managers often struggle with the question of what constitutes organisational effectiveness. The religious organisations in India are prime examples of such organisations. The founders of such organisations are usually dedicated and committed to the goal of serving the community. Usually, after the demise of the founders, the deputies may deviate from the principles led down by the founders, thus losing faith of the community for which these organisations stood.

2.3 EFFICIENCY AND EFFECTIVENESS OUTCOMES

Efficiency refers to the amount of resources used to achieve the organisational goals. It is based on the quantity of raw materials, money, and employees necessary to produce a given level of output. Efficiency is described by the formula:
Efficiency = Output / Input

Some researchers raised a serious doubt about this formula. The major criticism was that the input is not tangible, and it is difficult to measure intangible units. However, this formula is generally accepted as an approximate estimate of efficiency. Effectiveness is a broader term, meaning the degree to which an organisation achieves its goals. It is described by the formula:

Effectiveness = Outcome / Expectations

To be effective, organisations need clear, focused goals and appropriate strategies for achieving goals. There are three approaches to organisational effectiveness: (1) Goal approach, (2) Resource approach, and (3) The internal process approach. The goal approach to effectiveness consists of identifying an organisation’s output goals and assessing how well the organisation has attained these goals. The resource-based approach looks at the input side of transformation process. It assumes that the organisations must be successful in obtaining and managing valued resources in order to be effective. In the internal process approach, effectiveness is measured as internal organisational health and efficiency.

All the three approaches tell only a part of the history of effectiveness. An integrated effectiveness model was developed by Robert Quinn and John Rohrbargh (1983), which is popularly known as the competing values model. This model tries to balance a concern with various parts of the organisation rather than focussing on one part. This approach to effectiveness acknowledges that organisations perform many activities and have many outcomes. It combines several indicators of effectiveness into a single framework.

There are two indicators of effectiveness. The first indicator is the organisational focus classified into two: internal or external. Internal focus reflects a management
concern for the well-being and efficiency of employees, and an external focus represents an emphasis on the well-being of the organisation itself with respect to the environment. The second indicator pertains to the organisation’s structure, further classified into stability versus flexibility. Stability reflects a management value for efficiency and top down control, whereas flexibility represents a value for learning and change.

The two indicators each classified into two makes a 2x2 model which is exhibited in Figure 2.1 (Daft, 2007)³

Figure 2.1 Effectiveness values for diverse Organisations.

<table>
<thead>
<tr>
<th>Structure</th>
<th>Focus</th>
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<tr>
<td>Flexibility</td>
<td>Internal</td>
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<td></td>
<td>Human relations emphasis</td>
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<td>Open systems emphasis</td>
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<td>Stability</td>
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<td>Internal process emphasis</td>
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<td>Rational goal emphasis</td>
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<td>Government Organisations and public sector</td>
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<td>IT organisations</td>
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the availability of funds. They depend on the government or other private sources for financial support and hence their activities are channelized in a controlled way.

2.3 ORGANISATION AS A SOCIAL SYSTEM

To explain the role and effectiveness of NGO, the investigator developed a simulated model labeling it as an ‘Organisation as a social system’. The problem here is to connect all the nine dots (Fig. 2.2), by drawing four straight, connected lines, without lifting the pen from the paper.

Figure 2.2. THE NINE DOTS EXERCISE

There is no time limit for this exercise. If one reverses the line or change the direction of the line, it is counted as an additional line.

It is usually observed that very few participants can arrive at the correct solution because they do not think going beyond the nine dots. Now let’s discuss this from the organisation’s point of view, by looking at the solution of the exercise presented in Figure 2.3.

Figure 2.3. NINE DOTS EXERCISE SOLUTION.
The nine dots in the above problem represent an Organisation. Every organisation has four elements, which are represented by the four lines of the rectangle, viz. (1) structure, (2) Technology, (3) Hierarchy, and (4) employees. Any organisation is established for the people or the community at large. If the organisation is established for the people (community), the employees must go to the community; the community will not come to the organisation.

**Figure 2.4.** Nine dots as an Organisation

![Diagram of Organisation](image)

The employees of the Organisation have to reach out to the people or the community – they can decide the methodology of meeting the people. Thus, it is a social system. The purpose of explaining the social aspect of organisation is that any type of organisation, may it be public or private sector, IT, NGO, or the MNCs, it has to go to the community or the society at large to be effective.

### 2.4 Non-Government Organisation (NGO)

The NGOs are known for their virtues of human touch, dedication, flexibility, self-reliance and nearness to community. It embraces a wide variety of Organisations. These include the following:

- Voluntary Organisations (VOs) that pursue a social mission driven by commitment to shared values.
- Public Service Contractors (PSCs) that function as market-oriented, non-profit businesses serving public purposes.
- People’s Organisations (POs) that represent their members’ interests, have member accountable leadership, and are substantially self-reliant.
- Governmental, Non-governmental Organisations (GONGOs) that are creations of government and serve as instruments of government policy.

Note: The term private voluntary Organisation (PVO), common in the United States, is largely synonymous with NGO.

A number of NGOs throughout the world are giving attention to the definition and projection of a people-centered development vision that embraces the transformation agenda. The vision looks to justice, sustainability, and inclusiveness as the defining principles of authentic development. It views development as a people’s movement more than as a foreign funded government project. It looks to the government to enable the people to develop themselves.

NGOs became increasingly aware during the 1980s. The leadership needed to deal with the underlying causes of human tragedy was not provided by governments and international agencies. They came to acknowledge the ability of NGOs to do what many governments have proven unable to do i.e. to get a range of essential goods and services of the poor. Yet, a growing number of NGOs also recognized that their own efforts were too meager, and too often focused on the consequences of a system failure rather than the underlying causes of failure. Their financial resources were negligible and their modes of working were largely irrelevant to the real issues.

In their attempt to deal with this reality, some NGOs have sought increases in government funding to expand their service delivery capabilities. Others have questioned the nature of their more conventional roles and asked whether they may need to rethink their own approaches to development actions to get at the real causes of human suffering that motivates their action. The latter often came to the
conclusion that the more distinctive contributions of NGOs to local, national, and global development go well beyond their traditional legitimate but limited concerns with severe delivery. Getting to the 21st century, it attempts to illuminate the larger mission of the voluntary sector as a development force.

Until recently, the activities of the NGOs in developing countries were widely considered to be peripheral to the mainstream effort of governments and official aid agencies to resolve the problems of world poverty. Studies at universities and development centres rarely examined the role and impact of NGOs in the development process, and a few developmental journals carried articles about NGOs. The development profession viewed NGO projects as, at best, interesting oddities, but the more widespread view was that they were largely irrelevant to what were considered the more fundamental issues of development.

By the early 1990s, all this had changed. Together with issues such as women’s rights and the environment, NGOs have become ‘fashionable’ in more orthodox development circles. The Universities now run courses and seminars on NGOs for students and government officials as well as for the staff of NGOs themselves. Development journals are publishing more articles about NGOs, occasionally devoting whole issues to the subject. These changes have occurred because in many respects, NGOs have grown to become more significant; if not more, actors in the broader efforts to reduce poverty.

There are various reasons for the increasing importance of NGOs in development. One has been the growth in the number of such NGOs, due partly to the increase in the official funding, but also to the changing and increasingly positive perceptions of the public at large. It has significantly increased its contributions to the NGO movement.
The growth of NGOs has occurred partly as a result of the failure of official aid and programmes to reach down and assist the poor, and partly because of donor pressure on the recipient governments to reduce their direct involvement in developing programmes. NGOs working in developing countries assert that the projects, the programmes, and the funding made available for them play a positive and important role in helping to alleviate the poverty of millions of people living in misery.

There has been a significant growth of non-profit and non-governmental Organisations in the countries of the Asia-Pacific in recent years and an even greater growth is anticipated in the future. Moreover, these Organisations have started engaging in closer regional collaborative activities and building networks among themselves, thus providing encouraging opportunities of establishing regional institutional linkages and facilitating individual networks and collaborative relationships: a perquisite of community building.

Despite a dramatic growth of independent sector Organisations in Asia Pacific, there are still a considerable number of constraints working against their further development in this region. Development of non-profit and non-governmental Organisations in countries of Asia-Pacific has received a considerable boost from an International NGO movement which has been accelerated by international Organisations.

The growing importance of global and regional issues also provides an impetus for greater cooperation among NGOs in Asia-Pacific. Global issues such as human rights, the environment, atrocities on women, spread of AIDS, and population growth all pose major challenges to the Asia-Pacific region. Widespread concerns over these challenges had encouraged the formation of linkages and cooperative arrangements of
like-minded NGOs across national boundaries. It is recognized that the global issues crossing national boundaries cannot be effectively addressed by any single country and it is therefore essential to form cross-border alliances to seek appropriate solutions. For this, a collaborative effort with effective leadership and committed and dedicated workers to support their leaders is the need of the day.

2.5 Public Sector

The public sector organisations constitute one of the largest network of organisations at the central, state and local levels of India. They include departments, statutory corporations, and government limited companies. An examination of the performance and productivity in public enterprises reveals that most suffer heavy losses.

The prevailing culture in the public sector is largely an echo of the government agencies and public systems. In a study of the prevalent managerial (leadership) styles in the public and private sector companies, it has been found that the most prevalent style in the public sector was the bureaucratic style (Singh, 1979). This style implies high orientation to rules and regulations, impersonality, and lower task and relationship orientation. Thus, the goal focus changes from task to rules and regulations, and the orientation is to distance people. This is supported by another research study by the same author (Singh, 1979), in which it is observed that formal power is used the most in the public sector, while informal relations and the ensuing persuasion power or professional power are least used. Many research studies have revealed that the public enterprise managers are by and large, dissatisfied (Laxminarayan, 1971), demoralized, frustrated (Das, 1978), and also express feelings of powerlessness and helplessness (Singh, 1983).
A historical analysis of the public enterprises helps us understand the cultural similarity with the government agencies. In the initial stage, the top management of public enterprises was mostly drawn from government service. Even now, IAS officers can and do head many state sector undertakings. This has had a powerful impact on the character of agencies in terms of priority of behaviour and performance criteria. It has only added to lowering the commitment to the Organisation as well as nullifying accountability. Thus, the government has, by its own policies, fostered styles of behaviour devoid of accountability, responsibility, obligations, and attachment, all of which can emerge only out of continuity of the tenure of chief executives. Thus, the continuity of the most critical factor (Chief Executive’s role) in organisation building has been demolished. This is serious in view of the fact that the chief executive sets the tone of management and leadership style in the company and it is this which, in turn, generates motivation and commitment to work. In fact, a comprehensive survey of the general literature on job attitudes indicated that managerial (leadership) styles play a significant role in the areas of job satisfaction, inter-personal relationships, job performance, and commitment to work. Singh, 1981. Thus, the replacement of a chief executive virtually leaves the organisation like a rudderless ship that belongs to everyone and is yet not cared for by anyone. Moreover, the employees know for certain that the chief executive’s tenure is very short, thus increasing the sense of apathy and helplessness and the belief that nothing can change.

To sum up, the preponderance of the bureaucratic culture coupled with the frequent changes of chief executives, have resulted in the mis-channelisation of individual energies and subsequent de-emphasis on organisation building in the public sector.
2.6 **PRIVATE SECTOR**

The private sector companies are riddled with their own set of drawbacks such as poor R&D, profit orientation, insensitivity to social responsibilities, and in many cases, an absence of a professional management (leadership) style. However, in terms of personnel management, the styles in certain private sector companies are worth examining. Family-owned companies, specifically those belonging to the Tata House, have intuitively understood and acted according to the Indian psyche. They have created a climate in their Organisations that is akin to the general life experiences and expectations of Indians. There is a concern for the welfare of the company employees. The chief executive tries to set a personal example in work through his simple life style and philosophy of life. As a result, individual energies are positively channelized.

There are meaningful and purposeful superior-subordinate relationships that help in building a cohesive team. Further, when the protection-seeking value is satisfied, there develops a respect for the authority figure. The presence of a model chief executive results in idealization sometimes bordering on hero worship. This leads to smooth maintenance of Organisational power and empowering superior-subordinate relationships. Empowering superior-subordinate relationships further facilitates the superior’s capacity to motivate and lead subordinates. The benevolent autocratic style of management has been found to be the most pronounced in the private sector (Singh, 1979).

The research findings speak volumes for the cultural variations in the private sector vis-à-vis the public sector and government agencies. Although such companies in the private sector are not many, the overriding meaning lies in the fact that these companies provide us certain exciting insights. They show us that the broad cultural
imperatives of the Indian society can be channelized effectively for better organisation building, thus precluding the need for blind import of the management models and techniques.

2.7 MULTINATIONAL CORPORATIONS (MNCs)

MNC or a transnational corporation (TNC), also called as multinational enterprise, is a corporation or an enterprise that manages production or delivers services in more than one country. It can also be referred to as an international corporation. The term ‘Multinational Corporation’ means an enterprise having two basic characteristics:

1. It engages in enough business and research and development outside the country of origin so that it is dependent finally on operations in two or more countries and

2. Its management decisions are based on regional or global alternatives.

There are two types of MNCs

1. Public or Private Corporation: An MNC may be a public corporation that trades its shares at stock exchanges. Procter and Gamble and Unilever are examples of such public corporations. An MNC may be a private company controlled by an individual or a family. It does not have shares that are traded publicly.

2. Parent or subsidiary: A 'parent' company located in the MNCs country of origin exercises an authoritative, controlling influence over a 'subsidiary'. A parent company may allow its subsidiary full autonomy to operate freely in its host country or it may have full control.

An MNC has many unique features which are listed below. These features have helped the MNCs to grow and prosper over time.

1. Big size and huge resources
2. Exploiting global markets

3. Different forms of operations

4. Control global production and marketing network.

There is a debate about the role of MNCs in the academic and political arena since their formation. Critics of MNCs give many examples that highlight the exploitative nature of MNCs especially in underdeveloped and poor countries. At the same time, it is observed that MNCs have played a positive role in the expansion of capital, technology and employment on a global scale.

MNCs were operating in India even before independence. Although, Indian companies have been investing abroad since the 1970s, the levels of investments were quite small until 1990s. After 1990, Indian companies were in the quest of acquiring assets across the globe. Their ambitions are driven by the need for a global scale and are fuelled by new confidence. The acquisitions of Corus Inc. by Tata Steel and of Jaguar and Land Rovers by Tata Motors show the strength and promise of the Indian enterprise. The Indian enterprises have ambitions to become MNCs.

Indian enterprises have also started internationalizing their activities. Many Indian enterprises have become multinationals. The motivation of the Indian MNCs has been market seeking, resource seeking, and strategic assets seeking. Earlier, Indian MNCs were establishing Greenfield ventures. Recently, these enterprises have been focusing on mergers and acquisitions to internationalize their operations. Indian enterprises that are aiming to internalize have to overcome some of the challenges, namely, learning rules and regulations of other countries, managing in diverse cultural contexts, and being ethically and socially responsible enterprise.
2.8 INFORMATION TECHNOLOGY (IT)

The emergence of computers, telecommunications, and the Internet has transformed business and its operations all over the world. The technological developments have revolutionized the way individuals interact and businesses operate their various activities. In particular, they have helped in simplifying business procedures and increasing the overall operational efficiency. They have also helped in developing new products and processes. The most popular use of the Internet for business is commerce. Electronic commerce, popularly known as e-commerce, provides a means to exchange information between customers by collecting and analyzing business information, conducting customer transactions, and maintaining online relationships with customers by means of telecommunications networks.

A country like India can become industrialized if it can extensively apply IT to enhance productivity and international competitiveness and develop e-commerce and e-governance applications. With an information-based or knowledge-based society and economy, Asian countries are taking advantage of e-commerce through the opening of economies, which is essential for promoting competition and diffusion of Internet technology. The Internet is boosting efficiency and enhancing market integration in developing countries.

The industry in India has gained a brand identity as a knowledge economy due to its IT and ITES (IT enabled Services) sector. The IT–ITES industry has two major components: IT Services and business process outsourcing (BPO). The top seven cities that account for about 90% of this sectors’ exports are Bangalore, Chennai, Hyderabad, Mumbai, Pune, Delhi, and Kolkata. Export dominates the IT–ITES industry, and constitutes about 77% of the total industry revenue.
This sector has also led to employment generation. However, the sector continues to face challenges of competitiveness in the globalized world, particularly from countries like China and Philippines.