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Module - 01 Lecture - 05 Introduction to Organizational Design

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[FL], we will now be starting our 5th lecture of week 1 and this is the concluding lecture on the topic Introduction to Organization Design. In the previous lectures we have spoken about what organizations are? Why do they exist? How do they create value? We have spoken about organization theory, structure, culture, design and change.

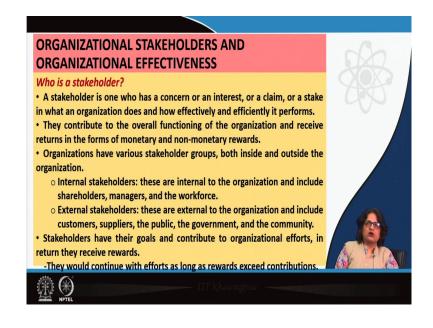
We have seen we have discussed how organization theory has evolved, we have spoken about the dimensions of organizational design, organizational configuration, how do contingency factors influence the design of organizations. We have also seen how organizational effectiveness can be measured and assessed. We have discussed the various approaches to measure organizational effectiveness, we talked about the traditional approaches and then we also talked about the balanced scorecard.

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Now, in today's lecture which is the concluding lecture of this topic, we will be speaking about organizational stakeholders and effectiveness and we will be talking about the various challenges faced by organizations.

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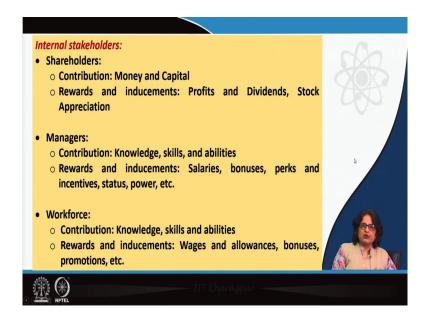
So, let us first begin with organizational stakeholders and organizational effectiveness. Now who is a stakeholder? Now a stakeholder is one who has a concern or who has an interest, or has a claim, or has a stake in what the organization does and how well you know it performs. So, an a stakeholder is anybody who has an interest in how well an organization you know performs its activities effectively and efficiently.

So, they contribute to the overall functioning of the organization and they receive returns in the form of monetary rewards, in the form of nonmonetary rewards. Monetary rewards could be in the form of you know say wages, salaries, dividends, profits and nonmonetary is in terms of goodwill, image, reputation, loyalty so, forth a customer loyalty etcetera. So, organizations have various stakeholder groups both within the organization and outside the organization. So, they have internal stakeholders and as well as external stakeholders. Now, when we talk of internal stakeholders we are basically talking of those who are internal to the organization, those who are internal to the organization and who function within the organization could be the shareholders, could be the managers, could be the workforce.

External stakeholders are those who are outside the organization they are external to the organization; they include the vendors, the suppliers, the dealers, the distributors, the customers. The government the community. So, all of them are external stakeholders because they are external to the organization.

They relate to outside the organization. So, stakeholders have their goals and they contribute to organizational efforts and in return for that they actually receive rewards. So, these rewards as I said could be in terms of monetary rewards as well as with you know nonmonetary rewards and they continue with these efforts as long as the rewards that they get or the rewards that they receive are more than what they more than the efforts or more than the you know resources that they contribute.

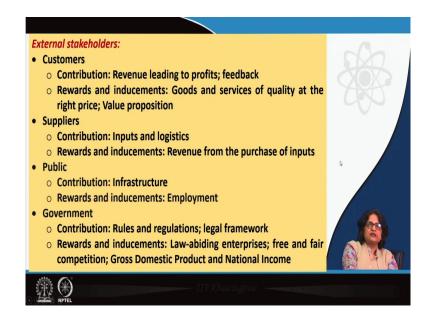
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So, when we talk of the stakeholders, we categorize them into internal stakeholders and external stakeholders. So, internal stakeholders are shareholders ok; the they contribute money and capital and the reward and inducements come in the form of profits, dividends, stock appreciation. Then you have managers who are again an internal stakeholder, they contribute their knowledge skills and abilities.

The rewards and the inducements they receive are in form of salaries, bonuses you know perks, incentives, status, power etcetera. And then you have workforce who again their contribution comes in the form of their knowledge, their skills, their abilities. The rewards and inducements come in the form of wages and allowances bonuses promotions.

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Then we have the external stakeholders who are our customers of course, contribution comes in the form of revenues leading to profits the feedback also which the company receives from them. The rewards and inducements come in the form of goods and services which goods and services of the right quality which are supplied by the organization rightly priced and the entire value proposition which they receive that is something which is an inducement and reward.

The second external stakeholder is the vendor or the supplier they contribute in terms of you know inputs and logistics and the rewards and inducements come in the form of revenues from the purchase of inputs by the organization.

A public is another stakeholder they contribute in terms of infrastructure, rewards and inducements come in the form of employment and government is again a major external stakeholder the government here contributes in the form of providing or you know a legal framework, rules, regulations, infrastructure and the facilities and the rewards and inducements come in the form of law abiding enterprises, free and fair competition, gross domestic product, national income.

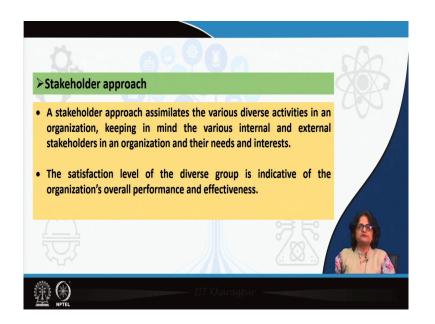
So, so you see that each of these stakeholders whether internal to the organization or external to the organization will actually will contribute as long as what they give or what they contribute is more sorry, I am sorry what they receive as rewards and inducements is more than what they contribute. So, every stakeholder will continue to contribute and continue to do as long as he realizes that the rewards which he gets in return are more than what he invests in or what he contributes.

So, the stakeholders the various stakeholders continue with their efforts, continue with their investments, continue with their you know time, resources, money efforts everything as long as the rewards and inducements that they receive is much more as compared to what they have contributed.

So, the contribution here you know is has is there from each of the stakeholders, but they always try to compare it with the rewards; if that if they will continue to contribute as long as they realize that the rewards and inducements which they get are much more than what they contribute.

So, so, the efforts from the stakeholders, the commitment from the stakeholders entire effort from the stakeholders you know is there as long as the rewards which they get are going to be more than what they have contributed to. So, they continue with their efforts, I repeat they continue with their efforts as long as the rewards, which they get are more than what they have contributed to.

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Now, with this we come to the stakeholder approach in a previous session, I had mentioned about the fact that an organization has different stakeholders and the stakeholders always try to see that you know the returns that they get are maximized. I also said that different stakeholders may have different goals, they may have different interests.

And so, it is the responsibility of the organisation to ensure that the goals and interests of the various stakeholders are met are satisfied in only and only then will an organization be able to perform effectively and efficiently. So, while an organization wants to achieve its aims effectively and efficiently, it is also important that it keeps into mind keeps in mind, the stakeholder interest because until unless the stakeholder interests are kept in mind, the organization will not be able to perform efficiently and effectively.

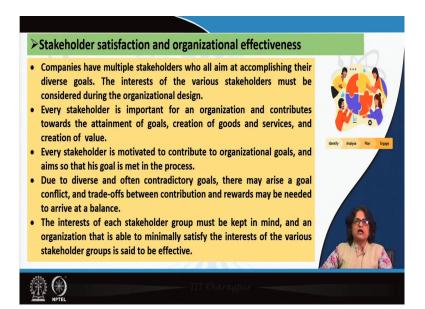
So, moving beyond on the same concept you know we have to we building upon the same statement, I would like to say here that the satisfaction level of the diverse group of stakeholders is indicative of the overall performance and effectiveness of the organization.

So, the stakeholder approach assimilates the various diverse activities in an organization keeping in mind the various internal and external stakeholders of the organization and their needs and wants. And the satisfaction level of the different stakeholder groups whether internal or external is indicative of the overall performance and effectiveness of the organization.

So, going by what I said in a previous lecture that organizations must achieve their objectives efficiently and effectively. But stakeholder interests have to be kept in mind and the satisfaction level of the diverse group of stakeholders both internal and external to the organization is indicative of the overall performance and effectiveness of the organization.

So, the stakeholder approach assimilates the various diverse activities in the organization keeping in mind the various in internal and external stakeholders of the company and their varied interests and needs and interest. So, it is very very important the satisfaction level of the various stakeholders is kept in is kept in mind.

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Now we move beyond on the same point of point and we will discuss is a little further. So, companies have multiple stakeholders who all aim at accomplishing their diverse goals and the interest of the various stakeholders must be considered during organizational design. So, every stakeholder is important for the organization and in some way or the other they contribute to attainment of goals they contribute to creation of goods and values, they contribute to creation of value.

So, every stakeholder is important they have their diverse goals and they all moving towards accomplishing their diverse goals you know and they are all contributing in some form or the other into the value creation activity. So, every stakeholder is motivated to contribute to organizational goals and aim. So, that is own goal is also met in the process ok.

What I am trying to say is that every stakeholder group has their own goals, has their own needs, has their own wants, have their own interests and they all realize that by putting in their efforts together by working together with each other. They are going to be able to achieve the organizational goals more effectively and efficiently as and when they are able to achieve the goals of the organization more effectively and efficiently.

Their own goals are also being met ok. So, every stakeholder becomes important through the organization, contributes towards the goal, contributes towards value creation, contributes towards creation of goods and services and he every stakeholder is motivated to contribute to goals and aim, so that his goals and aims are also met in the process.

So, what is happening is as they contribute, as they put in their efforts they are reaching the organizational goal and as they reach the organizational goal more effectively and efficiently they are also able to reach their own goal; they also able to achieve their own and you know they also able to achieve what they have they are seeking.

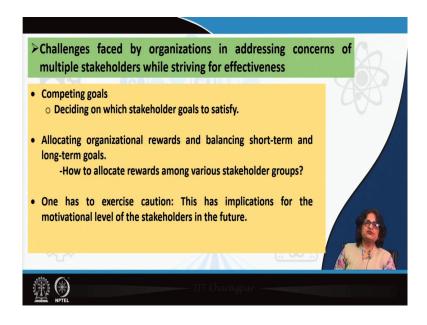
So, so due to the diverse and often contradictory goals, they may arise a goal conflict and trade off between contribution and rewards may need may be needed to arrive at a balance you know some because this is because stakeholder groups have diverse needs and interests. They have diverse goal sometimes the goals are in contradictory to each other also.

So, in such a case a trade off between contribution and reward may be need needed and the interest of each stakeholder group must be kept in mind and an organization that is able to minimally satisfy the interests of the various group together in conjunction to all is said to be effective.

Why I am saying minimally able because in several cases the interests and goals of one stakeholder group may be in contradiction to the other one. So, you know the organization must be able to minimally satisfy everybody you know if it can be the greater the maximization the best, but minimally at least level so that all interests of all the various stakeholder groups even if they are contrary to each other can be met.

So, an organization which is able to do that, an organization which is able to minimally satisfy the interests of the way all the various stakeholder groups you know is said to be if organization is able to do that it is said to be effective.

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Now, coming to challenges faced by organizations in addressing the concerns of multiple stakeholders while striving for effectiveness. So, what are the challenges? So, as I just said different stakeholder groups, different goals, different interest maybe in contradiction to each other.

So, the organization has to ensure that it is able to satisfy each and every of the stakeholder group at least minimally and the organization which can do so being able to satisfy each of

the stakeholder groups minimally is said to be an effective organization. But the challenges that are faced by an organization while doing so are immense ok.

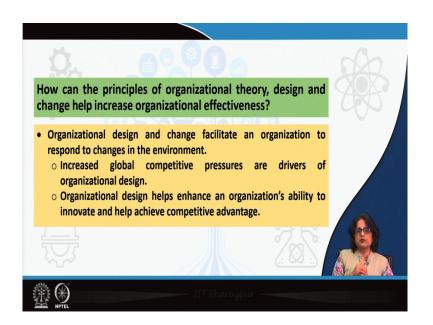
So, we will now try to see what are the various challenges, which are faced by organizations to address concerns of multiple stakeholders while it is also striving towards effectiveness. First is competing goals ok. So, there may be competing goals, there may be contradictory goals and here it is very important that organizations decide on which stakeholder goals to satisfy.

So, which is the goal which I must satisfy to allocate organizational rewards and balance short term and long term goal. So, it is very important for organizations to also allocate rewards amongst various stakeholder groups to see which stakeholder group is more important at a point in time than the others and to how to allocate rewards as well as to come up with a balance on short term and long term goals.

One has to exercise huge amount of caution you know when they are deciding on the goals, the when the organization is deciding on the competing goals or when organization is deciding upon allocation of rewards or when the organization is deciding upon how to balance between the long term and the short term goals. One a lot of caution has to be exercised because this has implications for the motivational level of future stakeholders as well; rewards when rewards is a topic you know is an issue which needs to be addressed.

There can be huge implications on the motivational level of future stakeholders you know and so, it is very very important that while a companies are deciding on rewards or while they are deciding on having a long term or a short term perspective, they must keep the fact in mind that whatever is decided you know is going to have some kind of an implication, some kind of a consequence you know on the motivational level of stakeholders in the future.

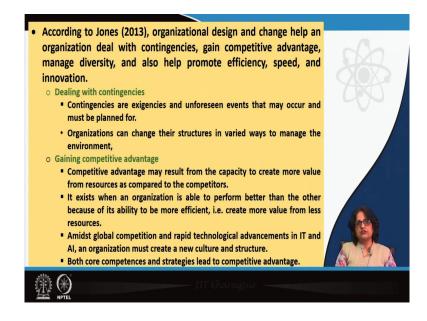
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Now, how can principles of organization theory, design and change help increase organizational effectiveness. This is the very crucial question because we have been right from lecture 1, we have been talking about how organizational theory design and change you know impact organizational effectiveness. So, coming down more specifically now to this question.

So, organization design and change they facilitate an organization, to respond to the environment and responding to the environment here meaning an environment which could offer opportunities as well as post threat threats. So, increased global competitive pressures today are drivers of organizational design and organizational design can help enhance an organizations ability to gain advantage of the opportunities in the environment to you know innovate and to help achieve organization and to help achieve competitive advantage.

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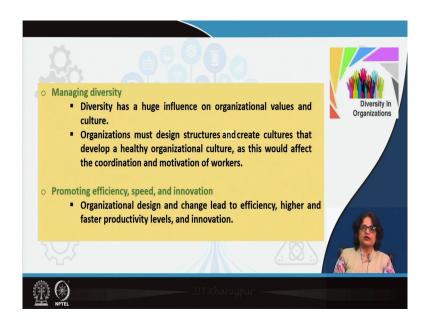


So, according to Jones organizational design and change help an organization deal with contingencies gain competitive advantage, manage diversity and also promote efficiency speed and innovation. So, with respect to dealing with contingencies, we have discussed in the previous class that contingencies are exigencies, they are unforeseen events that may occur and they have to be planned for.

So, organizations must change their structures in order to manage the environment and in order to manage contingencies. Organizational design and change also help gain competitive advantage competitive advantage may result from the organizations capacity to create more value from resources as compared you know so it create more value from resources and competitive advantage exists when an organization is able to perform better than others because of its ability to be more efficient; that means, it is able to create more value from less of the resources.

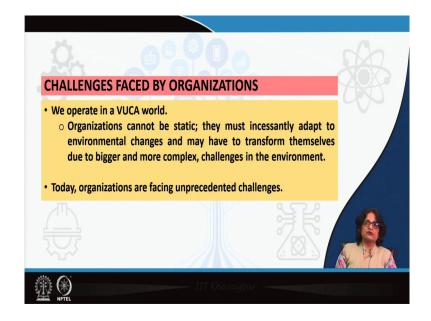
So, in you know currently what we see in this huge global competitive era and with rapid technological advancements in IT and artificial intelligence, an organization must create a new culture, it must create new structures both competencies you know core competencies and strategies can lead to competitive advantage.

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According to Jones you know organizational theory and design and change also help manage diversity. So, diversity has a huge influence on organizational values and culture, organizations must design their structures and create cultures that would develop a very healthy organizational culture, as this would affect the coordination and motivation of workers they must you know also organizational theory and design and you know help promote efficiency speed and innovation, organization design and change lead to efficiency higher and faster productivity levels, and innovation.

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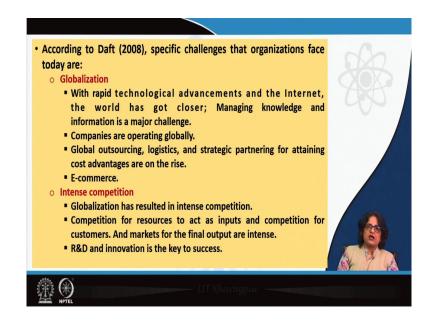


So, you know according to Jones organizational design can affect, an organization in very positively if you know and help an organization deal with contingencies whether it is gaining competitive advantage or managing diversity or promotion of efficiency speed and innovation in all of these organization design and change can play major roles.

Now, we come finally, to the challenges faced by organizations today companies operate in a VUCA world you know organizations cannot be static, they must incessantly adapt to environmental changes, they may have to transform themselves sometimes in a big way sometimes they must change incrementally or marginally or you know in smaller ways.

But sometimes they need to be radically change, they need to transform themselves because of bigger complex changes in the environment. And today organizations face unprecedented challenges you know specific challenges that organizations face today,

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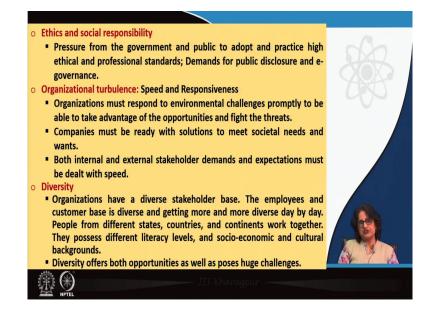


According to Daft are with respect to globalization, we all know that with rapid technological advancements and the internet today the world has grown closer, managing information managing you know technologies and information sharing is a major challenge companies operate globally and with the internet there is a huge emphasis upon E commerce.

There is global outsourcing, a logistics and strategic partnering all of which are you know help attain cost advantages and there is this huge change which is happening because of globalization. There is intense competition which we see globalization has resulted in intense competition; competition here is for resources which have to act as inputs competition is there for customers who are who form the market and so competition for resources, competition for customers and for markets is intense and the key to success lies in R and D.

So, R and D and innovation are crucial play crucial roles in organizational success.

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Another important challenge which companies face today is pertains to ethics and social responsibility, there is pressure from governments, both domestic as well as you know internationally for adoption and practice of high ethical and professional standards, there is huge pressure from the government huge pressure from the public that companies adopt and practice high ethical and professional standards their demands for public disclosure.

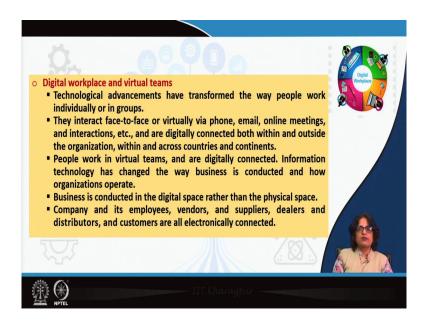
And E governments then another major challenge which companies face today is organizational turbulence and you we have to deal with such changes with great speed and

with prompt responsiveness. So, organizations will respond to environmental changes promptly to be able to gain advantage of the opportunities and fight the threats. Companies must be ready with such solutions to meet societal needs and wants and stakeholder needs both internal and external stakeholder needs have to be dealt with speed.

Also another challenge is with respect to diversity organizations have a diverse stakeholder base, employees and customer base is diverse and it is getting more diverse day–by-day people from different states, countries, continents work together, they possess different kinds of literacy levels and socio economic and cultural backgrounds and diversity offers both opportunities as well as poses a major threat or a major challenge with organizations must deal with.

Because when you need when you work in diversity you need to be very flexible you need to be very quick and you need to respond and you need to be quick to change which is not always possible. So, diversity offers both opportunities as well as poses a huge challenge.

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Also today what we see is digital workplaces and virtual teams, technological advancements have transformed the way people worked you know today people you know interact face–to-face or virtually via phone, email, online meetings, interactions and they are digitally connected both within and outside the organization, within and across countries and continents and the this has led to huge transformation in the way people work individually or in groups.

So, people meet face-to-face work face-to-face. But they also meet and interact virtually over phone, over email, over online meetings and interactions across continents, across countries, across organizations, they work in they also work in virtual teams, they are digitally connected and IT has changed the way business is conducted and how organizations operate. So, business is conducted in the digital space today rather than the physical space and we see that companies and the various stakeholders, employees, vendors, suppliers, dealers, distributors, customers they are all electronically connected.

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So, with this and all of these is actually changing the way business is conducted. So, this with this we come to an end of the week 1 of or module 1 of this course on organization design change and transformation we shall start with a new topic in the next week. And tell then goodbye.