

Organizational Designs for Excellence, by Pradip N. Khandwalla,

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Organizational Designs for Excellence is a creative and noteworthy examination of the critical organizational factors for the effective operation of organizations in a changing and complex world. The book mirrors the background of its author, Dr. Pradip N. Khandwalla, who has had a uniquely appropriate training for the authorship of this book. Dr. Khandwalla received an MBA from the Wharton School at the University of Pennsylvania and a Ph.D. from Carnegie-Mellon University. He then taught for seven years at McGill University in Canada. With that excellent exposure to Western management techniques, he returned to India in 1975 as a Professor of Management and the Director of the Indian Institute of Management, Ahmedabad (IIMA). Thus, he has acquired the necessary background for his unique ability to selectively apply Western concepts to the third world, in general, and to the Indian business arena, in particular.

Overall, the book is woven into a clever matrix of six kinds of organizational excellence and five keys to organizational excellence. The interrelationships within this management matrix are developed with an unfolding depth of insight into third world organizational problems and their individual resolution. Chapter 1 begins with a challenging examination of organizations and their importance to society. Chapter 2 presents the potential for achieving organizational excellence in the third world context of poverty, inequality, statism, and rapid social and economic change. Chapter 3 applies a body of international research to the identification of the six kinds of organizational excellence. Chapters 4 through 8 described the five keys to excellence and their interrelationships with the six kinds of organizational excellence. Finally, Chapter 9 provides an overall design for each form of organizational excellence.

The author opens his book with the stipulation that organization is a principle of life, and modern life is inconceivable without the invention of the formal organization. In turn, organizations are defined as collectives such as families, communities, and so on, except that they differ on three families, communities, and so on, except that they differ on three critical points : (i) organizations are created by people for the pursuit of some specific purposes; (ii) organizations have a formal structure that facilitates the achievement of those purposes, and (iii) organizations have a distinctive way in which they operate.

Thus, organizations are defined as collectives that are created by humans to pursue specific purposes with the help of a formal structure and to provide goods and services to society that otherwise either cannot be produced or produced only at a very high cost, in which decisions are made primarily on the basis of formally allocated authority to make decisions. The many different combinations of possible purposes and structures produce an almost limitless supply of organizational forms, each of which is uniquely appropriately for particular tasks. All organizations, whether businesses or not, are economic entities and are, as a result, business. Every organization is a state, or a political entity, involving the use of power in the decision-making process. In organizations, people use all forms of power, especially the use of the authority that a person has as a result of holding a particular position within the organization. Organizations become cultures through the internalization of behavioral norms and practices. For example, the mechanistic organization exhibits the values of bureaucracy and feudalism, while the organic organization stresses flexibility, consultation, change, and innovation. In other cases, the authoritarian culture features discipline, obedience, and power that is concentrated in central authority; while a participative culture is based on the idea that people are more committed to decisions which they help to make. The management systems culture is founded on an engineering approach to management. The entrepreneurial culture rewards innovation and creativity, and the altruistic culture is dedicated to doing social good. In societies that are being transformed from traditionalism to modernity, there is an emerging paternalistic or familial culture that features a "father figure" leader that is strict but benevolent. Organizations are seen as sentient or intelligent systems, resembling biologically living systems in some ways. Organizations are also perceived as rational systems that pursue goals efficiently through reason, logic, and technologies based on logic. They are also considered to be the social systems operating on the basis of human perceptions, beliefs, values, needs, and so on. Because of the many perspectives held with respect to organizations, man has created a number of philosophies on how organizations should be managed. "Scientific" management and operations research deal with the organization as a rational system, while organizational psychology deals with the human side of the organization. Human relations, organization development, and the socio-technical systems concept try to blend the application of both the rational and behavioral approaches to organizations.

In Chapter 2, the author makes a very good point of noting how Western research has enriched man's understanding of how organizations function, but that knowledge can be successfully transferred to the third world only within the context of third world realities. The author notes that third world societies share at least four characteristics: (i) widespread poverty; (ii) socio-economic inequality; (iii) statism; and (iv) a culture that is changing from traditionalism to modernity. Because of its widespread poverty,

the third world is be set with a culture of fatalism, a poor work ethic, distrust, short-term perspectives, and so on. Socio-economic inequality breeds social tensions that cause problems within all organizations. The attempt in most third world nations to reduce poverty and inequality has taken the path of statism, with the state as the defender of and provider for the poor. Statism leads inevitably to a vast and all-pervasive bureaucracy. The transition from traditionalism to modernity requires all citizens and all organizations to internalize two conflicting values – those of loyalty, obedience to elder, conventional morality, and so on versus those of professional autonomy, achievement, growth, innovation, and so on.

In Chapter 3, the author begins by defining excellence as surpassing or outstanding achievement. Human excellence is achieved by being “the best” at something, by making significant improvements over past performances, by doing something unique, and by innovating or inventing. Organizations can facilitate and nurture human excellence by providing a potential site for the flowering of most forms of human excellence. Organizations can also encourage team efforts to achieve collective levels of excellence that individuals could not achieve alone. Organization excellence, like human excellence, may take many forms. For the third world, however, the author contends that there are six major forms of needed organizational excellence – competitive, rejuvenatory, institutionalised, creative, missionary, and versatile. Competitive excellence is needed to increase the adaptability, market orientation, and resourcefulness of third world organizations. Rejuvenatory excellence is needed because of the unhealthy conditions and the need for turnaround activity in most large third world organizations. Institutionalised excellence is needed in third world organizations where competitiveness is weak. Creative excellence is needed to spur innovation in third world societies. Missionary excellence is needed to foster the achievement of vast social or economic missions in the context of third world backwardness. Lastly, versatile excellence is needed by those organizations that have numerous stakeholders and many goals to pursue. Excellence is powered by strong commitments. The author envisions four polarities of commitment that may account for the differences among the six organizational excellences. The first polarity is commitment to a few stakeholders versus many stakeholders. Commitment to a few stakeholders propels the organization away from versatile excellence and probably towards competitive rejuvenatory and institutionalised excellence. The second polarity is commitment to the short-term versus the long term. The short-term commitment in a competitive field fosters competitive excellence. The short-term commitment in a sickness situation leads to rejuvenatory excellence. The long-term commitment promotes institutionalised excellence. The third polarity is commitment to the organization itself versus commitment to a large entity. Commitment to self probably works against

missionary excellence towards competitive, rejuvenatory, or institutionalised excellence. Commitment to a large entity promotes missionary excellence. The last polarity is commitment to novel versus familiar means of functioning. Commitment to novel means creates a movement towards creative excellence, while a commitment to familiar means causes a movement away from creative excellence. Many mechanisms have been identified for the improvement of organizational excellence, and the most productive of these keys to organizational excellence are : (i) mission, vision of excellence, and core values; (ii) style of management; (iii) strategic management; (iv) structure and systems; and (v) organizational renewal processes.

Chapter 4 addresses the first key to organizational excellence – managing passion for organizational excellence through mission, vision, and core values. Although a mission and vision of excellence is necessary for organizational excellence, the root of the issue lies in core organizational values. Values are the things that people hold dear, and values are institutionalised when they are widely shared in an organization. Third world societies internalize two sets of core values. One set of values is congruent with their traditional family culture and includes such values as obedience, loyalty, integrity, altruism, conscientiousness, sincerity, and so on. The other set of values is congruent with the Western culture that is learned from television, radio, modern literature, and from professionally managed workplaces. This transmitted culture includes such values as autonomy, personal growth and development, change, innovation, professional ethics, and so on. Because of the conflict between these two sets of values, some organizational members may espouse one set of values for others while pursuing a different set for themselves. That is, managers may want to pursue personal growth and development for themselves, but practice authoritative bureaucracy with regard to subordinates. In third world settings, core values in organizations should often be compatible with : (i) the developmental imperative in third world societies; (ii) the core values of the society in which the organization functions; (iii) basic human motivation; and (iv) the purpose of the organization and its operating context. To institutionalise core values, they must be lived – simple preaching will not be enough.

Once appropriate core values have been institutionalized, the organization must redefine its mission, which is the contribution it wishes to make to an entity beyond itself, such as society as a whole. Organizational missions may be categorized as abstract versus concrete, global versus local, and many versus few. Next, an organizational vision incorporates the mission contribution that the organization wishes to make to an entity beyond itself. An organizational vision of excellence also incorporates the traits that the organization wishes to display. There are any number of possible visions of organizational excellence, but three deserve special notice : (i) a vision of performance excellence, such as rapid growth, profitability, productivity, etc.; (ii) a vision of a creation or transformation,

such as creating a new market or starting up a new firm; and (iii) a vision of exceptional organizational quality with respect to professional management, ethical deportment, or concern for the environment. The institutionalising of organizational missions and visions is best accomplished through some sort of participatory process.

In Chapter 5, the author examines the second key to organizational excellence, management style. There are two distinct aspects of managerial style – a surface aspect and a deeper aspect. The surface aspect deals with such overt factors as dress, communication, and interpersonal rapport. The deeper aspect involves the manner in which management performs its functions of planning, organizing, leading, and controlling. Research suggests that there are ten conceptualized modes of management that are applicable to the third world. First is the conservative mode of management featuring conservative management practices, an aversion to anything radical or risky, and a decision-making process that relies heavily on compromise. Second is the entrepreneurial mode of management which is a vision-driven mode based on innovation and risk-taking. Third, the professional mode of management involves the application of “scientific” management tools, comprehensive long-range planning, sophisticated methods for monitoring and controlling performance, and complex information system. Fourth, the bureaucratic mode of management is based on a hierarchy of authority, detailed job descriptions, strict adherence to rules and regulations, and a concern for propriety, efficiency, and accountability. The fifth mode is the organic management mode featuring flexibility, adaptability, shared control, autonomy, and innovation. The sixth mode is the authoritarian mode of management, which stresses centrally – concentrated authority and power. Seventh, the participatory mode of management features open and frank discussions, idea sharing, and the right of each member to participate in the decision-making process. Although the participatory process is slow and may be ineffective in times of crises, it produces better overall decisions along with a commitment on the part of the decision-makers to make the idea succeed. The eighth mode is the intuitive mode of management, featuring common sense, quick judgment, and the ability to learn from experience. Ninth, the familial mode of management stresses the importance of family or community to its members. This is the sort of philosophy behind the Japanese ringi system of decision making and the Indian Karta system. Lastly, the altruistic mode of management is committed to the values of honesty, purity of means, and management as a trustee for various stakeholders. Each of these ten modes of management style has differing potential for organizational excellence, depending upon the situation.

The third excellence key – goals, policies and domains – is discussed in Chapter 6. The primary means for addressing organizational purpose is through strategic management and the choice of goals, policies, and operating domains. A management team establishes its organizational goals in the context of its core values, modes of management, the

policies in force, and the operational environment. A goal-seeking organization is a challenge-taking organization. Goals that yield multiple benefits are especially strategic. Of particular importance to third world organizations are goals calling for an increased rate of growth, improving managerial skills, greater dedication to the pursuit of national priorities, improved morale, higher levels of productivity, and more professional management. Organizational choices regarding domains or market niches are strategically important, especially in the third world. Policies are guides for decision making and managerial behavior to maintain an operational consistency with organizational goals, core values, and visions of organizational excellence.

Management structures and systems, the fourth key to organizational excellence, is surveyed in Chapter 7. Organizational structure is the formal network of reporting and control relationships in an organization. This network and its associated authority relationships are graphically displayed by the organization chart and explained in operation manuals. The principle forms of structure are functional, divisional, and matrix. Each form of structure has inherent advantages and disadvantages in varying operational situations. The infrastructure of an organization defines how work is routinised, formalised, standardise, specialised, and decentralised. Management systems are those routinised and standardized methods for performing important and recurring activities with the end goal of functional efficiency. These structures and systems must be customised to nurture organizational excellence in all of its appropriate forms.

Chapter 8 looks at revitalisation processes and mechanisms as the fifth key to organizational excellence. All organizations, especially those in the third world, must constantly renew themselves. Organizational learning, behavioral science, transformational leadership, and organizational creativity are the principle processes and mechanisms for renewal in the third world.

The last chapter in the book examines organizational designs for excellence and their nurturance. The key to designing organizations is to remember that all organizations, whether small or large, are complex in nature, are economic entitles, must manage limited resources, and must develop strategies for survival and effective operation in their chosen domain (s). Organization design must consider that organizations are entities with internal politics and authority-related ideologies that control and coordinate organizational activities. Organization design must accept the organization as communities of people who interact within the parameters of norms, rules, ideals, values, beliefs, and behavioral practices. Organizations are sentient, living systems, that relate with each other and the environment in many complex ways. Overall, the design of the organization must be compatible with its own mission and vision of organizational excellence.

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