**Unit Three**

**Understanding and managing organizational process**

**3.1. Leadership theories**

**Leadership** is the process whereby one individual influences other group members towards the attainment of defined a group’s or an organization’s goals. Leadership has been conceived as the focus of group processes, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviours, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as an initiation of **structure,** and as many combinations of these definitions’.

**Importance of leadership**

There are various reasons why leadership is important. Hogan and Kaiser (2005) give the following reasons why leadership really matters:

* Leadership solves the problem of organizing collective effort. Good leadership leads to

 organizational success, as well as financial and social well-being of people.

* Bad leaders cause misery for people who are subject to their domain.
* Several patterns of leadership behavior are associated with subordinates’ performance and satisfaction. Reactions to inept leadership include turnover, insubordination, industrial sabotage and malingering. Studies from the mid 1950s show that 60–75 percent of the employees in any organization report that the worst or most stressful aspect of their job is their immediate supervisor. Good leaders may put pressure on their people, but abusive and incompetent leaders cost management millions in lost productivity. The most common complaints from direct reports concern: a) managers’ unwillingness to exercise authority; b) managers tyrannizing their subordinates.
* Top managers account for 14 percent of the variance in organizational performance.

**Leadership theories**

Various theories have been developed to explain leadership. These theories can roughly be studied in terms of **four** approaches.

**A. Trait theories**

Trait theories focus on discovering the leadership personality and examining what it is about the character, underlying motivations and behavioral styles that make an individual a leader. It believed that leaders are born, not made, and that great leaders are discovered as a chance, not intentionally developed. However, the trait approach is not very successful in explaining leadership because it: a) overlooks the needs of followers; b) fails to clarify the relative importance of various traits; c) does not separate cause from effect, (for example are leaders self-conﬁdent or does success as a leader build self-confidence?); d) ignores situational factors.

**B. Behavioral theories**

The **behavioral theories** focus on specific behavior which effective leaders exhibit that might differentiate them from ineffective leaders (Burke and Cooper, 2004). The difference between trait and behavioral theories lies in the underlying assumptions. If trait theories were valid, then leadership would be inborn. On the other hand, if there were specific behaviors which identified leaders, then it would be possible to train and develop individuals to become leaders. The implication of behavioral theories is that the behavior of individuals should be studied in order to identify leaders, and that it is possible to train leaders. Although the behavioral theories are criticized for the fact that they do not consider the situation in which leadership occurs, they added valuable insights to the field.

**Contingency theories**

The predicting of leadership success is more complex than isolating a few traits or preferable behavior. In organizations, contingency theory emphasizes the fit between organizational processes and the characteristics of the situation. Leadership effectiveness is also dependent on the situation. Therefore there is no best way to lead people. The best way to lead people depends on the situation. Situational variables include the degree of structure in the task performed, the quality of leader–member relations and the maturity of followers (Robbins, 1996).

**Recent approaches to leadership**

Robbins (1996) distinguishes between three recent approaches to leadership, namely an attribution theory of leadership, charismatic leadership and transactional versus transformational leadership. In these approaches, leaders are seen as managers of meaning, rather than merely in terms of their influence on subordinates.

**Attribution theory of leadership**

**Attribution theory** deals with people trying to make sense from cause–effect relationships. When something happens, they want to attribute it to something. According to attribution theory, leadership is merely an attribution which people make about other individuals. Using the attribution framework, researchers have found that people characterize leaders as having traits such as intelligence, outgoing personality, strong verbal skills, aggressiveness and understanding. The high-consideration, high-structure leader was found to be consistent with attributions of what makes a good leader (Robbins, 1996).

**Charismatic leadership**

The model of Conger and Kanungo (1987) proposes that charismatic leadership is an attributional phenomenon founded on subordinate perceptions of the leader’s behavior. Subordinates observe and interpret leader behavior and traits as expressions of charisma. Charismatic behaviors and traits need not always be present to an identical degree in every charismatic leader and their relative importance will vary with the situation. Followers make attributions of heroic or extraordinary leadership abilities when they observe certain behavior. Some examples of individuals cited to be charismatic leaders include Nelson Mandela and Martin Luther King (see Applications box 6.1).

Personal characteristics of a charismatic leader are high conﬁdence, dominance and strong convictions in their beliefs.

**Transactional versus transformational leadership**

Bass (1985, 1990) defined **transformational leadership** in terms of how the leader affects followers, who are intended to trust, admire and respect the transformational leader. He identified three ways in which leaders transform followers, namely a) increasing their awareness of task importance and value; b) getting them to focus ﬁrst on team or organizational goals, rather than their own interests; and c) activating their higher-order needs. Charisma is seen as necessary, but not sufﬁcient, for leadership. Two key charismatic effects that transformational leaders achieve are to evoke strong emotions and to cause identiﬁcation of the followers with the leader. This may be through stirring appeals. It may also occur through quieter methods such as coaching and mentoring.

Transformational leadership is grounded in moral foundations that are based on four components, namely idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass, 1998). Transformational leadership is not seen as being sufﬁcient for effective organizations. It must be accompanied by effective management (transactional leadership). **Transactional leaders** guide or motivate their followers in the direction of the established goal by clarifying role and task requirements. The Ohio State studies and Fiedler’s model have concerned transactional leaders. Transformational leaders inspire followers to transcend their own self-interests for the good of the organization, and are capable of having a profound and extraordinary effect on their followers. They pay attention to the concerns and development needs of individual followers, they change followers’ awareness of issues by helping them look at old problems in new ways, and they are able to excite, arouse and inspire followers to put out extra effort to achieve group goals. Research indicates that transformational leadership is more strongly correlated than **transactional leadership** with lower turnover rates, higher productivity rates and higher employee satisfaction (Bass, 1998). The criticism against **transformational leadership** is that it has poorly defined parameters, and that it treats leadership as a personal predisposition rather than as a behavior that can be learned.

**3.2. Communication**

**Communication** is defined as the process by which a person, group or organization (the sender) transmits some type of information (the message) to another person, group or organization (the **receiver**) (Baron and Greenberg, 1990). Two or more parties exchange information and share meaning, so that a common understanding is established between them. Communication seems to play an important role in the attainment of organizational goals. According to Luthans (1992), managers devote about one- third of their activities to routine communication -exchanging routine information and processing paperwork. Communication plays an important role in managerial and organizational effectiveness. Communication does serve certain major functions within an organization, namely those of control, motivation, emotional expression and providing information (Robbins, 1996).

**The nature of the communication process**

The **source of** the communication may be a person or an object. As an object, it may take on many forms, such as a book, a piece of paper, a radio or a television set. The characteristics of the receiver influence the way in which the message is received and interpreted. The following diagram shows the communication process;

**Source → Encoding → Channel → Decoding → Receiver**

**Encoding** means that the message is translated from an idea or a thought into symbols which can be transmitted.

**Channels** can be seen as pathways along which the encoded information travels.

**Decoding** is the process by which the receiver of the message attaches meaning to it. In technical terms this means that the receiver must translate the symbols encoded in it into a form which he or she (the receiver) can understand, and then also in the way the sender intended it to be understood. If the receiver attaches different meanings to the message, the communication process can break down. Just as the sender has limited capacities to encode the message, so the receiver has limited capacities to decode the message.

**Methods of communication in organizations**

**A. Written communication** (formal letters, Reports, manuals, forms, etc.)

**B. Oral communication** occurs when the spoken language is used during face-to- face talks,

 telephone conversations, telephone messages and tape recordings.

**C. Downward communication is** superior–subordinate communication in an organization.

**D. Upward communication** can perhaps also be called subordinate–superior or subordinate-

initiated communication. This type of communication flows from a lower level to a

 higher level in organizations. This type of communication provides feedback to those

 at higher levels, informs them of the progress which has been made toward attaining goals

 and is used to inform those at higher levels of the problems which are experienced at lower

 levels.

 **E. Horizontal/lateral communication** takes place among members of the same work group,

members of work groups at the same level, or among horizontally equivalent personnel.

 Usually, horizontal/lateral communication tends to be easier and more friendly than

 Downward/upward communication, because the problem of status differences is not present.

**F. Formal and informal communication;** formal communication is regulated by the formal

channels laid down in the structure of an organization and informal communication is an

 information shared without any formally imposed obligations or restrictions.

**G. Assertive communication**

Assertive communication entails that a person describes his or her feelings, thought, opinions and preferences in an appropriate way. To be assertive, one must be aware of the difference between three concepts, namely, assertiveness, aggression and passiveness. An aggressive person believes that his or her rights are more important than those of others. The passive style is characterized by timid and self-denying behaviour and rests on a person’s assumption that his or her rights are less important than those of others. The style of an assertive person is expressive and self-enhancing and rests on the assumption that his or her rights as well as the other person’s rights are equally important.

**H. Non-verbal communication** refers to messages sent independent of the written or spoken word. Non-verbal behaviour has been studied extensively and it was found that socially inadequate people make less use of non-verbal indicators or use them in the wrong way (Trower, 1990). It has been estimated that non-verbal communication is responsible for up to 60 per cent of the message being communicated. A person communicates by means of his or her eyes, facial movement and expressions, tone of voice, posture and body movements

**Self-disclosure and feedback**

Self-disclosure involves the individual sharing his or her self, thoughts, feelings and experiences with another individual and is necessary for effective communication and interpersonal relationships. A healthy relationship is built on self-disclosure. If a person hides his or her feelings from others, the tension in the relationship rises and his or her awareness of the inner experience fades. Self- disclosure leads to higher self-awareness (Johnson, 1997). Feedback can be defined as a verbal and non-verbal process where one individual reveals to another how he or she sees the other’s behaviour and how he or she feels about it. It is difficult to give feedback in such a way that the person receiving it accepts it. It is, however, a skill that is learned and for which certain guidelines exist. It is possible to reduce a person’s defence against receiving of feedback and to maximize his or her ability to use it for personal growth by giving feedback in an objective way, without disturbance (Johnson, 1997).

The effects of self-disclosure and feedback in interpersonal situations can be illustrated by the Johari window model (see Figure 5.2):

|  |  |
| --- | --- |
| Public area | Blind area |
| Hidden area | Unknown area |

 Known to others

 Not known to others

 Known to self Not known to self

 *Figure 5.2 The Johari window*

According to the Johari window there are certain things a person knows about him or herself, certain things about him or herself that he or she does not know, certain things others know about him or her and certain things others do not know about him or her. The more information known to a person and to other persons, the clearer communication could be. The public area can be enlarged and the blind area can be decreased through feedback from others. The hidden area can be decreased by means of self-disclosure (Luft, 1984).

 **3.3. Decision making**

Decision making process formally defined, as the process of choosing a course of action for dealing with a problem or opportunity. The five basic steps involved in systematic decision making are:

**1.** Recognize and define the problem or opportunity.

**2.** Identify and analyze alternative courses of action, and estimate their effects

 on the problem or opportunity.

**3.** Choose a preferred course of action.

**4.** Implement the preferred course of action.

**5.** Evaluate the results and follow up as necessary.

We must also recognize that in settings where substantial change and many new technologies prevail, this step-by-step approach may not be followed. Occasionally, a nontraditional sequence works and yields superior performance over the traditional view. We also think it is important to consider the ethical consequences of decision making. To understand when and where to use the traditional or novel decision techniques calls for a further understanding of decision environments and the types of decisions to be made.

**DECISION ENVIRONMENTS**

Problem-solving decisions in organizations are typically made under three different conditions or environments: certainty, risk, and uncertainty.

**Certain environments** exist when information is sufficient to predict the results of each alternative in advance of implementation. When a person invests money in a savings account, for example, absolute certainty exists about the interest that will be earned on that money in a given period of time. Certainty is an ideal condition for managerial problem solving and decision making. The challenge is simply to locate the alternative offering the best or ideal solution. Unfortunately, certainty is the exception instead of the rule in decision environments.

**Risk environments** exist when decision makers lack complete certainty regarding the outcomes of various courses of action, but they are aware of the probabilities associated with their occurrence. A *probability*, in turn, is the degree of likelihood of an event’s occurrence. Probabilities can be assigned through objective statistical procedures or through personal intuition. For instance, managers can make statistical estimates of quality rejects in production runs, or a senior production manager can make similar estimates based on past experience. Risk is a common decision environment in today’s organizations.

**Uncertain environments** exist when managers have so little information on hand that they cannot even assign probabilities to various alternatives and their possible outcomes. This is the most difficult of the three decision environments. Uncertainty forces decision makers to rely heavily on individual and group creativity to succeed in problem solving. It requires unique, novel, and often totally innovative alternatives to existing patterns of behavior. Responses to uncertainty are often heavily influenced by intuition, educated guesses and hunches.

**3.4. Conflict and negotiation**

**Conflict** occurs whenever disagreements exist in a social situation over issues ofsubstance or whenever emotional antagonisms create frictions between individuals or groups. Managers and team leaders can spend considerable time dealingwith conflict, including conflicts in which the manager or leader is directly involved as one of the principal actors. In other situations, the manager or leadermay act as a mediator, or third party, whose job it is to resolve conflicts betweenother people.

**TYPES OF CONFLICT**

Conflict as it is experienced in the daily workplace involves at least two basicforms. **Substantive conflict** is a fundamental disagreement over ends or goalsto be pursued and the means for their accomplishment. A dispute with one’s boss over a plan of action to be followed, such as the marketing strategy for anew product, is an example of substantive conflict. **Emotional conflict** involves interpersonal difficulties that ariseover feelings of anger, mistrust, dislike, fear, resentment, and the like. Thisconflict is commonly known as a “clash of personalities.” Emotional conflicts candrain the energies of people and distract them from important work priorities.They can emerge from a wide variety of settings and are common among co-workers as well as in superior–subordinate relationships. The latter form ofemotional conflict is perhaps the most upsetting organizational conflict for anyperson to experience.

**LEVELS OF CONFLICT**

**Intrapersonal conflict** occurs within the individualbecause of actual or perceived pressures from incompatible goals or expectation.

**Interpersonal conflict** occurs between two or moreindividuals in opposition to each other.

**Intergroup conflict** occurs among groups in an organization.

**Inter-organizational conflict** occurs between organizations.

**FUNCTIONAL AND DYSFUNCTIONAL CONFLICTS**

**Functional conflict** results in positive advantages to groups/organization.

**Dysfunctional conflict** works to the group’s or organization’s disadvantage.

**CONFLICT MANAGEMENT APPROACHES**

Approaches to conflictmanagement seen from the perspective of their relativeemphasis on cooperativeness and assertiveness inthe relationship.

 **Lose–Lose Conflict:** *Lose–lose conflict* occurs when nobody really gets whathe or she wants. The underlying reasons for the conflict remain unaffected and asimilar conflict is likely to occur in the future. Lose–lose conflicts often resultwhen there is little or no assertiveness and conflict management takes theseforms

**Win–Lose Conflict** In *win–lose conflict*, one party achieves its desires at theexpense and to the exclusion of the other party’s desires. This is a high-assertiveness and low-cooperativeness situation.

**Win–Win Conflict** *Win–win conflict* is achieved by a blend of both high cooperativeness and high assertiveness. **Collaboration** or **problem solving** involves recognition by all conflicting parties that something is wrong and needsattention. It stresses gathering and evaluating information in solving disputes andmaking choices. Win–win conditions eliminate the reasons for continuing or resurrecting the conflict since nothing has been avoided or suppressed. All relevantissues are raised and openly discussed.

**WHAT IS NEGOTIATION?**

This is just a sample of the many situations that involve managers and others in **negotiation**—the process of making joint decisions when the parties involve have different preferences. Negotiation has special significance in work settings, where disagreements are likely to arise over such diverse matters as wagerates, task objectives, performance evaluations, job assignments, work schedules,work locations, and more.

**THIRD-PARTY ROLES IN NEGOTIATION**

Negotiation may sometimes be accomplished through the intervention of thirdparties, such as when stalemates occur and matters appear irresolvable undercurrent circumstances. In **arbitration**, such as the salary arbitration now common in professional sports, this third party acts as the “judge” and has the powerto issue a decision that is binding on all parties. This ruling takes place after thearbitrator listens to the positions advanced by the parties involved in a dispute.In **mediation** a neutral third party tries to engage the parties in a negotiated solution through persuasion and rational argument. This is a common approach inlabor–management negotiations, where trained mediators acceptable to eachside are called in to help resolve bargaining impasses. Unlike arbitrator, the mediator is not able to dictate a solution.

 **3.5. Groups, intergroup dynamics in organization and stage of development**

When we speak about people “working together” in groups, we are dealing with issues of **group dynamics**—the forces operating in groups that affect the way members relate to and work with one another. From the perspective of an open system, group dynamics are the *processes* through which inputs are transformed into outputs. George Homans described a classic model of group dynamics involving two sets of behaviours—required and emergent. In a work group, *required behaviours* are those formally defined and expected by the organization. For example, they may include such behaviours as punctuality, customer respect, and assistance to co-workers. *Emergent behaviors* are those that group members display in addition to what the organization asks of them. They derive not from outside expectations but from personal initiative. Emergent behaviors often include things that people do beyond formal job requirements and that help get the job done in the best ways possible. Rarely can required behaviors be specified so perfectly that they meet all the demands that arise in a work situation. This makes emergent behaviours so essential. An example might be someone taking the time to send an E-mail to an absent member to keep her informed about what happened during a group meeting.

**WHAT GOES ON BETWEEN GROUPS**

The term **intergroup dynamics** refers to the dynamics that take place between two or more groups. Organizations ideally operate as cooperative systems in which the various components support one another. In the real world, however, competition and intergroup problems often develop within an organization and have mixed consequences. On the negative side—such as when manufacturing and sales units don’t get along, intergroup dynamics may divert energies as members focus more on their animosities toward the other group than on the performance of important tasks. On the positive side, competition among groups can stimulate them to work harder, become more focused on key tasks, develop more internal loyalty and satisfaction, or achieve a higher level of creativity in problem solving. Japanese companies, for example, often use competitive themes to motivate their organization-wide workforces. At Sony, it has been said that the slogan “BMW” stands for “Beat Matsushita Whatsoever.”

 Organizations and their managers go to great lengths to avoid the negative and achieve the positive aspects of intergroup dynamics. Groups engaged in destructive competition, for example, can be refocused on a common enemy or a common goal. Direct negotiations can be held among the groups, and members can be trained to work more cooperatively. It is important to avoid win–lose re- ward systems in which one group must lose something in order for the other to gain. Rewards can be refocused on contributions to the total organization and on how much groups help one another. Also, cooperation tends to increase as in group.