



Lesson 1 : The Evolution of Management Thought

The practice of management is ancient, but the formal study of management, based on an evolving body of knowledge, is relatively new. Rarely, if ever, in human history has an activity emerged as fast as management and proven so indispensable so quickly. For a broad working definition, management may be viewed as the activity whose purpose is to achieve desired results through the efficient allocation and utilization of human and material resources. Management thought, the evolution of which is our primary focus, is the existing body of knowledge about the functions, purpose, and scope of management.

LESSON OBJECTIVES:

By the end of the lesson the students must be able to:

- Understand various schools of thought of management and organization.
- Describe the contributions of known personalities to the field of management

LESSON MATERIALS:

INTRODUCTION

The concept of management has acquired special significance in the present competitive and complex business world. Efficient and purposeful management is absolutely essential for the survival of a business unit. Management concept is comprehensive and covers all aspects of business. In simple words, management means utilizing available resources in the best possible manner and also for achieving well defined objectives. It is a distinct and dynamic process involving use of different resources for achieving well defined objectives. The resources are: men, money, materials, machines, methods and markets. These are the six basic inputs in management process (six M's of management) and the output is in the form of achievement of objectives. It is the end result of inputs and is available through efficient management process.

I. HISTORICAL FOUNDATIONS OF MANAGEMENT

Management thought has a long history. It is as old as human civilization itself. Management in one form or the other has been a significant feature of economic life of mankind throughout ages. Management thought is an evolutionary concept It has develop along with and in line with the growth of social, political, economic and scientific institutions. Management thought has its origin in the ancient times. It developed gradually along with other socioeconomic developments. The contributor's to management though are many. They include Management philosophers, management practitioners and scholars. Modern management is based on the solid foundations laid down by management thinkers from the early historical period.

The recorded use of organized management dates back to 5000 B.C. when the agricultural revolution had taken place. These agricultural civilizations existed in India, China and Egypt According to Peter Drucker these irrigation civilizations "were not only one of the great ages of technology, but it represented also mankind's most productive



age of social and political innovation". As the villages grew and civilizations evolved, the managers too grew and evolved. They became the priests, the kings, the ministers holding power and wealth in the society. Written documents found in the Sumerian civilization which flourished some 5000 years ago, contains evidence of management control practices.

As early as 4000 B.C., the Egyptians were aware of the importance of planning, organizing and controlling. The huge pyramids of Egypt stand a mute testimony to the managerial and organizational abilities of the ancient Egyptian civilization. One pyramid required 1,00,000 men working for 20 years, covering 13 acres, using 2.3 million blocks, each weighing an average of 2.5 tons. To produce such a monument required proper planning, work allocation, organizing, directing, controlling and decision making.

In the Grecian civilization we find the origin of the Scientific Method in the famous Socratic discourses. The Romans who built a vast empire extending from Britain in the west to Syria in the east ruled it for many years only because of their superior and advanced managerial abilities.

In ancient India Kautilya wrote his Arthashastra in about 321 B.C. the major theme of which was political, social and economic management of the State. The study of administration of the cities of Mohenjodaro and Harappa of the ancient Aryans in 2000 B. C., Buddha's order and the Sangha in 530 B. C., provide evidence about the use of the principles of management.

During the 13th and 14th centuries AD the large trading houses of Italy needed a means of keeping records of their business transactions. To satisfy their needs Luca Pacioli published a treatise in 1494 describing the Double Entry System of Book-keeping for the first time.

Management thought is an evolutionary concept. New theories and principles were suggested along with new developments in the business field. The new thoughts supplemented the existing thoughts and theories. This is how developments are taking place continuously in regard to management thoughts/theories. Management thinkers and thinkers from other fields such as economics, psychology, sociology and mathematics have also made their contribution in the evolution of management thought.

II. EVOLUTION OF MANAGEMENT THOUGHT

This evolution of management thought can be studied in the following broad stages:

The Classical Theory of Management (Classical Approach): It includes the following three streams of thought: (i) Bureaucracy, (ii) Scientific Management; and (iii) Administrative Management

A. The Neo-classical theory of Management: It includes the following two streams: (i) Human Relations Approach (ii) Behavioral Sciences Approach.

B. The Modern Theory of Management: It includes the following three streams of thought: (i) Quantitative Approach to Management (Operations Research); (ii) Systems Approach to Management and (iii) Contingency Approach to Management.



It is rather difficult to state the exact period of each stage in the evolution of management thought. Experts, in general, agree with the following period for each thought/school.

- a. Classical School/thought: 1900 to 1930.
- b. Neo-classical School/thought: 1930 to 1960.
- c. Modern School/thought: 1960 onwards.

The development of management thought is the result of contributions made by pioneering management thinkers and experts from other social sciences such as economics and psychology.

III. CONTRIBUTIONS TO MANAGEMENT THOUGHT

A. CONTRIBUTION OF F.W.TAYLOR TO MANAGEMENT THOUGHT

F.W. Taylor is one of the founders (the other two are Max Weber and Henry Fayol) of classical thought/classical theory of management. He suggested scientific approach to management also called scientific management theory. F. W. Taylor (1856-1915) is rightly treated as the father of scientific management. He suggested the principles of scientific management. His concept of scientific management developed into a movement and dominated the industrial management for several decades after him. His concepts and principles were refined and popularized by several of his followers, notable among them being Henry Gantt, The Gilberths and Emerson.

Principles of Scientific Management

According to Taylor, scientific management in its essence consists of a philosophy which results in a combination of four important underlying principles of management. First, the development of a true science, second, the scientific selection of the workers, third, their scientific education and development, Froth, intimate co-operation between management and their men. The basic principles of Taylor philosophy of scientific management are as noted below. These principles of scientific management are most crucial aspects of scientific management. The development of 'One best way' of doing a job. This suggests the task of finding out the best method for achieving the objectives of a given job. The standards are decided scientifically for Jobs and incentive wages were paid for all production above this standard. Here, job analysis and standardization of tools, equipment, machinery, etc. are required.

1. Scientific selection of workers and their development through proper training.
2. Scientific approach by management. The management has to develop a true science in all fields of work activity through scientific investigation and experiments.
3. Close co-operation of managers and workers (labour management relations) for better results and understandings.
4. Elimination of conflict between methods and men. The workers are likely to resist to new methods. This can be avoided by providing them an opportunity to earn more wages.



Features of Scientific Management

1. Scientific task setting: F. W. Taylor suggested the introduction of standard task which every worker is expected to complete within one day (working hours) the task is to be calculated through careful scientific investigation. For this, work study (i.e. method study and work measurement study) is essential. Taylor suggested time study, motion study, fatigue study and rate-setting for the introduction of scientific task. Time study is the art of observing and recording the time required to do each detailed element in an industrial operation. Motion study refers to the study and analysis of the movements of an operator while performing a job so that attempts can be made to remove useless/unwanted movements from the process. Both the studies together help in determining the best method of performing a job and the standard time allowed for it. This replaces the old rule-of-thumb knowledge of the workers. The workload, the best method of performing the same and the time within which it must be performed are suggested in this feature of scientific management by Taylor.

2. Planning the task: For performing the task by every worker, Taylor suggested the need of planning the production activity accurately. This idea of planning is Taylor's gift to the science of management. Planning of task gives answers to the following questions. What has to be done, how it is to be done, where the work shall be done and when the work shall be done.

3. Scientific selection and training of workers: Taylor suggested the need of scientific be systematic so as to select the best and the most suitable persons for different types of jobs. Correct placement of workers is equally important He also suggested the need of training of workers so as to raise their ability or efficiency. Training is to be integrated with the promotion policy. He also suggested differential piece wage plan for compensation payment to workers. He also suggested the importance of cordial relations between management and workers.

4. Standardization: Taylor suggested the importance of standardization of tools and equipment, materials, conditions of work and speed of machines. This brings co-ordination in different activities and all workers will be able to perform the task assigned easily. The workers will have satisfactory working conditions for work due to such standardization.

5. Specialization: Taylor suggested specialization in the administrative and organizational setup of the plant He suggested functional foremanship. Taylor recommended eight functional foremen for different activities and functions. The foremen suggested by him are like route clerk, instruction card clerk, speed boss etc. Such specialization is useful for raising efficiency of the whole organization.

6. Mental revolution: The techniques suggested by F. W. Taylor in his scientific management are different as compared to traditional techniques and methods. Naturally, these techniques can be used only when workers supervisors and managers accept them in theory and also in practice For this, Mental revolution on their part is essential The success of scientific management rests basically on the attitude of management and workers. They must give up their old ideas and methods and must accept new scientific methods. For this, mental revolution on the part of both is



essential. Cooperation from workers and management for the introduction of scientific management depends on this mental revolution

Benefits / Advantages of Scientific Management

1. Application and use of scientific methods.
2. Wide scope for specialization and accurate planning.
3. Minimum wastages of materials, time and money.
4. Cordial relations between workers and management.
5. Benefits to workers (higher wages and less burden of work), management (cost reduction, better quality productions) and consumers (superior goods at lower prices)

Scientific management not only developed a rational approach to solving organizational problems but also contributed a great deal to the professionalization of management. Time and motion studies, scientific selection of workers, work design and one best way to doing a job are some new ideals suggested by Taylor and are responsible for the introduction of Many positive changes in the field of industrial/ production management.

F.W.Taylor's Contribution to the Development of Management Thought / Science

The contribution of F. W. Taylor to management thought is as explained below:

- 1. Emphasis on rational thinking:** Taylor suggested rational thinking on the part of management for raising efficiency and productivity. He wanted managements to replace old methods and techniques by Modern methods which will raise productivity and offer benefits to all concerned parties. He was in favour of progressive, scientific and rational thinking on the part of management on all managerial problems. Such progressive outlook is essential for the introduction of new techniques and methods in the Management.
- 2. Introduction of better methods and techniques of production:** F. W. Taylor suggested the importance of improved methods and techniques of production. Work-study techniques are his contribution to management thought. He suggested new methods after systematic study and research. Taylor recommended the use of new methods for raising overall efficiency and productivity.
- 3. Emphasis on planning and control of production:** Taylor suggested the importance of production planning and control for high production, superior quality production and also for low cost production. He introduced the concept of production management in a systematic way.
- 4. Importance of personnel and personnel department:** Taylor suggested the importance of manpower in management. He was in favour of progressive personnel policies for the creation of efficient and satisfied labour force. He suggested the need of personnel department and its importance. He favored incentive wage payment to workers.
- 5. Industrial fatigue and rest pauses:** Taylor noted the nature of industrial fatigue and suggested the introduction of suitable rest pauses for removing such fatigue of workers. He wanted to reduce the burden of work on workers through the use of scientific methods.
- 6. Time and motion study:** Taylor introduced new concepts like time study, motion study and work study in the field of industrial management such



concepts are for the introduction of new methods which will be more quick, scientific and less troublesome to workers.

The positive view of scientific management was described by Taylor as "Science, not rule of thumb; Harmony, not discord; Co-operation, not individualism; maximum output in place of restricted output. The development of each man to his greatest efficiency and prosperity". F.W. Taylor is rightly treated as father of scientific management. In fact, through his concept of scientific management, Taylor actually developed a new science of management which is applicable not only to management of industrial units but also to the management of all other business units. He suggested certain techniques which can be applied purposefully to all aspects of management of business activities. This is treated as Taylor's unique contribution to management thought. The fundamental principles suggested by F. W. Taylor in his scientific management can be treated as his contribution to management thought. In fact, Taylor suggested scientific attitude and a new philosophy for discarding old and outdated ideas and techniques. He was instrumental for the introduction of new ideas and techniques in the science of management. These ideas and techniques are now accepted in theory as well as in practice.

B. CONTRIBUTION OF HENRY FAYOL TO MANAGEMENT THOUGHT

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916. It was translated into English in 1930. In due course of time, Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts as the foundation of the whole management theory and the present super-structure of management has been built on it.

Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities. He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organisations. Each principle suggested by him has specific meaning and significance. According to him, managers in all organisations need to follow these principles/guidelines while managing the affairs of their business units. The management principles suggested by him in 1916 are universally accepted by modern authorities on management and are treated as valid even to this day. This is because these principles are practical in nature and also result-oriented. In fact, these principles are the outcome of his long experience as a practicing manager. These basic principles are useful for effective management of business activities. They are related to the basic components of management process such as planning, organizing, staffing, leading, coordinating and controlling. He incorporated these principles in the management theory suggested by him. The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organisations such as colleges, hospitals, charitable institutions and government departments. Due to his contribution to management theory and principles, Henry Fayol is rightly treated as the Father of Modern Management Thought. Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book —General and Industrial Management. The functions of management according to Fayol are,



1. Planning
2. Organising
3. Staffing
4. Commanding
5. Coordinating
6. Controlling

The fourteen principles of management suggested by him are related these basic functions of management process and are universally accepted. Fayol has given adequate details of every principle suggested by him. He also made them easily acceptable by others. According to Henry Fayol, managers should be flexible in the application of these principles.

Fayol divided general and industrial management into following six groups:

- a. Technical activities (production, manufacture, adaptation).
- b. Commercial activities (buying, selling and exchange).
- c. Financial activities (search for and optimum use of capital).
- d. Security activities (protection of property and persons).
- e. Accounting activities (stock taking, balance sheet, cost, and statistics).
- f. Managerial activities (planning, organizing, command, coordination and control).

Henry Fayol also suggested 14 principles of management. These principles are:

1. Division of work,
2. Authority and responsibility,
3. Discipline,
4. Unity of command,
5. Unity of direction,
6. Subordination of personal interest to organizational interests,
7. Remuneration,
8. Centralization,
9. Scalar chain,
10. Order,
11. Equity,
12. Stability of tenure,
13. Span of co-operation and
14. Initiative

Henry Fayol's contribution to management theory is certainly remarkable. He gave overall concepts of general management and suggested the basic functions of management. He recommended the selection and training of workers and managers. He also advocated the use of organisation charts. He suggested certain qualities of manager's which include physical, mental, moral, educational technical and experience. Fayol's theory of management was the first complete theory of management as we understand today. It incorporated proven principles, elements, procedures and techniques based on his practical experience.

C. CONTRIBUTION OF ELTON MAYO TO THE DEVELOPMENT OF MANAGEMENT THOUGHT



Elton Mayo (1880-1949) is recommended as the Father of Human Relations School. He introduced human relations approach to management thought. His contribution to the development of management thought is unique and is also treated as human relations approach to management. It was Mayo who led the team for conducting the study at Western Electric's Hawthorne Plant (1927-1932) to evaluate the attributes and psychological reactions of workers in on-the-job situations. His associates included John Dewey, Kurt Lewin and others. Mayo and his associates came to the following conclusions from their famous Hawthorne experiments:

1. The amount of work to be done by a worker is not determined by his physical capacity but by the social norms.
2. Non-economic rewards play a significant role in influencing the behavior of the workers.
3. Generally the workers do not react as individuals, but as members of group.
4. Informal leaders play an important part in setting and enforcing the group norms.

Mayo discussed the factors that cause a change in human behavior. He concluded that the cause of increase in the productivity of the workers is not a single factor like rest pauses or changing working hours but a combination thereof and several other factors such as less restrictive supervision, giving autonomy to workers, allowing the formation of small cohesive groups of workers and so on. Today, as a result of the efforts of Mayo and his associates, the managers in different organizations recognize that workers' performance is related to psychological, sociological and physical factors. Thus, Hawthorne Study was an important landmark to study the behavior of worker and his relationship to the job, his fellow workers and the organization. It proved that informal work groups and the opportunity to be heard and participate in decision making have an important impact on the productivity of the workers.

Mayo is one leading management thinker and also a leading advocate of neo-classical theory. The concept of participative management style was suggested in the neo-classical theory. The human relations approach suggested by Mayo has special importance in the present period. He rightly suggested the importance of democratic leadership and participative management style for running business activities efficiently. The role of people (workers) is clearly suggested by Mayo. He rightly suggested that management is not a mechanical process but a study of people involved in the production activities. Management will get positive response from its employees when their actions, sentiments and expectations are given due attention.

Mayo is best known for his work on the project commonly referred to as the Hawthorne Studies. They were conducted in the Hawthorne plant of Western Electric Company in the USA between 1927 and 1932. It is said that Mayo applied psychological approach to management for the first time. He used clinical and diagnostic methods. Mayo has drawn various conclusions from these studies. The Hawthorne Studies have had a shattering impact on management thinking. Mayo is regarded as revolutionary thinker because of his contribution to the management thought in the recent period. The credit of humanization of management with a view to achieve common interest of management and workers goes to Elton Mayo.

Some of the major findings of Hawthorne Studies are as noted below:

1. Employee's behavior is influenced by mental attitudes and emotions including prejudices.



2. The workers in a group develop a common psychological bond uniting them as a group in the form of informal organization.
3. In managing and motivating employee groups, human and social motivation plays greater role than financial incentives.
4. Management must understand that a typical group behavior can dominate or even supersede individual propensities and preferences.
5. When workers are given special attention by management, the productivity is likely to increase irrespective of actual changes in the working conditions.

Hawthorne Studies are primarily responsible for consideration of non financial incentives in improving productivity. Mayo pointed out that the organization is a social system and informal organization is a reality. The knowledge of human nature can solve many problems of management. He emphasized that successful human relations approach can easily create harmony in an organization, higher employee satisfaction and great operational efficiency. Central to this approach was an increased understanding of the individual worker with emphasis on motivation, needs, interpersonal relationships and group dynamics Mayo believed that a factory is not only a workplace but also a social environment in which the employees interact with each other. This gave rise to the concept of the 'social man' whose interaction with others would determine the quality and quantity of the work produced.

Mayo developed his Human Relations Theory of Management on his Hawthorne experiments. He introduced human relations approach to management and is rightly considered as one of the pioneers of the Human Relations Theory of Management.

IV. EMERGING DEVELOPMENTS IN ORGANIZATIONS

TRENDS IN ORGANIZATIONAL CHANGE

According to Tan (2022) Organizations have entered a new era characterized by rapid, dramatic and turbulent changes. The accelerated pace of change has transformed how work is performed by employees in diverse organizations. Change has truly become an inherent and integral part of organizational life.

Several emerging trends are impacting organizational life. Of these emerging trends, five will be examined: globalization, diversity, flexibility, flat, and networks. These five emerging trends create tensions for organizational leaders and employees as they go through waves of changes in their organizations. These tensions present opportunities as well as threats, and if these tensions are not managed well, they will result in dysfunctional and dire organizational outcomes at the end of any change process. These five trends and the specific tensions they produce are presented in Table 1.

Trends	Tensions
1. Globalization	Global versus Local
2. Diversity	Heterogeneity versus Homogeneity
3. Flexibility	Flexibility versus Stability



4. Flat	Centralization versus Decentralization
5. Networks	Interdependence versus Independence

1. Globalization

Organizations operate in a global economy that is characterized by greater and more intense competition, and at the same time, greater economic interdependence and collaboration. More products and services are being consumed outside of their country of origin than ever before as globalization brings about greater convergence in terms of consumer tastes and preferences. Yet at the same time, in the midst of greater convergence, there is the opposite force of divergence at work where companies have to adapt corporate and business strategies, marketing plans, and production efforts to local domestic markets.

One major consequence of globalization is greater mobility in international capital and labor markets. This creates a global marketplace where there is more opportunity, because there are more potential customers. However, there is also more competition, as local companies have to compete with foreign companies for customers.

The processes associated with the global integration of markets for goods, services, and capital have created two sources of tensions.

First, reduced barriers to trade and investment accentuate the asymmetries between groups that can cross international borders, and those that cannot. In the first category are owners of capital, highly skilled workers, and many professionals. Unskilled and semiskilled workers and most middle managers belong in the second category.

Second, globalization engenders conflicts within and between nations over domestic norms and the social institutions that embody them. As the technology for manufactured goods becomes standardized and diffused internationally, nations with very different sets of values, norms, institutions, and collective preferences begin to compete head on in markets for similar goods. Trade becomes contentious when it unleashes forces that undermine the norms implicit in local or domestic workplace practices.

This implies ensuring that international economic integration does not lead to domestic social disintegration. Organizations that are confronted with this challenge will have to manage the tension created by the global integration versus local disintegration dilemma.

The overall picture as a consequence of globalization is one of turbulence and uncertainty, in which a variety of contradictory processes present a wide range of both opportunities and threats that defy established ways of doing business and working in organizations. Integration and exclusion coexist uneasily side-by-side in organizations.

For example, many apparent dichotomies or paradoxes—competition versus collaboration, market forces versus state intervention, global actions versus local solutions—are losing their sharp edges as contradictory forces appear to converge and reinforce each other in organizations across the globe. Companies that compete fiercely in some markets form strategic alliances in others; government guidance and regulation



are required to make markets work effectively; and "think globally, act locally" has been adopted as business strategy (or as a mantra) to deal with the challenges of doing business in the globalized economy. As organizations transform themselves to stay competitive, they will need to confront and resolve some, if not all, of these dichotomies or paradoxes.

On another level, because of globalization, the fates of people living and working in different parts of the world are becoming intertwined. Global events may have significant local impact. September 11, 2001 has been called the "day that changed the world". Heightened security concerns are changing expectations for people in organizations, and the role of organizations themselves. The threat of terrorism continues to be an ongoing concern worldwide. It has created a renewed focus on workplace security as employees experience a heightened sense of vulnerability in the workplace. Employee monitoring and screening are occurring more frequently. Concern over travel for business purposes is resulting in the increased use of alternate forms of communication such as teleconferencing and videoconferencing.

2. Diversity

Globalization is impacting how organizations compete with each other. In combination with changing demographics, globalization is causing a rapid increase in diversity in organizations. Never before have people been required to work together with colleagues and customers from so many different cultures and countries.

Diversity is moving American society away from "mass society" to "mosaic society". Organizations reflect this "mosaic society" in their more diverse workforce (in terms of not only race, ethnic or culture but also in terms of age, sexual orientation, and other demographic variables). More than ever, people have to interact and communicate with others who come from diverse backgrounds. This in turn has meant that employees need new relational skills to succeed. An emerging stream of research in international management has called these new relational skills "cultural intelligence". Cultural intelligence is defined as the capability to adapt effectively across different national, organizational and professional cultures. More managers take up global work assignments in industries around the world. They learn how to work with people who not only think and communicate differently but also do things differently. Managers will need to develop their cultural intelligence to manage greater diversity in organizations.

People of different ethnic and cultural backgrounds possess different attitudes, values, and norms. Increasing cultural diversity in both public and private sector organizations focuses attention on the distinctions between ethnic and cultural groups in their attitudes and performance at work. This greater focus can result in the tension between finding similarities and accentuating differences in the face of greater diversity in organizations.

There is an on-going debate between the heterogenists and the homogenists concerning the impact of greater diversity in organizations. The heterogenists contend that diverse or heterogeneous groups in organizations have performance advantages over homogeneous groups while the homogenists take the opposing view—that homogeneous groups are more advantageous than heterogeneous or diverse groups in organizations.



According to the heterogenists, organizations with greater diversity have an advantage in attracting and retaining the best available human talent. The exceptional capabilities of women and minorities offer a rich labor pool for organizations to tap. When organizations attract, retain, and promote maximum utilization of people from diverse cultural backgrounds, they gain competitive advantage and sustain the highest quality of human resources.

Organizations with greater diversity can understand and penetrate wider and enhanced markets. Not only do these organizations embrace a diverse workforce internally, they are better suited to serve a diverse external clientele. Organizations with greater diversity also display higher creativity and innovation. Especially in research-oriented and high technology organizations, the array of talents provided by a gender- and ethnic-diverse organization becomes invaluable. Heterogeneous or diverse groups display better problem solving ability as they are more capable of avoiding the consequences of groupthink, compared to highly cohesive and homogeneous groups that are more susceptible to conformity.

On the other hand, greater organizational diversity has its drawbacks. With the benefits of diversity come organizational costs. Too much diversity can lead to dysfunctional outcomes. Diversity increases ambiguity, complexity, and confusion. Organizations with greater diversity may have difficulty reaching consensus and implementing solutions. In many organizations, diversity can produce negative dynamics such as ethnocentrism, stereotyping and cultural clashes.

The homogenists argue that homogeneous groups often outperform culturally diverse groups, especially where there is a serious communication problem. Cross-cultural training is necessary to enable culturally diverse groups to live up to their potential and overcome communication difficulties. The diversity movement, according to the homogenists, has the potential to polarize different social groups and harm productivity while breeding cynicism and resentment, heightening intergroup frictions and tensions, and lowering productivity, just the opposite of what managing diversity is intended to accomplish.

The challenge therefore is for management to manage the tension produced by heterogeneity versus homogeneity. If properly managed, organizations can reap the benefits of greater diversity. Aside from proper management, organizations need to learn to appreciate and value diversity before the benefits of diversity can be fully realized. To achieve this, diversity training programs may help people in organizations understand and value diversity.

3. Flexibility

Globalization and diversity trends are forcing organizations to become more flexible and adaptable. To be able to function globally and to embrace diversity, leaders and employees in organizations have to become more flexible and develop a wider repertoire of skills and strategies in working with diverse groups of people in the workplace as well as in the marketplace.

The response to increased diversity has, in many cases, been increased organizational flexibility. Some organizations allow workers to have very different work arrangements (e.g. flex-time) and payment schedules. Some organizations (and workers) have found it convenient to treat some workers as independent consultants rather than



employees. In certain occupations, advances in communication and information technologies have enabled telecommuting —working at home via computer. One consequence of this is the blurring of boundaries between work and home, and where and when work occurs. The benefits of greater flexibility may be countered by the negative consequences of working 24/7 including higher stress and burnout.

The response to increased competition, however, has resulted in a tension generated by the demands to be flexible and yet maintain some stability as changes are implemented in organizations. To stay competitive, organizations are constantly changing and restructuring to increase flexibility and decrease costs. Business process re-engineering, business process out-sourcing, job redesign, and other approaches to optimize business processes have been implemented to increase operational and process efficiency while reducing the costs of doing business.

Changes in business and operational processes need time to stabilize for employees to learn the new processes, become familiar with them, and be able to operate effectively and efficiently. Yet, competitive pressures can cause organizations to go through a series of changes without giving employees adequate time for learning and training, and for the benefits of the change to be fully realized in the organization. This tension is well-captured by Columbia Business School professor Eric Abrahamson in his book, *Change Without Pain* (2004) in which he discussed how organizations can go through change overload and how employees can experience change fatigue and burnout. Professor Abrahamson proposes "creative recombination" as an alternative approach to the highly destructive, destabilizing and painful changes caused by "creative destruction".

4. Flat

In a greater competitive marketplace, speed or response time is critical. How organizations response to customers and other stakeholders or be the first to market may make a significant difference as time is at a premium. Organizations that can develop new technologies faster or can adapt to changes in the market faster are the ones that will survive the competition. To maximize response time, organizations have been flattening their hierarchies and structures, in addition to other initiatives such as downsizing and networking. Flat organizations make decisions more quickly because each person is closer to the ultimate decision-makers. There are fewer levels of management, and workers are empowered to make decisions. Decision-making becomes decentralized.

However, flat organizations create a new tension between decentralization and centralization. Among the drivers of decentralization are communications technologies that allow companies to push decision-making away from the core. Proponents of decentralization emphasize the idea that less hierarchical organizations mirror the efficiencies of the networks that enable them: they are faster, more resilient, more responsive, more flexible and more innovative. Also, they argue, people who work within decentralized organizations feel empowered and energized. They do not need to focus on the chain of command and they do not feel constrained by it.

Organizations are caught between the opposing forces of centralization and decentralization. They want to leverage the opportunities offered by decentralization and create more nimble and forceful organizations, but they cannot always do so because the forces of centralization come into play. There are obvious benefits to



centralization as control is comparatively tighter and accountability is clearer compared to a flatter, more decentralized organizational structure.

Take the example of IT operations. The key to a centralized organization's success is its responsiveness. If the centralized operation can be responsive to the needs of the business, then that approach can make sense. Several companies, such as Daimler Chrysler and PepsiCo, have migrated back to centralizing IT operations after attempts at decentralization.

The debate over the centralization versus decentralization of operations in organizations is an enduring one. It is an age-old battle of standardization versus autonomy, corporate efficiency versus local effectiveness and pressure on costs and resources versus accommodation of specific local needs.

Vacillation between centralization and decentralization is both non-productive and unnecessary. Organizations, as they desire to become flatter, will need to be clear about how they need to respond to the tension between centralization and decentralization.

5. Networks

Organizations that flatten tend to encourage horizontal communication among workers. Rather than working through the organizational hierarchy, it is often faster for workers who need to coordinate with each other simply to communicate directly. Such organizations are highly networked.

Another meaning of networked organizations refers to their relations to other organizations. Organizations that have downsized to just their core competencies must then outsource all the functions that used to be done in house. To avoid losing time and effort managing contracts with suppliers, organizations have learned to develop close ties to their suppliers so that social mechanisms of coordination replace legal mechanisms, which are slow and costly. In many industries, such as the garment industry in Italy, strong relationships have developed between manufacturers and suppliers (and other manufacturers), so that considerable work is done without a contract and without even working out a firm price. For these networked organizations to work, high trust and social capital between organizations are key elements.

Networked organizations are particularly important in industries with complex products where technologies and customer needs change rapidly, such as in high technology industries. Close ties among a set of companies enables them to work with each other in ways that are faster than arms-length contracts would permit, and yet retains the flexibility of being able to drop the relationship if needed (as opposed to performing the function in-house). The trend towards networked organizations and structures create a new tension between interdependence and independence. The forces of aggregation and dis-aggregation throw up new challenges for organizations, for example, the use of independent contractors, joint ventures, strategic partnerships and alliances even with competitors.

One advantage of networks is that organizations have greater flexibility and thus they can become more competitive in the global marketplace. Another advantage is that organizations do not require that many resources such as employee benefits, office space, and financing for new business ventures.



On the other hand, networks have distinct disadvantages. Organizations may find it more difficult to control quality of goods or services as they now have to depend on their partners in the networks to deliver the quality that is desired. Legal and contracting expertise as well as negotiation expertise will also be important for networks. Alternative forms of control may need to be developed to control quality. Alternative mechanisms for coordination may also need to be developed to manage the growing constellation and sometimes tenuous nature of other partner organizations in the network.

All the five trends and the tensions they produce result in greater organizational or system complexity for both leaders and employees in organizations. The tensions produced by these trends cannot be solved. They have to be managed. Effective approaches in organizational change will involve not one strategy but many alternatives and will require leaders and employees to develop greater resilience in confronting these tensions.

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