

NATIONAL OPEN UNIVERSITY OF NIGERIA

MBA 877



Organization Designs & Development Module 1

MBA 877 Organizational Designs and Development Module 1

Course Developer/Writer

Justice Ngarama Chidi, Lagos

Course Coordinator

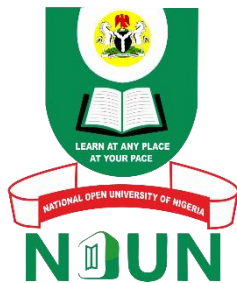
Abdullahi S. Araga, National Open University of Nigeria

Programme Leader

Dr. O. J. Onwe, National Open University of Nigeria

Credits of cover-photo: Mr. Gbenga Aiyejumo, National Open University of Nigeria.

National Open University of Nigeria - 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi, Abuja, Nigeria



www.nou.edu.ng centralinfo@nou.edu.ng

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Unit I An Overview of Organisational Design

1.0 Introduction

In this unit, you will learn about organisational design and development. Firstly, the concept of organisation has to do with a group of individuals' coordinated specialisation for the purpose of achieving goals and objectives of the organisation.

According to Stan Kossen (1978), organisation structure has to do with how tasks are to be allocated, who reports to who, who does what and the formal coordinating mechanism and interaction pattern. In other words, an organisation has objectives and members are coordinated in their every activities and function to achieve set goals. These are fundamentals which will assist you in understanding organisational design itself.

Organisational design is concerned with constructing or changing structure to achieve the organisation's goals. In other words, it offers prescriptions for how organisations can be designed to facilitate the attainment of set goals.

However, this unit will consider the general view of organisational design and this will help you to appreciate this particular course as a tool for understanding an organisation's effectiveness.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the concept of organisational design
- describe the process of organising
- state the objectives of organisation • outline the guidelines and principles of good organisation.

3.0 Main Content

3.1 What is Organisational Design?

Who does what in an organisation has become a fundamental question in managing people effectively. The fundamental issues of organisational design and re-designing,

which constitute factors affecting organisation behaviour, are how activities are to be grouped together. These include the lines and means of communication to be established and how roles are to be defined so that individuals can appreciate their contributions in relation to the objectives of the organisation.

The concept of organisational design can also be described as a result from a combination of the definition of organisation and the concept of strategic choice. Organisational design can be seen as a decision process to bring about coherence between goals or purposes of an organisation. These include the pattern of division of labour and inter-unit coordination and the people who will do the work.

Accordingly, the notion of strategic choice suggests that there are choices of goals and purposes, choices of different units in the organisation and finally a choice as to whether goals of organisations, of individuals or some combination of them should be changed in

response to the environment. The maintenance of the coherence of these choices, overtime, is the concern of organisational design.

Now, organisational design is concerned with constructing and changing an organisation structure to achieve its goals (Stephen Robbins, 1987). Jay Galbraith (1977) argues that organisational design is the continuous monitoring and assessing of the link between goals, structure and rewards, the creation and choice of alternative actions and the implementation of the chosen design.

3.1.1 The Organising Process

According to Michael Armstrong (1995), the process of organising can be described as the design, development and maintenance of a system of coordinated activities, in which individuals and group of people work, cooperatively under a leader, towards commonly understood and accepted goals. The key word he described as 'system'; in other words, organisations are systems which are affected by their environments. They also have structures which have both informal and formal elements.

The process of organising also can involve the grand design or redesign of the total structure; but most frequently, it deals with the organisation of particular functions and activities and the basis of managing the relationship between them. The organising process, according to Galbraith (1977), can on one hand be a choice of how to decompose the overall task into sub-tasks which can be performed by individuals and groups of individuals. On the other hand, it may be concerned with the means of reintegrating the sub- tasks into the completion of the whole task. There are choices of using hierarchy of authority, rules and information systems; and finally, another choice could be centered on policies to integrate individuals into the organisation.

The task is to select people, design tasks, and arrange incentives which will enable individuals to choose to do those acts which produce the expected effect on the environment. In the business world of today, change is dynamic and it constantly takes place in the environment within which business operates. Change also occurs in the people who work in the business place and therefore, the organisation cannot afford

to be static. There is no ideal organisation or the best way of designing organisation structure. Whatever structure any organisation may adapt is contingent on the circumstances of its environment, with the purpose of achieving the best fit between the structure and these circumstances. Most importantly, we should bear in mind that an organisation consists of people working more or less, cooperatively together. Armstrong points out that at management levels, the organisation may have to undergo some adjustments to fit the particular strength and attribute of people available.

Though this may not look reasonable or ideal, but it is likely to produce a better result than having a structure where human element is seen as inconsequential or irrelevant. Having ideal structure in mind is good; however, it is necessary to modify it to a particular circumstance, as long as there is awareness of potential problems that may arise.

Self-Assessment Exercise I

1. Define organisational design
2. What do you understand by organising processes?

3.2 Objectives of Organisational Design

The aim of organisational design, according to Armstrong (1995), is to optimise the arrangement for conducting the affairs of a business entity. To do this, as far as circumstances allow, he suggests the following:

- Clarify the overall purpose of the organisation – the strategic thrusts that govern what is done and how it functions.
- Define, as precisely as possible, the key activities required to achieve that purpose.
- Group these activities logically together, to avoid unnecessary over lap or duplication. • Provide for integration of activities and the achievement of cooperative effort and team work, in pursuit of a common purpose.
- Build flexibility into the system so that organisational arrangements can adapt quickly to new situations and challenges.
- Provide for rapid communication of information throughout the organisation. • Define the function and role of each organisational unit so that all concerned can know what to do to achieve the overall purpose.
- Clarify individual roles, accountabilities and authorities.
- Design jobs to make the best use of the skills and capacities of the job holders and to provide them with high levels of motivation.
- Plan and implement organisational development activities to ensure that the various process within the organisation operate in a manner that contributes to organisational effectiveness.
- Set up teams and project groups required to be responsible for specific processing, development, professional or administrative activities or for the execution of projects as well as the introduction of new processes and work procedures.

Here, the under listed too should be taken into consideration:

- Strategy issue and objectives – identify the strategic issue facing the organisation and its objectives. This could be examined under the following parameters- growth, computation, market position and availability of human, financial and material resources.
- Activities – analysis should be carried out on activities to establish what work is done and what need to be done to attain organisational objective within the environment. This should cover what is and is not being done, who is doing it and where and how much is being done. Proper evaluation on the activities being carried out but especially on those that do not need to be done at all or those that could be conducted more economically and efficiently by external contractors or providers.
- Structure-analysis of the structure of the organisation covers how activities are grouped together, the number of levels in the hierarchy, the extent to which authority is decentralised to division and strategic business unit. The analysis will also determine where functions such as finance, personnel, research and development are placed in the existing organisational structure. The relationship that exists between different units and functions, and issues such as the logic of the way in which activities are grouped and decentralised also the span of control should be considered.

3.3 Organisational Diagnosis

This should be based on analysis, and in agreement with what the aims of the organisation should be. The present arrangement can be considered against these aims and future requirements, to assess to what extent they meet them or fall short. Armstrong (1995) insists that there are no absolute standards against which an organisation's structure can be judged. There is no best way or principle that governs the choice of the organisation. He points out that whatever choice is made should enhance proper co-ordination of the activities of the organisation.

3.4 Organisational Guidelines

There are “rules” or ‘principle’ of organisation but there are certain guidelines that can be followed as pointed out by Armstrong. These are discussed below.

Allocation of work – define the work to be done and allocate functions to units, departments, work teams, project groups and designated officers. Managing the process involving different work units and teams should be given utmost consideration, rather than hierarchy. ii. Differentiation and integration – there is a need to differentiate activities that need to be carried out and also ensure integration. Everyone in the organisation will be working towards the same direction in achieving the goal of the organisation.

Team work – organisation should be designed and operated across departmental and functional boundaries. Team work should be encouraged; and teams should be given the opportunity to run their affairs in some areas, including planning, budgeting and quality control. Open and informal communication should be encouraged.

Flexibility – the organisational structure should make for flexibility to enable organisation respond to change, challenge and uncertainty. This can be done through creation of care groups and by using casual/contract workers to handle extra demand.

Role clarification – role should be clearly defined to individuals and members of a team. They should be given opportunity to use their abilities to make maximum input, based on agreement; and also, they should be held accountable.

Decentralisation – this involves delegating authority; for instance, profit centers should be set up as strategic business units which operate close to their market, and with considerable degree of authority.

By and large, there is the need to remove superfluous layers of management and supervision in order to promote flexibility, facilitate swifter communication and increase responsiveness. Also, people should be given more responsibility as individuals or team, to reduce cost.

Self-Assessment Exercise 2

1. Briefly explain the following:
 - a. Organisational analysis
 - b. Organisational diagnosis.
2. Outline the factors that will help to optimise the activities of an organisation.

3.5 Organisational Planning

Armstrong (1995) defines organisation planning as the process of converting analysis into design. It determines structures, roles, human resources requirements and the direction along which changes should be implemented. As pointed out earlier, there is no single best way of designing an organisation, a choice could be made between alternatives, all depending on prevailing circumstances, the inclination of top management, strength and weakness of management, and available human resources.

Organisational design experts should not impose their own ideology on the organisation. They are expected to be decisive, ingenious and sensitive in their analysis of the situation; and also, they have to be deliberate in their approach to the evaluation of alternatives. After planning and defining the structure of relationships and roles, it is also necessary to give due consideration to implementation. Implementation can be in phases, especially-for instance, if new people are to be recruited and trained.

Now, to review an organisation, as suggested by Armstrong (1995), the following steps should be taken:

1. An analysis of the existing arrangements and the factors that may affect the organisation now and in future.
2. A diagnosis of what needs to be done to improve the structure of the organisation.
3. A plan to implement any revision to the structure- emerging from the diagnosis, this can be in phases. The plan may include long term considerations of the

structure of the organisation- in terms of the type of managers and employees who will be required to operate within it.

4. Implementation of the plan.

3.6 Organisational Analysis

Analysis is the starting point for any form of organisational review. This will reveal the existing circumstances, structure and processes of the organisation and an assessment of the strategic issue that may affect it in the future. This covers the following areas.

- The external environment – the economic market and competitive factors that may affect the organisation- plan for product-market development will be significant.
- Internal environment – the mission, values, climate, management style, technology and processes of the organisation (as they affect the way it functions and) should be structured to carry out those functions.

Here too as mentioned earlier, flexibility, role clarification, decentralisation and the need to cut down superfluous layers of management and supervision should be given due consideration.

4.0 Conclusion

In this unit, it has been made known to you that every organisation exists for a purpose; and that organisational design is a process of decision-making to bring about coherence between goals and purpose for which an organisation exists. This can be done by constructing and changing the structure of the organisation to achieve its goals.

It has also been mentioned to you that organising involves a process which Armstrong (1995), describes as the design, development and maintenance of a system or coordinated activities in which individual and group of people work cooperatively under a leadership, towards commonly understood and accepted goals.

5.0 Summary

In this unit, you have been taught that organisational design has to do with a continuous monitoring and assessment of the link between goals, structure and rewards, the creation and choice of alternative actions (when there is a disconnect) and implementation of a chosen design. The process of organisation involves the grand design and redesign of the total structure and this includes the choice on how to break the overall task into sub-tasks which can be performed by individuals and group of individuals.

You also learnt that optimising the activities of a business involves- among others, clarifying the overall purpose of the organisation defining, as precisely as possible, the

activities required to achieve that purpose. Also, it has been made known to you that organisational review can be conducted through the following steps, namely- the analysis of the existing arrangement, a diagnosis of what needs to be done to improve the efficiency of the structure, and a plan to implement revisions to the structure-in the aftermath of diagnosis.

6.0 Self- Assessment Exercise

7.0 References/Further Reading

What major element would you consider necessary when analysing an organisation.

Armstrong, M. (1995). A Handbook on Human Resources Management Practice. Wilford: Kogan Page Ltd.

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Unit 2 Nature of Organisational Development

1.0 Introduction

In the last unit, you were taken through organisational design- as a tool for changing and reconstructing an organisation to achieve its purpose and goal. In this unit, you will be exposed to the nature of organisational development. Organisational Development (OD) entails programme planning and implementation, aimed at enhancing organisational effectiveness.

For every organisation to be effective, it must respond to the dynamics of change in the environment within which it exists. Organisational development is an intervention strategy which uses group process to bring about this planned change. This can be achieved by focusing on the whole culture of the organisation. This important study will x-ray the processes and different intervention strategies that can stimulate organisational effectiveness.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the concept of organisational development
- analyse different definitions of organisational development
- identify the characteristic of organisational development
- • relate the history of organisational development to its contemporary practice in different organisations.

3.0 Main Content

3.1 The Concept of Organisational Development

Organisational development is concerned with the planning and implementation of programme to enhance the effectiveness of an organisation and how it responds to change. The purpose is to adopt a planned and coherent approach to improving organisational effectiveness.

Of course, this effectiveness can be viewed from the need for the organisation to meet its goals. Effectiveness can also be viewed from the need to meet the aspirations of stakeholders; matching resources with opportunities; adapting flexibilities to changes in the environment, and creating a culture that enhances commitment, creativity, mutual trust and shared value.

Organisational development is concerned with process, not structure or system. It focuses on the way things are done, rather than what is done. Process indicates the way people interact and act, it defines the role people play- continually, involving other people and

adapting to changing circumstances. Organisational development, as an intervention strategy, uses group processes to bring about planned change, by focusing on the totality of the culture of the organisation. The target is to initiate a change in people's beliefs, attitudes, values, structure and practices. This will enable the organisation to adapt to technological advancement and to cope with the challenge posed by change.

In the 1950s and 1960s, organisational development evolved in response to needs; the limitation of conventional training method in building better organisational behaviour created a challenge. National training laboratories and others started working on the problem, and eventually, organisational development evolved from their efforts.

According to Kaith Davies, two main factors made organisational development inevitable. First, the reward structure on the job did not adequately reinforce conventional training; so it often fails to yield any result. Many well-designed programmes failed because the job environment provided inadequate support. Organisational development attempts to change the entire organisation so that it will support training.

Secondly, the dynamism of change which made it necessary for organisations to be effective must be flexible enough to respond to this change adequately. Organisational development must enhance communication (and accuracy of information) through better, group dynamics in order to deal with this challenge.

Now, French and Bell (1990), defines organisational development as a planned, systematic process in which applied behavioural science principles and practices are introduced into an organisation to achieve greater organisational efficiency and productivity. The focus is on organisational improvement; or- to put it in another way, total change of system for the purpose of achieving desired results, through planned activities. From the above definition we can deduce the following:

- a. organisational development is a planned, deliberate activity
- b. it stimulates an intervention process, using behavioural science principles and practice towards attaining organisational goals
- c. its aim is to bring about organisational improvement, greater organisational competence and effectiveness
- d. it is a systematic process.

Also, Cole G. A (1960), defines organisational development as a strategy for improving organisational effectiveness, through the application of diagnostic and problem solving skills. This is done by external consultants, in collaboration with the management of the organisation.

Here, from this definition, the following deductions can be made:

1. Organisational development is a process that cuts across the entire organisation; it takes an essentially systemic view of the organisation.
2. It utilises the techniques and approaches of the behavioural sciences, for example, psychology, social psychology, and sociology.
3. Organisational development involves the intervention of an external third party in shape of change agent and an experience behavioural science application. In work situation, the change agent could be consultant or experience professional in the field of organisational development.

4. Organisational development is aimed at organisation's effectiveness. It focuses on change of structures and decision processes, as well as change of people's behaviour. It is more than management development.

Bennis (1960) has also attempted to define organisational development as a response to change, a complex educational strategy intended to change the beliefs, attitudes, values and structure of organisations; so that they can better adapt to new technologies, markets challenges and the 'drizzling' rate of change itself.

Self-Assessment Exercise

What is organisational development?

3.2 The History of Organisational Development

Any organisation consists of people who come together with the aim of satisfying one goal or the other. The pursuit of the attainment of their objective, demands that they have to develop their resources, and regulate their conduct and behaviour to keep the organisation together to reach those objectives. Harold M. F. (1973), points out that it was not until the middle of 1950 that the term organisational development gained popular usage. Organisational development, according to him, was used to describe the development associated with sensitivity training.

Harold further points out that in the 1950s and early 1960s, most of the professors and consultants who were associates, brought with them many of the values and skills of the laboratory training; that is, increased sensitivity to one's own behaviour and to the behaviour of others, development of open and candid communication, development of trust and so on. As these consulting activities expanded, and as more and more companies began to experiment with modified laboratory training- internally, emphasis began to shift from experimental learning, principally for increased psychological awareness, to concern for work related problems and goals of the organisation. The problems and goals addressed tend to be those of the managers in the meeting, rather than the larger concerns of the total organisation. This technique is known as team building.

Persons who are not members of this organisation served as trainers in the laboratory, and frequently took active role as interviewers and as data collectors. So, as outsiders or third party, they analysed the behaviours and interactions, and made their findings and observations known to the group. However, managerial grid, which was already in use at that time, made significant contributions to the evolution of organisational development. Firstly, it called for an orderly, distinct and systematic approach to dealing with material and economic concerns of the organisation, as well as with interpersonal relationship. Secondly, the grid was designed to be organic, in that it did not require a third party as trainer; rather, it depended on members of the organisation to conduct and manage the programme, using guidelines and other preferred materials which were referred to as "instrument".

Whereas, early attempts at developing managers with participative style of management were almost entirely experimental, the grid (and some other normative organisational development technologies that evolved at that time), was based on the assumption that leadership styles can be taught and learned; although the learning process was experiential. So, organisations began to experiment with what was increasingly labelled organisational development.

3.3 Characteristics of Organisational Development

Here, let us consider some features of organisational development, as itemised below.

Focus on the whole organisation

Organisational development attempts to develop the whole organisation, so that it can respond to change, effectively. Change is critical in modern business environment together; in order to take care of the challenges of change, organisational development puts in place a comprehensive programme that ensures that all parts of the organisation are well coordinated.

It is system- oriented

Interaction of the different parts of the organisation, (as they affect each other), is the concern of organisational development. This relates to culture, process, and attitudes. It is concerned with relationships and how all the parts work together, effectively.

Use of change agents

This involves the use of one or more change agents who are professionals, outside or within the organisation. They are to work independently, without any bias. Here, the consultant works with the management-probably, the personnel director, to evolve an organisational development programme.

Problem-solving approach

Organisational development goes beyond classroom theoretical discussion to practical problem solving.

Experiential learning

This indicates that participants are able to learn from their experiences, by expressing- in the training environment, the kind of problems they face on the job. They are able to analyse and learn from the problems. This system tends to produce behavioural change, rather than classical theoretical and abstract discussions that bear no practical consequence on the participants.

Group process

Organisational development relies on group process such as group discussion, intergroup conflicts, confrontation and procedure for cooperation. There is an effort to improve interpersonal relations, open communication channel, build trust and encourage responsiveness to others Curt Lewins (1887).

Feedback mechanism

It relies seriously on the feedback from participants; this will generate concrete data for decision-making. Organisational development is also said to be situation-contingency oriented; it is flexible, pragmatic, and adapting actions to fit particular needs.

Team- building

Organisational development encourages people to work together and collaborate. Organisational development process attempts to integrate, into effective unit, the four elements of people, structure, technology and environment.

4.0 Conclusion

Organisational development is concerned with process, structures or system. It is concerned with the way things are done, rather than what is done. It uses group processes to stimulate planned change, by focusing on the whole culture of the organisation.

Organisational development is inevitable, because the reward system on the job will adequately compensate for and reinforce conventional training. Secondly, an organisation should be proactive because of the dynamism of its environment; and hence, there is a need for flexibility to enhance response to change.

5.0 Summary

In this unit, you have been exposed to the concept of organisational development. It is concerned with the planning and implementation of programmes designed to enhance efficiency in an organisation. You have also been taken through the history and the characteristics of organisational development.

6.0 Self-Assessment Exercise

Organisational development is a strategy for improving the efficiency of organisations through the application of diagnostic and problem solving skills. Discuss.

7.0 References/Further Reading

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Kunloff, Arthur (1972). Organisational Development for Survival. New York: Management Association Inc.

Unit 3 Organisational Development: Objectives and Process

1.0 Introduction

In the previous unit, you learnt about the nature of organisational development. It was noted that organisational development is a necessary intervention strategy targeted at initiating a change in people's beliefs, attitudes, values, structures, and practices. This will enhance technological advancement and help an organisation to cope with the challenges posed by change. The overall aim of organisational development is to bring about improvement in an organisation's effectiveness.

2.0 Objectives

At the end of this unit, you should be able to:

- state the objectives of organisational development
- describe organisational development process
- identify major approaches to organisational development
- evaluate organisational development intervention.

3.0 Main Content

3.1 Objectives of Organisational Development

Let us consider the objectives one after another:

- to create open problem – solving climate through the organisation
- to increase the self-discipline and sense of purpose of the people within the organisation
- to foster trust among individuals and group throughout the organisation
- to develop a reward system that recognises the achievement of the mission of the organisation
- to bring decision-making and problem solving responsibilities close to the source of information as much as possible
- to increase sense of ownership within the organisation
- to encourage healthy competition in the workplace and to maximise collaborative effort.

Self-Assessment Exercise I

3.2 Organisational Development Process

Outline the main objectives of organisational development.

Organisational development is not an easy process; it can take a year or more, or it may even continue indefinitely. Organisational development method may differ, depending on the environment. However, Keith Davies (1984, p. 225) suggests the following steps:

Initial diagnosis- this involves the determination of necessary programme(s) by top management and consultants. The consultant may initiate making his/her input by interviewing various people in the organisation. The role of the expert, as well as the relationship between management and third party, is defined.

Data collection- this involves surveys to determine organisational climate and behavioural problems. The consultant may meet with groups- away from work- to gather information based on the following:

- the kind of things that contribute to efficiency (or otherwise) on the job
- the changes to be made to the way the organisation operates.

There should be clarity of information, as regards the problem facing the organisation. The consultant develops a picture of staff attitude and opinion, and gives suggestions on how identified problems should be solved.

Data feedback and confrontation

The data collected is reviewed by work groups; this will help them to discover areas of agreement as regards the aim and objectives of the programme. The purpose may be to improve profitability, improve staff motivation and so on. The objective is to restructure the company to obtain the full commitment of the management staff to a democratic style of leadership etc.

5. Action-planning and problem-solving groups use the data to develop specific recommendations for a change. The content and sequence of activities are designed to achieve pre-determined aims; the focus is on the actual problem of the organisation.

Self-Assessment Exercise 2

3.3 Organisational Development Intervention

Identify and explain the organisational development process.

Intervention means interference; this is, precisely, the function that organisational development performs. Organisational development interference refers to the measure that goes into the organisational system, at a particular time, to arrest current inefficiencies. The system comes to a temporary halt, and a measure is introduced, at this point of crisis, which modifies the process. Intervention is at the heart of change process. The process of intervention is planned and managed; it takes the form of administrative, technical and social interventions.

Technical interventions – this may include redesigning equipment, facilities, work flow, organisation structure or information processing methods. Technical interventions are concerned with the technology of the organisation as it helps or hinders the operation of the system.

Administrative intervention- this deals with the organisation's policies and procedure, its human resource operations- including upgrading, compensation and other reward system. Administrative interventions also include such basic concerns as re-assessment of the organisation's type of business, its product or services– and its relationship with its external environment.

Social intervention- this concerns the “people” or inter-personal aspects of the organisation. Many strategies are used in social interventions which are all based on assumptions. According to Rush, a healthy organisation is one in which people work collaboratively, where people trust and support each other and sharing influence and participating in new system of management. An aspect of this intervention is tailored towards dealing with individual effectiveness. However, it is the group, whether formal or informal, that determines the type of intervention.

The major focus of social intervention is the group as a social unit; and more specifically, small, face to face groups with work related ties and interaction. Social intervention includes wide variety of activities to improve communication, team building, conflict resolution, group feedback and a host of other strategies. This is to improve interpersonal competency and collaborative effort as identified by Rush, Harold (1973: 8). Plans are specific; including personnel in charge and when the action should be completed. Team building- the consultant encourages the group members to, critically, x-ray how they work together during the period. He assists them to appreciate the value of open communication and trust as tools which will enhance efficiency on the job.

Inter-group development

Following the development of group/team, larger groups may be constituted- having several other teams.

Evaluation and follow up

The third party assists the organisation to assess the result of its organisational development efforts, and develops additional programme areas where additional results are needed.

Self-Assessment Exercise 3

3.4 Major Approaches to Organisational Development

Identify and explain various strategies of intervention in organisational development.

According to G. A. Cole (1996: 25), most of the activities in a programme can be classified into three, namely:

- those aimed at changing people’s behaviour
- those aimed at changing the structure of the organisation
- those aimed at analysing problems.

He points out the example of typical activities for each of the three classifications, which are briefly described below.

Activities designed to change behaviour at work include:

- coaching and counseling activities, designed to help individuals, usually on a one on one basis
- team building activities, designed to build team relationships and enhance task effectiveness
- inter-group activities, designed to improve the level of collaboration between interdependent groups
- training and development activities designed to improve the key areas of employee’s knowledge and skill. This involves a range of participatory learning method.

Activities aimed at changing the structure of an organisation include:

- role analysis; focus on present job description and devising new configuration of job tasks.
- job redesign/job enrichment – reassessing current jobs in terms of range and type of task.
- re-allocating tasks, and re-defining job responsibilities.

Activities aimed, primarily, at analysing problems can take the following forms:

- planning and objective-setting activities designed to improve planning and decisionmaking skills.
- business process re-engineering which examines key business process from a question point of view.
- diagnostic activities utilising questions, surveys, interviews and group meetings.
- process consultation- where the third party helps client to see human processes taking place around him. It takes care of leadership issue, communication flow between individuals or groups, struggle for power and so on.

Self-Assessment Exercise 4

1. Discuss major intervention programmes aimed at changing behaviour at work.
2. What is organisational development interference?

3.5 Benefits and Limitations of Organisational Development

Let us start by looking at the advantages here.

- It stimulates change throughout an organisation
- Organisational development enhances greater motivation.
- Organisational development increases productivity.
- It enhances improved quality of work.
- Proper implementation of organisational development programme enhances job satisfaction.
- Organisational development stimulates creativity and commitment to the organisation's objective.
- It enhances team work.
- It induces workers to appreciate and respond to change.

Limitations of Organisational Development Some of

these limitations are as listed below.

1. The need for change may not be spontaneous.
2. It is substantially expensive; especially, when external consultants and experts are involved.
3. It lays emphasis on group process, rather than individual performance.
4. There is no guarantee for total success, it can fail.
5. It could be subversive; and it is prone to the manipulation of the top management.

4.0 Conclusion

The major objective of organisational development is to improve overall organisation's effectiveness; its emphasis is actually on group processes though the methods may differ depending on the organisation. There are various intervention processes which can be used to dismantle current ineffective operation, this process of intervention strategies are planned and managed and these could be in form of social, technical and administrative interventions.

5.0 Summary

In this unit, you have learnt the objectives of organisational development which include creating open problem solving climate, increasing self-control and self-direction for people within the organisation, fostering trust among individuals and group throughout the organisation and others.

Also, organisational development process and major approaches which should be included in organisational development programme were discussed.

You also learnt the intervention strategies which may take the form of a technical, administrative and social intervention and finally, the benefits and limitations of organisational development were discussed. The benefits are derived from the premise that it stimulates change throughout the organisation, provides greater motivation, increases productivity, enhances team work among many others.

6.0 Self-Assessment Exercise

Organisation intervention is a measure for arresting ineffectiveness. Discuss.

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Unit 4 Concept of Innovation

1.0 Introduction

In the previous unit, it was pointed out to you that the business environment is highly dynamic; that any organisation that wants to be sustainable and effective must respond to changes or be ready to die. In this unit, you will be exposed to the concept of innovation and organisational development.

According to Howard, innovation can be seen as a uniquely human quality. He further opines that, change renewal and rejuvenation are normal, healthy, human tendencies; in other words, innovation is an instrument that can propel change, though not all changes are innovative. This unit will explore innovation- as it relates to organisational development. This study will open your eyes to the enormous responsibilities of management-in trying to keep the organisation effective, through creative and innovative activities.

2.0 Objectives

At the end of this unit, you should be able to:

- relate innovation to organisational structure
- describe how to apply the concept of innovation in managing large organisation
- explain the concept of innovation • differentiate between invention and innovation.

3.0 Main Content

3.1 Understanding the Concept of Innovation

Innovation is a vast subject. It means many things to many people. It also could be viewed from the perspective of the tangible and intangible- ranging from a new idea, theory, machine and tool, to social arrangement and behavioural pattern. These all fall under the general subject of innovation.

According to Howard Mcmahim, as mentioned earlier, innovation is a uniquely human quality- a natural human activity. It is planned and deliberate. It is also a continuous process; whenever there is innovation, change is initiated, and those affected by change must, in-turn, innovate in response. Thus, innovation leads to change, which necessitates further innovation, which again leads to change in a continuing cycle.

“Innovate or die”- has become the slogan in many industries. Hence, in these industries, where dynamism has become a fact of life, innovation has become closely linked with organisational effectiveness. Any organisation which does not confront change, or which believes that it does not need to innovate, becomes stagnant, and consequently decayed, and phased out of existence.

Now, innovation can be defined as the adoption of ideas that are new (Stephen Robbins: 1984). Stephen Robbins further argues that all innovations, therefore, represent a change; but not all changes are innovative. An innovative change breaks new ground for an

organisation. In the same vein, Robert Kirk (1971), identifies innovation as a deliberate, novel, specific change aimed at accomplishing the goals of the system, more effectively.

According to Kirk, the intention of innovation should be positive, rather than revolutionary and rebellious. However, if it satisfies a want or nullifies annoyance- as sociologists put it, the innovation gathers a following and is accepted. One important aspect of innovation is useful change; it could also be relative; if it is new to the people involved, it is an innovation.

Self-Assessment Exercise I

1. Examine the concept of innovation.
2. Give two definitions of innovation.

3.2 Invention versus Innovation

Invention has to do with creativity and discovery. It may not necessarily be useful. The most important thing is that it is a discovery; in other words, something new is brought into being. However, the word innovation can be viewed also as the act of introducing something new; to make a change, especially in customs, manner and rites. It is the process by which an invention or an idea is translated into the economy for use. Innovation is differentiated from invention, in that; it is a change which is new to the economy as well as to a particular institution. When innovation is new only to an institution, it is classified as an instance in the diffusion process.

It is pertinent to note that innovation is not limited to technological production and processes of the industrial and business world. There are many other fields where nontechnological innovations are of great importance, for instance, in social institutions and their inter-relationships. Both invention (conception of an idea) and innovation (the use of the idea) constitute the total process by which new ideas are nurtured, developed and finally introduced into:

- a. the economy- as new product and process
- b. the organisation- to change its internal and external relationship
- c. the society- to meet its social need and adapt to the world.

3.3 Innovation and Organisation

Technological innovation has become principally recognised, if not the principal instrument- in inter-corporate competition, according to Schoon. For individuals within the firm, technological innovation has become a major task and the major link to upward movement. Schoon looks at invention from a rational view point; it is a result-oriented, orderly intellectual process. However, from the non-rational point of view, invention often works backward; and once the process of technical development begins, it does not usually move in a straight line, but it takes unexpected twists and turns.

According to Schoon, needs and technique determine each other, and answers frequently turn up in surprising places. Finally, he points out that from the rational point of view, innovation can be managed, and it is subject to intellectual control.

3.4 Management and Intellectual Process

Management has three main intellectual functions, which are policy making, decision-making, and control. However, though management is basically an intellectual task, it has an emotional aspect and social aspect; all the three constitute the tasks which managers perform. Now, let us look at the characteristics of intellectual management process-as itemised below.

1. It concerns growth – this is the stewardship obligation involving formulation of objectives and synthesising added value. It includes establishing a company charter, the development of creed, a mission, basic policies and the creation of corporate personality.
2. It is based on optimum use of resources and profit – in this respect, management must ensure overall standard of quality, balanced profitability, growth- covering both short and long term; reproduction of management function itself. The task also involves professional specialisation and the development of alternative strategies, programme and task.
3. It has certain inter-related activities – the intellectual management process is concerned with the inter-dependent areas of communications, control, personal attainment and career fulfilment. It requires the sequential phasing of interrelated activities and addition of value.
4. 4. It involves the formulation of a practical philosophy of conduct – this entails setting objectives, planning, organising, evaluating and control.

It also includes the creation and development of new inputs, innovations, commercialisation, and renewal, coping with competition and dealing with environmental factors. Management must establish time-bound targets which are measurable as distinct from corporate objectives.

The complete management process consists of a group of sequential, or in some cases, parallel operations which constitute economy of activities conducted on an industrial scale. Then, management is concerned with each of the individual units and their relationship to each other- as well as external environment.

Self-Assessment Exercise 2

1. Describe three areas where invention and innovation are relevant.
2. Outline the characteristics of intellectual management process.

3.5 Management Innovation

While changes in technology are moving rapidly within the managerial sphere; the environment outside is moving even faster. Fortunately, additional management science techniques and information communication technology are helping managers cope with these.

New organisational concepts for handling the interface of the managerial sphere with the external environment are also evolving. Professor Aristhen describes the opportunity that exists for a manager in terms of three options; these are as stated below:

1. to mobilise all company resources around the concept of becoming a creative technological leader-the first in the industry
2. to organise resources around the central idea of becoming an early initiator and user of the successful innovation of the industry's creative leader
3. to become low-priced mass producer of an established product, sacrificing high margins and high risk of innovation for higher volume, and limited risk of low-priced imitation.

3.6 Innovation and Organisational Structure

According to Robbins (1987), organisational strategy sets the overall framework for the importance of innovation. Of course, one can argue that it is associated with stable environment; bureaucracy is not that important to innovation. Its value lies in efficiency through standardisation, not initiating new and novel ideas. Innovation is, most likely, to flourish in adhocracies and simple structures. Innovation is stimulated in adhocracies by its personnel (who tends to be professional), the lack of formalisation, and the active involvement of low-level employees in decision-making.

The key to innovation, as pointed out by Robbins (1987), is simple structure. However, it lies not in the structure, but with the Chief Executive Officer (CEO); the evidence indicates that the personality, power, and knowledge of the CEO differentiates those simple structures that innovate from those that don't.

Essentially, the CEO in innovative organisations has a personality style that demonstrates confidence in the ability to control the environment; also the CEO has centralised power for maximum control and possesses considerable knowledge about changes taking place in their organisation's environment.

3.7 Managing Innovation and Size

The present decade, in the global business environment, is witnessing so much dynamism, with many firms emerging and some disappearing. While some are failing, others are succeeding. The vibrant ones will experience credibility and rapid growth, according to Robbins (1987). However, this growth- coupled with a need for flexibility to cope with a highly uncertain and rapidly changing environment, will pose critical challenge to managers and organisational theorists. The fundamental question is this- can a large organisation with large number of employees be designed with the same adaptive and innovative properties that they had when they were small?

It is pertinent to note that organic structures tend to take in mechanistic characteristics as they expand in size. It is obvious that many bureaucracies have tried to increase their flexibility by attaching organic or entrepreneurial units to other mechanistic main frames. However, the large high-tech firm won't be able to sustain its innovative climate by moving to a bureaucracy with organic "add on". These firms will require a structure that is organic at its root.

4.0 Conclusion

Innovation has become a fact of life in this our present, dynamic business environment. It is also associated with organisational effectiveness. Any organisation that refuses to confront change and plays down on innovation will become stagnant, and consequently, it will fold up. Obviously, innovation represents change, but not all changes are innovative. Innovation must be deliberate to accomplish the goal of a system. Invention differs from innovation; but both invention and innovation make up the total process by which new ideas are developed, nurtured and finally injected into a system.

Technological innovation should be recognised as the principal instrument in intercorporate competition. It has become a major task and the major link to upward movement. An organisation's strategy sets the overall framework for the importance of innovation.

5.0 Summary

In this unit, you have learnt the following:

- innovation is the adoption of ideas that are new to an organisation
- innovation breaks new ground for the organisation
- invention has to do with creativity and discovery
- innovation constitutes a process by which an invention or idea is translated into the economy for use.

You also learnt that bureaucratic organisations are not flexible and willing to adapt to changes; and this can create a crisis which will eventually force them to try new ideas.

6.0 Self-Assessment Exercise

- a. What is the difference between innovation and invention?
- b. Discuss the characteristics of intellectual management process.

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Unit 5 Organisational Growth

1.0 Introduction

The growth of an organisation will be our major concern in this unit. Growth is important, and it is associated with living things, as you were taught in elementary Biology. The human body is made up of systems and sub-systems (different parts) working together to ensure effectiveness and growth. As pointed out earlier on, an organisation is a system also having different subsystems, all working together to achieve pre-determined objectives.

An organisation, that is consistent with its objectives, grows. The measure of organisational growth is effectiveness. Growth is represented in an organisation by an increase in some variables such as total work force, plant capacity, assets, sales, profit, market share and number of innovations. It implies a comparison of the present state of an organisation with its past. Organisations may start in a small way, but if proper attention is given to the above variables, growth is inevitable; and of course, when an organisation is not growing, it will eventually die and will be phased out of existence. In this study, you will be taken through an analysis of the critical factors responsible for growth, and the reasons why an organisation should grow.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the reasons for organisational growth
- analyse models of growth in organisations
- outline advantages associated with growth in organisations
- evaluate the concept of evolution and revolution and the way it results to growth • evaluate factors responsible for organisational growth.

3.0 Main Content

3.1 The Concept of Organisational Growth

Growth is associated with existence, as earlier mentioned. It is an evidence of good health and success; it is also the only way to measure the effectiveness of a system. In some organisations, growth is measured in terms of expansion and increase in such vital variables like total work force, plant capacity, innovations, assets, sales, profits, market share and so on.

In the life cycle of an organisation, there are two most important significant stages, these are growth, and decline. Both of these, doubtless, create distinct different organisational problems and opportunities for managers.

The following are the reasons for growth; let us consider these one after the other.

Growth is a measure of effectiveness

Effectiveness is generally judged from the point of growth, as organisations expand and grow bigger. The common assumption associated with growth and bigger organisation is that it is well managed. Growth is, significantly, the evidence that the organisation is healthy; and expansion is an indication that an organisation will survive.

Growth increases the likelihood of survival

Growth enhances survival; the tendency for a large organisation, for instance- a multinational, to close down is unlikely, when compared with that of an upcoming or small organisation. Research has shown that eighty (80) percent of small businesses die in Nigeria within five years of existence. The reason may be that small organisations do not enjoy total support from their environment.

Large organisations, probably, because of their dominance (in the economy) and growth- in term of facilities, market share and asset base, are provided with more resources from the government, banks and so on, with which they can use to cushion the effect of uncertainties. For instance, forces in the environment are likely to support the survival of First Bank of Nigeria and Guinness Nigeria Plc, than the survival of Ketu Community Bank and Kola and Brothers Company Ltd.

The bigger the organisation, the more the advantages

This notion constitutes one of the strongest motivating forces driving organisations towards growth- the bigger the organisation, the better. Large organisations, because of their size, enjoy economies of scale, which is the bedrock of greater efficiency. Moreover, the bigger the organisation, the more the public confidence and support it will enjoy. Growth also indicates that an organisation will be able to cope with the challenges of the business environment.

The pursuit of growth is the force behind acquisitions, mergers, consolidation and rush into the capital market to raise more share capital for business expansion. In Nigeria, over eighty-nine (89) banks were reduced to twenty-five (25) through the process of merger and acquisition. The objective is to provide efficient services, restore public confidence and provide greater resources for efficient business operations in the financial sector of the economy.

Growth is associated with power

Growth avails large organisation more power. Compared to smaller organisations and groups in the environment, large organisations exercise greater influence with government, suppliers, customers, unions, and so on. The political influence of big corporations reflects in their attempt to perpetuate their dominant interest through lobbying legislatures at both state and federal levels. Growth increases prestige, power and job security and has a defect of enhancing self-interest among the top management.

Also from power and control perspectives, it is noted that the remuneration of executive officers is linked to the size of the organisation, rather than profit margin. Whether an organisation makes profit or not does not bear total reflection on the remuneration of executive officers. This is the result of deliberate managerial decisions. Growth provides economic benefits to the organisation; it provides political benefit to the executive decision maker in the organisation, thus constituting an inevitable force that stimulates growth and expansion.

Self-Assessment Exercise 1

1. Identify and explain five reasons why organisations should grow.
2. Growth is effectiveness, effectiveness is growth. Discuss.

3.2 Starbuck's Growth Survey

Starbuck (1965), after an extensive survey, has given reasons for the growth of an organisation. He proposes the following ten most important reasons:

1. Self-realisation – it is obvious that any organisation that ignores growth and expansion will, invariably, contract.
2. Stability – the larger the company, the more their product and services will be diversified. Big Organisations tend to have variety of products and services, creating opportunity for the consumer to make a choice.
3. Survival – if a company is large enough, the prospect of sustainability will be very high.
4. Management prestige, power and security – as Parkinson points out, an officer wants to multiply subordinate, not rivals.
5. Profit – this is a controversial issue because of its importance- as a motivating force, and also because of its relevance to the growth of the company.
6. Monopolistic power – this is perhaps most common in certain type of nonprofit organisation, such as trade unions.
7. Management's need of adventure and risk – they play the game for its own sake.
8. The salary of executive officers depends on the size of the company.
9. An oligopoly market – here, maximum sales is the goal.
10. Low costs – advantage of economy of scale.

Self-Assessment Exercise 2

Using the Starbuck Growth Model, explain the rationale for organisational growth.

3.3 Model of Organisational Growth

Larry Greiner (1972), proposes some models of organisational growth; after a critical survey of some organisations, he came up with the propositions that the evolution of an organisation is characterised by phases of prolonged and calm growth. This is followed by a period of internal turmoil. The former, he called evolution, and the latter, he called revolution. In his analysis, he argues that each stage of evolution or growth creates its own crisis. The revolution of crisis initiates a new evolutionary phase.

Accordingly, success creates its own problems. As an organisation grows, it faces new crises. Each of these crises, in turn, requires management to make adjustment in coordination systems, control system and organisational design (Robbin, 1987). Now, the evolution and evolution processes create the following five steps:

Creativity – the creativity of the initiators of the organisation constitutes a very important first stage in organisational growth process (evolution). At this stage, development of product and market is very essential because the attainment of the organisation's objectives (and growth) is contingent on these factors. Also at this phase, simple decision on organisational structure predominates; and decision-making is by top management or the

owner (CEO). There is, frequently, an informal system of communication at various levels of the organisation.

Furthermore, growth and development in the organisation result in difficulty of relying on this mode of informal communication. This is because the senior manager will, likely, be overloaded with information (more than he/she can cope with); this will result in crisis of leadership. Then, more skill and professionalism will be required to run the organisation, successfully. This is accomplished by introducing more sophisticated management style and organisational technique to take care of the challenges of growth and expansion. Direction – a new leadership may adopt new system of formal procedures, communications, accounting, budgeting, inventory, etc. They can also introduce specialisation which can give rise to a bureaucratic organisational design. This new direction will, likely, instigate another crisis, where the lower level manager will become frustrated, thus craving for greater influence in decision-making. However, the new management may respond with reluctance, unwilling to give up authority; and consequently, another crisis will emerge which will be a crisis of autonomy. This will give rise to the decentralisation of the decision-making process, as a solution to this crisis.

Delegation – with the introduction of a decentralised decision-making process, lower level – managers will have relative autonomy to run their units. This creates room for the top management to devote their time, and concentrate on long term strategic planning. Internal control system will be developed to monitor the decisions of lower level managers, and this will result in crisis of control, while the lower level managers enjoy autonomy. The top level managers will have a phobia because of the multiplicity of direction in the organisation- at the same time; and this may give rise to centralisation again, so as to provide unit of command and coordination.

Coordination – here, coordination system generates its own problems. Line staff may also have conflict; this will manifest problems, and will begin to consume a great deal of time and effort. Another crisis looms as lower level employees start to complain of being overburdened with too many rules, regulations and control. Crisis of red-tapism' occurs, which may lead to goal displacement, if not taken care of.

4. Collaboration – strong interpersonal collaboration within the organisation takes over the next stage to solve the problem of 'red-tapism'. Strong organisational culture is created, task force and other groups are initiated to perform tasks and solve problems. The organisational structure moves toward organic form. However, Greiner (1972) did not state, clearly, the crisis that will evolve out of the collaborative and organic structure. However, Robbin (1987) suggests that it may well be a return to one of the earlier crises.

Self-Assessment Exercise 3

Identify and discuss three ways an organisation can achieve growth.

4.0 Conclusion

Organisations operate like living systems. One of the evidences of good organisation is growth. Growth is the effective measure of organisational effectiveness; any organisation that does not grow, eventually, folds up.

Bigger and larger organisations enjoy better advantages compared to smaller ones. The likelihood of survival, stability and economies of scale are all resultant effects of growth.

5.0 Summary

In this unit, you learnt that growth is indispensable, if an organisation is managed effectively. You also learnt that there are several reasons why an organisation should grow. Certain models of organisational growth have also been critically looked at- from the point of view of Greiner (1970).

Greiner, as mentioned to you, introduces the concept of evolution and revolution, and how it engenders organisational growth through creativity, direction, delegation, coordination and collaboration. Accordingly, armed with this information, you should be able to evaluate growth in any organisation you find yourself.

6.0 Self-Assessment Exercise

The concept of evolution and revolution theory is indispensable in stimulating organisational growth. What are the major processes and how do they result to growth?

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Unit 6 Method of Organisational Growth

1.0 Introduction

In the last unit, you were taken through the reasons why companies or organisations grow. It was pointed out to you that one of the evidences of organisational effectiveness is growth. A growing organisation enjoys many advantages over the smaller ones. In this unit, in continuation of the growth concept, you will learn about the method of growth and development in an organisation.

2.0 Objectives

At the end of this unit, you should be able to:

- identify mechanisms of growth
- evaluate the principle of systematic development in the light of the environment of modern organisations
- describe external factors that determine organisational growth.

3.0 Main Content

3.1 Mechanism for Growth

Organisational growth can be understood, at best, after a more detailed analysis and division into two sub-processes (Eric Rhenman 1969). The first process include the nature of learning process, which implies that new and more complex structure is developed inside or within the organisation. This can be done by a system of achieving consonance, namely, mapping, matching, joint consultation and optimisation.

The second sub-process involves the extension and expansion of the organisation, which is usually through the domination of new element in the environment. These two processes combine into one complex process.

3.2 The Company's Territory

The strategic position of an organisation, according to Rhenman, cannot be dissociated from its role. This, he points out, involves the relationship with the environment, and the resources available to the organisation, which include technical, economic and personnel. The part which the organisation dominates can be developed as territory, and this is very crucial to the growth of the company.

Domination may differ from one organisation to the other. Some organisations may dominate the source of one or more type of raw materials, while others may dominate one or more type of sub-markets. For instance, in Nigeria, majority of the oil companies dominate the Niger-Delta region where their raw material (crude oil) is located. This places them at a vantage position.

However, organisations that control smaller territory, either in terms of raw material or market, can be forced to integrate-especially at the earlier stages- in order to gain dominance by specialising in one way to gain position in some kinds of products in the market. Observation indicates that organisations, which succeed through the principle of domination of environment, concentrate their operation in developed, metropolitan areas.

These organisations with good foresight, take advantage of land purchases, and also acquire raw materials required for their main products. This benefit, in the long run, gives the organisation the advantage of using some of its profits for the creation of an efficient production and distribution apparatus, thereby building a large scale organisation.

Self-Assessment Exercise I

Discuss the nature of a company's territory in relation to organisational growth.

3.3 Feeler and Penetration Campaign

When the market is highly profitable, it attracts competition. Most organisations lay emphasis on strategic planning to consolidate their territory or place of dominance. Control of territory, according to Rheman Eric (1973), gives an organisation short run security and profitability. Beyond this, companies, systematically, put out feelers into new geographical market, new product areas, or new technologies.

The essence of feeler is to see how to evaluate profitability, beyond the short run, but in the light of new knowledge that can deliver. This will help in deciding either to renounce a particular market or attempt to capture or to penetrate the market. The basic aim of feelers and development project is to collect new knowledge and superior solution to environmental problem.

Self-Assessment Exercise 2

I. Explain the role of feeler in organisational growth.

3.4 The Principle of Systematic Development

Taking control of a particular territory can be attained by deliberate use of some kind of systematic development which implies that certain strategic principles have to come into play. These strategies, according to Rheman, are as follows.

- a. Follow-my-leader principle – this involves following after or imitating the system developed by other organisations leading, in some sort, within the business environment. Even though their leadership position is unquestionable, ideas, could further improve with strategic thinking and researches, the leaders or initiators of the ideas, products could be surpassed in perfecting the system.
- b. Discovery of some dissonance between the dominating organisation and one of those subsystems in the environment- this is another strategy for system development which is traditionally known as market segmentation according to

Rheman (1973). This can be achieved by identifying a rapid growing segment requiring much higher product quality; this puts a competitor in a very serious position of threat.

- c. Seek advantage by extending the system beyond the traditional boundaries. A system can be co-ordinated to go beyond a particular product or services to other related services and products, within one system. For instance, in Nigeria, the coordination of such sub-system is found in the Banking Sector. Banks now engage in other related businesses like insurance, capital market operations and lots of others.

By improving the coordination of financial services and insurance (i.e. settlement of claims and tariff system) the banks are giving their customers an attractive offer. When the integrating system is larger and closer, the tendency for domination is greater.

- d. Changing an existing system in some radical way often by shifting its boundaries or introducing a new technology. This can be described as a search for new concepts. The organisation must be fully aware of the business in which it is now engaged, as well as the one to be engaged in, in the future.
 - e. Rheman (1973) infers that any attempt to achieve dominance over the environment by redesigning its system of exploitation can generate conflict with other organisations than a simple extension of the system. He suggests that radical re-designing of system or system boundaries has its risks; however, there is much to benefit. Below, are the three principles identified by him.
1. Construct a system to maximise the benefit of its integration; do not include any subsystem unless it offers some important advantages.
 2. Seek maximum uniformity of the territory, otherwise, some parts of the environment may not harmonise, satisfactorily, with the new system. This may likely invite some competitors to conquer part of the territory by segmenting the market.
 3. Investigate the risk of anyone trying to conquer any part of the system, but integrate it in some way. He points out that ideas about systems that seem full of promises, sometimes, prove quite impracticable because it is not possible to incorporate one or two essential systems.

Self-Assessment Exercise 3

- I. Discuss the principle of systematic development.

3.5 External Factors that Determine the Growth of a Company

Let us begin by first looking at the issue of environmental barrier. Studies have shown that the direction of a company's penetration project depends on certain characteristics of the environment. After comparing strategic development of some organisations, (having a life span of over hundred years), Rheman discovered that they have always tried to expand geographically into closely related product areas by applying a kind of law of least resistance; sooner or later the expanding company tend to meet some sort of barriers.

Sometimes, this barrier could be so serious that the organisation's new strategic thinking may not be able to overcome them. Also, you should understand that these obstacles have been placed, intentionally or unintentionally, by some forces in the environment- for instance, the state, the municipalities, trade organisation, other companies etc.

When confronted with these obstacles, management needs to be strategic in battling the opponents. Katz (1969), proposes a number of general principles for strategic behaviour: he divides them into those applicable to large companies and those suitable for smaller ones. In large companies or organisations:

- a. planning is crucial
- b. giving up the crumbs is the key
- c. strength and stability are preserved.

For small companies or businessmen (drawing on lessons from guerilla warfare), he suggested five important rules:

- a. attack when the enemy retreats
- b. do not take full advantage of all opportunities
- c. be as inconspicuous as possible
- d. respond quickly
- e. retract when the enemy attacks.

Also, Rheman has recommended three strategic solutions:

- a. direct confrontation and exploitation of superior resources.
- b. depriving the opponent of his freedom of action.
- c. cooperating with the opponent or whoever controls the barrier- joint ventures are a typical example.

3.6 Competition and Organisational Growth

All types of organisations are confronted with the challenge of competition. Contact with them and other contending opponent are almost indirect. Of course, the rule of the game does not permit any counter measure to harm the opponent and the only exclusive and allowed weapon is self- improvement, to develop superior product or superior system. However, considerable aggressiveness is welcomed in the area of market and immediate environment.

Also, another way to gain control is to leave competitors alone and concentrate on the market, which has a lot of unrealised opportunities. Note that it is not necessarily difficult for new product and systems, what is usually difficult and challenging is to perfect the system that can explore the product- as much as possible. Now, note that the following principles are relevant in the area of competition:

- a. the principle of systematic sub-optimisation
- b. the principle of leading subsystem.

4.0 Conclusion

In this unit, you have learnt that growth in organisation involves two sub processes. The first is the nature of learning process- which takes a look at the development of new and more complex structure within the organisation. This is carried out by a system of achieving consonance, which includes mapping, matching, joint consultation and optimisation. The other involves extension and expansion, which are usually done through the domination of new elements and the environment by organisations. Other elements which can help an organisation to grow include environmental barrier, principle of sub-optimisation and leading system.

5.0 Summary

In this unit, majorly, you have learnt that the growth of an organisation can be understood from two perspectives- the nature of learning process and organisational expansion through the domination of new elements in the environment.

6.0 Self-Assessment Exercise

Management needs to be strategic to overcome obstacles and opponents in their environment, according to Katz (1969). Recommend the strategic behaviour required by both large and small organisation to conquer these obstacles.

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