International Journal of Multidisciplinary Approach and Studies

ISSN NO:: 2348 – 537X

Management of Change in Organizations that Use the Top Downward Structure

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It concerns me much, Sancho, that thou wilt persist in saying that I enticed thee from thy home. How? Did we not both leave homes together and journey together, and were both exposed to the same fortun ! If thou wert once tossed in a blanket I have only had the advantage of thee, in being a hundred times exposed to hard blows.

Miguel de Cervantes : *The Adventures of Don Quixote de la Mancha*

How often have we not heard a similar refrain at senior management meetings when CEO espouses his views and exhorts his team to follow? And just as at the end of the famous novel, (quoted from, above) the noble knight errant and his barber remain just that, has the author not delighted his readership for over four centuries? Let us similarly assume the role of the dispassionate critic and watch the unfolding, seeing as we do, how the CEOs react to organisational change. And whether things and people remain the same after the organization has been re-engineered is an open question.

Our study of Indian corporate houses between 2001 and 2014 shows that the organizational and management structures in use in nearly all medium to large businesses today either follow or are closely aligned with a top-down approach or a bottom-up approach. As one would suspect, these two management and organizational approaches are opposites. However it is the manufacturing and financial sector that mostly opts for this approach and that is what this paper is concerned with.

Basically, in a top-down approach, strategic direction, policy and planning occur at or just below the highest level of a company. For example, a company's board of directors may develop and pass down its expectations in the form of strategic plans. From the strategic plans, company management develops the policies and action plans required to meet the strategic goals and passes them on down to the line management and supervisors. In a bottom-up organizational approach, a company develops its policies, plans and directions from ideas, suggestions and solutions contributed from all levels of the company, inclusively encouraging employee participation in decision-making, problem-solving, and strategic planning.

If a company produces the same types of products or provides the same basic service consistently, a top-down management approach is probably already in place. As a company grows larger in terms of its structure, scope and number of employees, it is either already in some form of a top-down management approach or is in the process of changing its approach to a top-down form. Many companies have evolved the top-down management approach into a hybrid that applies some of the bottom-up principles to the lower levels of the organization structure. The advantages of a top-down management approach are that the direction and activities of a company are focused on a specific set of objectives and goals and, because all of the company's operational plans are derived from its strategic plan, it is easier to identify and correct any weak points in carrying out the plans. A disadvantage of this approach is that the organization may lack the ability to implement or benefit from the knowledge and experience of its employees on the lower levels. Notwithstanding all this change is an indubitable way of life and its pursuit by management is inevitable.

The purpose of organisational change is ostensibly *value addition* and can be nothing else. Change has fascinated man ever since the beginning of time. It has been viewed as a symbol of progress and feared as a sign for breeding uncertainty. The purpose of this Paper is to put forth a step by step action plan for activating change in organisations and thereby help the executive in being successful in bringing it about. The Paper is born out of industry experiences of the two authors and aimed at the practising top level executive in small and medium scale organisations.

Be that as it may, it would only be proper if a paper such as this would begin by examining the precise role of CEOs in the Indian context before honing in on the question of how they perceive organisational change. The appointment of a new CEO is a very important move on the part of the owners of capital and therefore the importance of symbolism in the activities of CEO cannot be discounted. Very often the new CEO brings his own men in with his own rules of professional ethics and his own agenda for progress. A case in point is Dr J J Irani in Tata Steel. It would be fatal for the HR professional not to be alive to this situation. He has to retain his identity and integrity, and yet facilitate organisational change. This can only come through *value based professional conduct.*

Let us begin with the typical trading company which has grown into the modern business unit mainly due to a reallocation of its investment portfolio and not because of a paradigm shift in the executive mind set. Hence the industrialist fifty years ago wanted his sons to go to English Medium Schools and study abroad, just so that they can retain the family's superior image in the corporate world. Similarly, CEOs today send their sons to USA to study for an MBA degree in the belief that this will give the heir an edge over his subordinate professionals. A moot ethical point emerges and it can be stated thus. The industrialist hardly ever uses his own capital. He borrows it from society or the collective wealth of the community i.e. the banks, albeit against some collateral. His professional task force develops the company and takes it forward. The company is a body corporate with its own identity and its own personality. What gives the CEO then a right of succession merely on grounds of blood relationship?

Supplementary objections can then be raised in the name of overall *corporate ethics*. Whatever happened to commitments to professionalism and meritocracy that were being mouthed by the erstwhile CEO before his son came of age? Has the venture capital syndrome not taken precedence over professionalism? And when the heir is not able o carry the torch any further, the company starts to sink. A classic example of this is the famous Wang Laboratories of USA where the Chinese-American entrepreneur Dr Wang was a genius whose wrong choice of successor contributed to first a stagnation of growth and then a downward slide in the business. In the case of DCM in India or in the case of Ranbaxy Laboratories, for instance, the question of succession through blood relation rather than pure professional merit has caused many a hiccup. Few companies have as smooth a succession as the Birlas have had a decade and a half ago.

Merely because the original entrepreneur took risks (albeit with another's capital), give him the right to choose a successor purely on grounds of the laws of family succession ? While this may well be all right for a farm house where the father passes his ownership on to a son, for a public body like a corporate business the logic will not hold.

Let us take the case of a Medical Doctor who runs a successful clinic in town. The Doctor is now old and wants his son to take over the clinic. He pays a whacking donation and gets his son an admission into a medical college of sorts. He does not quite make the grade but knows enough to dispense medicines. Can the son take over the father's clinic successfully? Will the patient-clients trust him and will the medical association allow it? The question relating to corporate governance is raised: why can the same thing not apply to a business / corporate venture? And yet, these questions are never raised (unfortunately) even in colleges which profess to teach management.

This idea of having a family heir has a lot to do with the stinted vision of the entrepreneur who has made it big but lacks the vision to help the baby; he has produced, to grow. For instance, many Indian entrepreneurs do not quite understand what their core competence should be. One top industrialist has gone on record as having said that *my core competence is to maximise the returns for the investor*. The issue regarding his lack of conceptualisation is easy to understand. But the more important issue of his *mind set* then can be raised: Is he is an effective middle man-trader or is he an industrialist-entrepreneur? The overlap in and confusion between these two roles has led to the downfall of many a company. This is most easily ascribed to a weak knowledge base at the apex of these organisations and their having risen by demand pull factors or historical accidents rather than by professionally planned programs. Once again Surya Pharmaceuticals is illustrative of this managerial malaise when the scions are not competent enough to inherit an empire, which in itself was built on unsound footing.

Dun Gifford Jr. writing in the *Harvard Business Review* (Jan-Feb 1997) makes the following point brilliantly thus : *The appointment of a CEO is a highly symbolic event that greatly effects how employees perceive the company and themselves.* Nitin Nohria and Rakesh Khurana in *Substance and Symbol: The Effects of CEO Turnover on Large Scale Corporations* was based on a study of 222 CEO successions at Fortune 200 Companies between 1978 and 1994.

Indian companies are now facing the capitalist world economy with a weak infrastructure (especially in marketing and HRD) which is born out of their even weaker mind set. To illustrate the point, let the readership take a long hard look at the information technology industry (and especially at the software companies). Why are some players like Icim, DCM, and Tata Infotech not doing as well as the newer players like Satyam and Tata Infosys? What is the criterion for determining the pecking order among these software companies? Is there a uniform Bench-mark against which comparisons can be made? Why is TISCO and SAIL doing so well when the Stainless Steel Companies are dying a slow death? This question is very pertinent since the international market for mild steel is falling and that of stainless steel becoming slightly better.

However not all CEOs, it must be contended come through the blood line. Public sector undertakings, in this regard have a definite professional edge over the private sector industries in India. The Impact of Types of CEO Succession on Performance is important to help us understand organisational change and can be given thus.

	If the new CEO is an insider	**If the new CEO is an outsider**
If former CEO was fired	*Wait and See Scenario (1)*	*Clean-Break Scenario (2)*
If former CEO retired	*Status -Quo Scenario (3)*	*Mixed-Signals Scenario (4)*

In case (1) evidence showed that company performance will be *slightly* better than average whereas in case (2) the company performance will be *considerably* better than average. In case (3) similarly it was seen that company performance would show *little effect* whereas in case (4) the company performance will be *below average*.

Hence as soon as the new CEO moves into *the corner office* he is known to make a flurry of changes in the hope of improving corporate performance considerably and for many years to come. So it is important to know how the CEO got to the corner office in the first place. This will give us a good indicator of what change to expect and how it would be brought about. And, this is the fundamental basis for HRD intervention regarding organisational change, since it has to be (in the Indian context) positivist (or top downwards) and must have the unbridled support of top management if the efforts are not to be scuttled by the insecure mediocrity.

Contrary to popular belief, research both in India and abroad, shows that by an large even in high tech companies investment decisions are taken by the investor-business man rather than the professional technocrat. Take the case of the information technology (IT) industry. Thomas Kiely writing in the *Harvard Business Review* (Jan-Feb.1997) appears to echo our finding that even in the so called high tech companies; management does not undertake fundamental change and restricts itself to making cosmetic changes only. In a study between 1997 and 1998 it was discovered by the authors that:

1. It is the business managers and not the IT professionals who take the lead in determining and justifying investments in new computer systems. Hence, return on investment in the short run, based on actual costs, prevails over opportunity cost considerations for long run sustained growth.
2. CEOs tend to drive home the point that the needs of business must drive technology decisions. Hence, third world countries concentrate on low end jobs which spin immediate monetary returns, like electronic publishing and Y2K projects, rather than invest on fundamental technological research. Hence they will be consigned to play second fiddle ad *infinitum* and *ad nauseum*.

3. IT companies will be more responsive to the needs of business in a meaningful way if they can Bench mark against the best practices companies and reshape their units to look like and behave like consulting firms.
4. Management tends to err on the side of caution and so investment in infrastructure is limited to purchase of landed property, whose prices by the law of averages, is bound to rise in the long run. Calculated risk taking is not yet to find its way into their mind set.
5. Even business heads who have not risen to the top because of their politicking and apple polishing, leave the investment decision in the hands of the founder entrepreneurs who continue to be emotionally attached to the business to the extent that they have been rendered incapable of delegate power and enable the technocrat in making objective decisions so that the cutting edge is retained.

I. THE GENERAL ENVIRONMENT OF CHANGE

Let us begin with an examination of the macro climate within which organisational change is to be brought about. This will give us a platform from which to understand the dynamics of change and plan for its success. Based on unstructured interviews and open interactions held on a one to one basis with executives in various fields of specialisation in industrial and non-industrial, organisations between 1992 and 1997, this Paper is written with the sole objective of assisting top executives in the management of change their respective organisations on the one hand and to facilitate the HR specialist's intervention on the other.. Whereas examples of corporate giants have been used to illustrate many a point, the thrust of the Paper is towards the Chief Executive Officer (CEO) in small and medium scale organisations which are proliferating since 1989. It gives a step by step approach to enable the executive to conceive, plan, and administer the change. This is because he is more often than not the instigator of and the motivating force behind the process of organisation change.

Having change for the sake of change is not recommended under any conditions. However, change continues to fascinate many chief executives since it is seen by them as a sign of progress. Conversely, it scares others to death since they are unable to cope with uncertainties which change brings along with it. Nevertheless, change is a way of life and cannot be simply swept under the carpet. This contribution is considered important because some organisations have (during the period of this study), disintegrated because of the mis-management of change while others have simply ossified because of the ham handed manner in which change has been administered. The question often arises: what position should the CEO adopt in introducing and managing change? The position which ought to be taken, in our opinion, will be have to based on HRD intervention since that specialisation has now matured such that it has become a part of Corporate Policy. This Paper has made this assumption *ipso facto* and we opine that administering change without going through the HRD function is catastrophic. This research based paper could, therefore be seen as a contribution from a position of HRD to the development of Business Strategy especially in regard to organisation change.

Winds of change are sweeping the economy and policy of this vast sea of humanity which we call India ever since the New Economic Policy was promulgated. When the Central Government in 1989 began to engineer a macro economic turn-around by liberalising the markets, privatising productive ownership and globalising competition, the Liberal Press and the general populace were almost euphonious in their praise. Five years down the line unfortunately, the economy has yet to show the fruits of a promised miracle. Industries are going bust by the day, the stock market is following the theory of *random walks* and the people do not know whether the political leadership is coming or going. This is ideally a case of *retarded capitalism* whose *factor* and *product* markets are in a condition of dis-equilibrium. It is perhaps the textbook case of the road to hell being paved with the holiest of intentions. The currency is being debauched, there is a liquidity crunch in the market and exports are not picking up the way they were expected to.

On the flip side of the coin, we have the self same industrialists who in 1988 wanted to free market with no government control, begging for a level playing field and state protection in 1997. Export incentives to Indian industry are being viewed by Courts in Europe and America as amounting to an unfair trade advantage, a charge, which if sustained, might attract the question of dumping duties on our goods. Should that happen, the present economic recession may well slip into a depression as exports will dwindle. Instead of the infrastructure improving substantially we are consumerising our tastes so that imports of Wrigley's chewing gum, McDonald's burgers, Kentucky's chicken and Kellogg's corn flakes have made a much heralded entry into the market. Imported products are beating many of our indigenous products in terms of price, quality and packaging at the same time.

There were instances galore of industries run by erstwhile traders and which have logged up credit dues far beyond their capacity to repay. Their dismal performance has precluded the possibility of future funds being pumped in by financial institutions to save the day. Their new projects have been unduly delayed and there is a strong temptation for their accountants to capitalise the interest rate and then to show that production has not begun, so profits have not accrued. Unit Heads continue to spin webs and the CEOs continue to be ensnared into these webs. But when the day of reckoning dawns, no amount of business stratagem will be able to put humpty dumpty together again. The writing is on the wall but either for want of will or for paucity of intellect the CEOs refuse to read this. Some industries like Textile, Cement, Steel and Chemicals have been harder hit than others.

Companies like in the Pharmaceutical trade are looking at the year 2014 as if it is apocalypse, when the Patents Rights will become enforceable under the more stringent GATT. Units on the fringes like Surya Pharmaceuticals have almost shut down since 2011. Some industries like Construction are suffering due to the downwards swing in the business cycle and despite the sops the upswing is a long way away. Automobiles are also in a glut since foreign competition is showing up the inadequacies of the national products like in the case of Hind Motors and Premier Automobiles while the liquidity crunch is biting into the buyers' willingness and ability to purchase. And amidst this general picture of doom and gloom some players are tempted to take unnecessary risks. What marks a successful CEO from the one who is not, is the fact that risks. What marks a successful CEO from the one who is not, is the fact that the risks are well calculated and that despite the odds, the former keeps his head above water level while the latter sinks like lead. For instance, if a stainless steel factory closes down just because a string of furnace heats were lost, can we call the CEO a mature risk taker?

At the national level, we have had two coalition Governments in Delhi and the rug has been pulled from under their feet by the very persons who made a show of supporting them from the outside. UPA II has fared worse than UPA I. Indecision, scams and corruption has been the hall mark of government operations for the past three to five years. The price of betrayal has risen far above the legendary *thirty pieces of silver* and parliamentary trading of seats has become as common as going to buy vegetable in the local market. Uncertainty and dis-equilibria are the ruling orders of the day

In such a climate, traders who had been masquerading as industrialists have started to revert back to their earlier roles and shop floor industrial relations is increasingly becoming neo-mercantilist. The managers of the *comprador* variety, unable to comprehend the dynamics of change, have started to manage companies in a ham fisted manner with the result that industry is leading the downward spiral of economic activity in India. It is precisely at such a time when HRD interventions hold the key to industrial revival. And it is precisely the moment when CEOs opine that training is an un-affordable cost rather than a necessary investment. Such is the bitter anachronism that envelopes Indian industry that it seeks to defy logic.

This is precisely the macro economic environment within which organisational change is desired and must be implemented if Indian industry in the small and medium scale sectors is to survive. The question before business policy *gurus* is how? The fact must be clearly understood that *perception is the reality* or the CEO will never know where the real bogey lies. And, if that happens, organisational change will most probably be counter productive. And the insecure mediocrity who did not want the change in the first place will be quick to say *Sir, I told you so*

2. THE GENERAL NEED FOR CHANGE

In the late 1980s many self styled consultants with hardly a clue about HRD had recommended Total Quality Management as a panacea for all industrial ills. In the 1990s these very same persons started to toot their trumpets in honour of Business Process Re-engineering. Now that neither has given industry the kind of results that were promised these pseudo-academic consultants have started talking of Incremental Re-engineering, which is a something of a middle path between TQM and BPR. This new magic wand will give management's the benefits of both TQM and BPR without any of the negativities thereof, it is further claimed. Are these persons trying to look important by flashing a few buzz words and unfolding a supposedly new plan of action or are they like Don Quixote chasing windmills taking them to be imaginary giants?

The crux of the issue which is still being evaded by these pseudo-geniuses: the inability of Indian industry to deal with organisational change. If industrial Groups that are closely held such a Godrej, and Groups that are amorphous like Tata progressive, proactive and doing so well, what ails the rest of Indian industry? Why is Jamshyd Godrej, Keshub Mahindra, Vijay Malaya, Kumar Mangallam Birla, Jamshed Irani, Harsh Goenka, Keki Dadiseth and some others standing up like beacon lights amidst the gloom? What caused Narayana Murthy to return to Infosys? The answer lies in the ability of some and the inability of most to understand and adapt to *change.*

Why did the Board Room battles during the 1990s turn so acrimonious? Why did some CEOs not want to change while others wanting to have change which they saw it fit, oblivious of the environment? Why the entry of multinationals was resisted by some and welcomed by others? Should Change be managed? Should Change be avoided? Is stability not likely to lapse into inertia? These are some of the question which research scholars seek to address.

Who should benefit from the change? There are numerous instances where organisations have been impoverished while their owners have amassed wealth. There are equally numerous examples where the captains of industry have gone down honourably with their sinking ship. There are corporate managers who publicly say: *look at the industries that died because a perfectly stable traditional (feudalistic) environment was changed in keeping with international norms.* What of course they actually imply is: *we do not want HRD because delegation of authority will ruin our power base and empowerment at the point of production or the point of sale will take away our discretionary role.* Executives who have been grown up with a culture of management by exception will be ill at ease in an environment where a culture of *management by consensus and administration by stated and accepted objectives is the norm.* The Indian Textile industry is a classic case for this syndrome.

Then there are instances when fast growth companies employ HRD consultants but fail to give them ground level support from within just because those who are already inside the company are the insecure mediocrity and wish to hog the glory without putting in the efforts for it. The poor consultant earns a bad name as a result. In one IT Company for instance, a high level and extremely professional HRD Consultant was blamed for delaying the *Climate Survey* by the very persons who from within the HRD department failed to give that HRD Consultant, the desired support, when push came to shove. What compounded the damage was the fact that these young and insecure members of the professional mediocrity complained against the HRD Consultant and the top management in their blinkered wisdom believed them.

When you have CEOs whose plans are *activity* governed rather than *thought* governed, when you have senior technical executives spending a lot of time in non-technical activities, when you have senior managers using expletives freely and resorting to both verbal and physical violence, there is a crying need to change the organisational culture. But, change does not come about easily and it is staunchly obstructed in the name of tradition, convenience, stability and culture itself. How does the CEO manage Change?

The rest of this Paper shall be concerned with addressing that question and in the process make a contribution to the corpus of knowledge on that aspect of Business Strategy that concerns itself with t he Human Resource.

3. ACTUALISING THE MANAGERIAL ROLE TO FACILITATE CHANGE

To implement change the CEO must be convinced and committed enough to take the lead and arm the HRD with executive powers. Most CEOs are myopic and trust their accountants instead. The inevitable result is that figure considerations supersede all other considerations. The accountant is trained to look for actual costs and unlike the economist or business analyst does not bother about opportunity costs. Hence, he has blinkered vision by his very training. The key to a CEO’s success lies in his breadth of vision and his willingness to walk his talk. He needs to make a lasting impact if change has to be sustained and his mission is to be perpetuated. For this, he needs a vision and a mission that is clear and attainable.

The CEO is expected to lead from the front and by example. But just as an army marches on its belly so too, executive need adequate compensation to stick on. If not, those who stay on in the organisation will be those who cannot get a better job or are too foolish anyway to look for one, or are making enough money on the side to stick on.

He must retain stability (not to be mistaken for inertia). To do so the CEO must implement change while perpetuating history. He must not go on any kind of rampage or throw tantrums. He must not appear to act like a bull in a China Shop. People do not like to be told to change. CEOs need to positively create a climate such that change is desired because; given the Indian managerial psyche only he is in a position to do so.

With stability comes retaining the corporate character. The Tatas, the Godrejs, Larsen and Toubro, Mahindra & Mahindra, Vikram Ispat, Price Waterhouse, the Hindujas an Arthur Anderson are some examples where giants have introduced change while the corporate character has been retained.

One must not forget that even CEOs like any other species, can also be a very insecure lot. Hence, the first task of the HRD facilitator is to convince the CEO and get him committed to organisational change. The need to maintain a healthy tension between tradition and change is the key to success. CEOs do not know quite often, when they should gracefully retire. Hence in small scale and medium scale industry you will quite often find senile chairman insisting in being consulted by the CEO and all others everything even if they comprehend nothing. They become a serious impediment to change as a result of their inability to grasp the gravity of a situation. CEOs in turn, often do not uphold key commitments, but smooth talk their way or blast their way in meetings. Hence, the CEO is unable to keep faith and if this key ingredient is absent then change will surely be negatively received.

If change is consistently bench marked against value addition for the employer and the employee then acceptability will become a lot easier. And that is the job of HRD intervention to ensure.

4. UNDERSTANDING THE EXTERNAL ENVIRONMENT

Environment Scanning is an exercise which is reserved for the academics and to which certain CEOs pay occasional lip service. But this is the first step which an organisation must take before change is introduced. It seeks to understand the climate and its many manifestations so that plans are in conformity with ground realities.

What does the External Environment consists of? Plainly, it consists of Endogenous influences such as the Company Structure, the Management style and the Employee collectively. Together these determine the conditions of service and contractual relations of employment. It also consists of exogenous influences like the State Policy on Labour and Capital, the presence (or absence) of a level playing field and finally the competition in both the factor and the product markets. Why do we call these the External Environment one may ask? It is because it plays an external role in conditioning the climate for change to take place.

The CEO must keep a level head; have a clear vision, an articulated mission and a well defined set of objectives. These must be translated into quantity, quality, cost and time dimensions. If not, they will be pious wishes at best and senseless murmurs at worst. And, how does the CEO decide where to go unless he understands the external environment first?

If an organisation goes for change without understanding the environment, unless there is a fluke success, there things are likely to happen. Firstly, a single success may spur over investment and finances may be spread too thin. When the financial fundamentals are weak, a single blip in the trade cycle will spell down. To avoid this doom, there will be further risks taken and manic behaviour is the result. Organisations, for instance, will economise on Paper, phone calls and telex messages while neglecting important items like raw material control, inventory costs and rejection rates. Secondly, an organisation will slip into a comatose slumber while the CEO irrationally sleep walks and hallucinates. It will be like Adolf Hitler planning the final invasion of England' after Germany had begun to loose the war. The organisation will soon get used to the CEO's visions of success and go about their business as if nothing happened. Thirdly, an organisation will go into a state of depression which will infuse either a guilt complex or a defeatist complex. And when this happens, every manager will be an infectious agent of doom and gloom.

It is precisely when any of these symptoms surface that the CEO must take charge and introduce change. Thos who will do so successfully will be the leaders and survivors. Those who won't be shall certainly be consigned to the trash can of history.

5. UNDERSTANDING THE INTERNAL ENVIRONMENT

Let us take for granted that the CEO desires change. Evidence abounds to show that decisions regarding change are taken autocratically and enforced democratically. In a steel company in Navi Mumbai, for instance, the MD told one of the authors that he wanted training to be conducted on the shop floor but not during duty hours. This was because the workers were going to "gain" something for it and they must "pay" to gain that knowledge by coming to work on the off day. Nothing could be a better example of executive myopia if this is how training is perceived. Clearly, the CEO failed to see the internal climate of the company which was crying out for knowledge enhancement through training. It did not occur to the MD that training was an investment and that the internal climate demanded it.

Hence, the CEO must form a task whose primary duty would be to understand the climate within the organisation. The CEO will err if he wishes to do everything himself. He is the visionary who must supervise the rest, and when time comes, get down to the job himself. What is this task force one may enquire?

It is a group of achievement oriented specialists who having comprehended the vision, set about as a team to actualise the mission. This group having developed a direction is transformed into a team. It is this team that will understand the climate and bring about the change. In recent times, Kumar Mangalam Birla set up such a task force under the umbrella of the Birla Management Centre. Adi Godrej did the same before introducing TQM in his company as did Jamshed Irani who turned around Tata Steel in the last decade.

The CEO must act his role. He must never loose sight of the fact that he is a visionary and a leader, not a school monitor, a time keeper, a CID inspector or an accounts clerk. Under no conditions whatsoever should a CEO try to pit one executive against the other so that either he gets an up to date report on what is going on or that the executives are kept busy guarding their backs to take cognisance of their perceived follies. This tendency though tempting has always proved disastrous.

THE CEO having formed a task force cannot wash his hands and expect profits leaping out like rabbits from a magician's bag. He must be involved with the task force and lead from the front. Those task forces which will succeed are those which will take decisions democratically but enforce them dictatorially. An HRD facilitator without executive powers becomes window dressing just as a CEO who is democratic in decision making ends up supervising what Lewis Carroll may have called "a mad tea party". The task force must have permanency or else it would be like a Kibbutz secretary who manages for a while and goes back to milking cows. The task force must be motivated to stay on. And money is often a basis need but not a mutilator for success. Hence the task force must be compensated well. The adage "if you pay peanuts you will get monkeys" is quite true.

The task force is not like a Quality Circle. The former is time bound and is disbanded after the task is completed. The latter continues to exist. The task force is a team which consists of persons whose skills complement those of the others, have a shared vision, a uniform objective and who have a commonality of values. However, once formed, it is imperative that it is not disbanded unless the task has been fruitfully completed.

The following are the danger signs which the task force should never overlook and which surface quite often during the first phase of change. And having identified the particular danger sign would also help the task force to identify the problem for which a solution is needed. a) Persistent negative cash flow, b) Negative profits, c) Declining market share, d) Uncompetitive products and service, e) Improper stores accounting at all stages, f)Over-manning, top heaviness, low morale or / and high executive turnover, g)Deteriorating physical facilities and low safety provisions., h)Neglecting long run opportunity cost in favour of short run actual costs, i)Loss of trust in top management and j) A high rate of rejections.

These must be individually and squarely attended to and corrective actions should be taken immediately. The option now open is clear: the CEO must grasp the gauntlet. At the first sight of the diagnosis it was seen that in some cases the task force was disbanded. That is usually fatal for the CEO and the organisation. The CEO develops cold feet and the insecure mediocrity exacerbates this by feeding him various dooms day scenarios which will unfold if he goes ahead with the change.

Research showed that alternate scenarios could be: The Unit Head, the Factory Manager or the CEO is either weak enough to bury his head under the sand and wish away the problems. This is the *ostrich syndrome*. He may choose to sweep facts under the carpet and hope that a market upswing will hide this impropriety. This is the *optimistic-charlatan syndrome*. He may hold up his hand s and call it a day. This is the *concerned rate syndrome.* Finally, he may wish to gamble and manage his portfolio so that he gets rich which the organisations go bankrupt. This is the *swindler's syndrome.* The task force is then duty bound to see this, point it out squarely and devise an action plan. Assuming that the CEO is the guardian of the company, the task force is charged with the duty to *guard the guardian.*

6. DIMENSIONS OF ORGANISATIONAL CLIMATE

The task force will seriously blunder its way through change unless it understands the organisational climate and its various manifestations and dimensions. By climate we mean those aspects of the work environment in an organisation which are perceived by those employed in the organisation and which help them to conform their behaviour to expected (or perceived) norms. Research indicates that organisational climate has 12 dimensions which are enumerated briefly below, and which the CEO must take a serious note of.

1. **Vision and Mission:** If a person does not know where he is going he cannot get lost. So too an organisation must have a clear vision and a clear mission which are both articulated and known to all. They must be crisp and stimulating personas to action rather than a mere statement of purpose.

2. **Objective and Goal:** The former is an open ended attribute which gives the direction of change whereas the latter is a close ended attribute which gives the magnitude of the change. The former is qualitative whereas the latter is essentially quantitative.

3. **Structure: The** rules and constraints placed upon the actors must be such that creativity and innovation are made possible. Rules are meant for the benefit of man and not the vice versa. This does not mean that rules will be made and unmade with impunity.

4. **Responsibility:** Trust begets trust and accountability without authority leads to neo-feudalistic management behaviour. Here it must be stressed that most management's that administer by exception do so at their own peril.

5. **Risk:** He who works will err. Hence punishment for errors made, will only create a risk avoidance syndrome that can do nobody any good. Hence, managements should be induced to take calculated risks within the bounds of law and ethical propriety.

6. **Reward:** Recognition for good work done must be quick and public. The adage that subordinate should be praised in public but rebuked only in private is something which is easily lost sight of in the heat of the moment.

7. **Standards.** Emphasis must always be on excellence and goals once realised must be realistically upgraded. Standards cannot be compromised whether they be in the field of production, quality or human behaviour.

8. **Clarity of role:** This is so important that merit rating and performance appraisal exercises fall flat on their face without it. And yet, many organisation go through with the annual exercise without bothering to clarify roles first. Such actions are not defensible either in the name managerial prerogatives or situational constraints : two often used excuses.

9. Warmth & Support: Goodwill is a prized commodity and when that is lost, no matter how efficient a manager is, success will always elude him. There is the case of a super-efficient secretary to a CEO who has alienated every manager with the result that nobody wishes even to greet her in the morning unless they want to speak to the CEO. The is the other case of a CEO who, in the midst of a strike, went out and spoke to the union leaders over a cup of tea at the factory gate. Both xamples show the polarities of behaviour which exist in industrial organisations.

10 Conflict: This is a very misunderstood term. Confrontation, which results from a clash of ego should be avoided at all costs but conflict which arises out of a clash of opinion should be encouraged and channelled constructively in the organisation interest.

11. Leadership: Whenever a clique dominates the decision making function, objectivity is lost and progress cannot be achieved. Fresh leadership is discouraged and mediocrity thrives since they are comfortable in saying yes sir without the slightest twinge of conscience.

12. Technological superiority: Managements which are comfortable in doing the same old things in the same old way often find that they have been living in cloud cuckoo-land and the rest of the market forces have passed them by.

A word of caution needs to be inserted here: Climate Surveys need to be done expeditiously and accurately such that actions emanating therefrom are evident. And a survey must be followed up by regular Action taken Reports if it is not to degenerate into intellectual fornication at best and a means to perpetuate the job of the HRD man at worst. And, any organisational change must take into serious cognisance each and every one of these 12 facets because they permit the CEO’s decisions to be meaningful and effective. These 12 facets, in turn, create three kinds of organisational climates whose negative traits are given below viz.:

(a) The authoritarian climate where conformity is treasured and innovations are stifled.

(b) The affiliative climate where there is *bon homie* and work seldom gets done.

(c) The achievement climate where performance is demanded at any cost.

Paraphrasing from the earlier work of the authors on the positive side, these climates can be seen thus: Whereas, the first produces a wasteland and the second produces a fun land, it is the third which produces a wonderland, albeit in conditions that seldom exist. Change after all, is alterations which will enrich or impoverish the organisational climate and therefore the task force must have absolute clarity about each and every dimension mentioned above if the change process is to succeed.

What will finally matter is: What is the *motive and not purpose* of management? Is it to stay on in an inherited legacy? Is it to enable the CEO to get rich at the expense of the organisation? Is it o make others perform at their peak levels irrespective of the fear of a burn-out? Is it to break new ground, blaze a new trail and light a new torch so that history and posterity can remember the CEO with pride? It is once that these cobwebs are cleared, that managements can start talking of Change in a realistic manner.

In some instances the outgoing CEO (industrial as also non industrial organisations) has appointed his own "man" against all norms, as the successor, so that his own improprieties can be suitable covered up. Finding an heir is not an easy job and he must be scientifically eased into the new position with least resistance if corporate battles and the accompanying unpleasantness are to be avoided. Hence under these conditions change is bound to be just a feeble attempt at window dressing. In other instances, the CEO has wanted change but has gone about it the wrong way. Research showed that under these ten conditions, organisational change is likely to be an exercise in futility namely:

(a) When the CEO uses low level informants (chargemen, security guards, drivers and clerks) who have been with the organisation for a long time, to report on the performance of their superiors. And, managerial decision is based on such feedback. Objectivity is lost and with it goes trust.

(b) When the CEO uses the technique of "divide and rule" by giving dual responsibilities and then getting his executives to unhealthily complete with each other so that he can retain his grip on what his going on. This alienates the professional executive and defeats team work.

(c) When the CEO decides on the change process dictatorially and expects it to be implemented democratically. The inhibits commitment and responsibility is shunned.

(d) When the CEO expects and demands managerial accountability but is not prepared to delegate authority down the line. Hence there is no sense of belonging amongst the executives, each of whom fends for himself.

(e) When the CEO rebukes his subordinates in the presence of their peers or worse still in front of their subordinates. It is arguable that a CEO who cannot control his temper or is vindictive has a slim chance of controlling others.

(f) When the CEO is seen as an indecisive person who either takes too much time to make and execute a decision or contradicts his own orders *de facto or de jury*. This leads to uncertainty.

(g) When the CEO manages *by exception* and plays favourites. Favoured executives whom he constantly keeps changing to maintain a perceived level of objectivity. Hence no body really trusts him.

(h) When the CEO criticises one executive (in his absence) in front of his peer. Why the peer should believes it won't happen to him as well?

(i) When two equally powerful men at the top give conflicting orders and the CEO is unable to lend clarity by making both of them to act similarly.

(j) When drastic changes are introduced without taking care of contingencies which may rise in their implementation.

Also, it was seen that in each case when the organisation is in a crisis situation, the CEO found himself deserted. The basis assumption remains and that is : the CEO must be seen as a reasonable, humane, logical and farsighted decision maker who is prepared to walk his talk. His actions must speak for this fact, rather than his memos and speeches.

7. THE ACTION PLAN FOR ORGANIZATIONAL CHANGE

What is the use of a doctor who tells you what you are suffering from if he cannot prescribe the cure? And why waste time and money going to a doctor if you are not willing to tell him what really ails you? This is a homily is never wasted on the CEO as well as his HR Expert. Having diagnosed the climate and identified the problem is winning half the battle. In the grid below is a matrix plan for change. In the first column is the principal task to work the plan. Against it is the sequence in which the three major facets are to be addressed (from left to right). And having addressed the solution will come out from the cause of the problem itself, as our research shows:

ANALYSIS	of	:	product	market	process
LOGIC	in	:	market	product	process
IMPLEMENTATION	at	:	process	product	market

What this means basically is that analysis of the product must precede that of the market and end at the process. Having analysed the three the logic of the change must be addressed. It must be in time with market realities before it examines the kind of product needed to be produced (quantity, quality, cost and time dimension wise) and then the process needed to do so. Finally, we come to the implementation of the change. Here the process must be changed before a change in the product takes place and even before an impact of the change is felt in the market. For all this the task force needs a distinct action plan with alternatives open for all possible eventualities. After all, a plan is nothing but an overall programme which included goals, policies, rule and feedback. And, to activate the plan this task force needs a strategy. To put it in another way, what a plan is but the ultimate goal so strategy is the war to be waged to attain that goal. If strategy is akin to a war then tactics used (to implement that strategy) are akin to a battle.

As any mind based philosopher will vouch, change begins in the mind and it is imperative that the CEO first is convinced that change is desired and is prepared to change himself in conformity to his overall scheme. Very often, the feedback from middle management ranks showed, CEOs expect others to change and he is not required to conform as he is the boss and calls the shots.

Over dependence on consultants, internal old timers who have risen from the ranks or on one's own prognosis of the situation at hand are some of the responses of CEOs in organisations that needed to be change if the organization had to develop. The CEO was not utterly committed to change but agreed to it since it appeared to be a good idea. Such a situation is a sure shot recipe for disaster since the CEO will surely fail to walk his talk and loose credibility. Change is often associated with a corporate turnaround and it is when Companies are performing poorly that organisation change is desired by the CEO. This is fire-fighting of the highest order. Research further showed that the following were the elements which when addressed, by task forces, proved to be crucial in engineering a corporate turnaround. And, that is a high level of organisational change indeed!.

1. Change in the top layers of management and even changing the CEO.
2. Initiate some immediate credibility building actions such as meeting Departments openly, publicly and addressing some grievances at once while explaining why others are kept on hold.
3. Neutralising external pressures from competitors shareholders and consumers. This is by mounting a PR campaign and improving performance at the same time. Undertaking one without the other will prove more damaging than doing nothing.
4. Take the initial control of the change process so that it can be guided and monitored. If not, the insecure mediocrity will sabotage the process of change in the name of stability.
5. Identifying quick pay off activities so that the sceptics also get involved in change.
6. Take quick cost reduction measures that make a difference and not those that try to make a show of doing so. One way is to control rejections of finished goods and cut down on investments.
7. Start the process of revenue generation so the cash inflow motivates the change catalysts.
8. Liquidate unproductive assets for generating cash.
9. Mobilise the organisation to move unidirectionally so that those who disagree can leave.
10. Improve internal co-ordination so that both magnitude and direction of the change is felt.
11. Get rid of the dead wood and reward good performance publicly and quickly.
12. Control inventory, stores and raw material flows so that real from the circular flow of income are checked at once.

8. THE STRATEGIC MANAGERIAL OPTIONS FOR CHANGE

Now that the task force has understood the environment, ascertained the climate, identified the problem and brought out a range of options by way of a solution, what does the CEO do? He can use any of these business policy options to change the course of the Company. All along we have assumed that there is a need for change and there is both a will and ability on the part of the task force to implement the change.

Bearing in mind the political scenario in India today, the policy options for the CEO are as follows:

Diversification Strategy	**Advantages**	**Disadvantages**
Vertical Integration	Economising operations Control supply & demand	Risk of unfamiliarity Less flexibility
Horizontal Integration	Eliminating competitors Access to new markets	Increased risk Reduced flexibility
Concentric Diversification	Attain synergy Economics of scale Tax benefits	Inv. in new tech Untried markets and Technology
Conglomerate Diversification	Better Management of Cash ROI increased Spreading investment	Diversion & so lack of concentration Risk of managing new business

Let us further assume that the business policy option has been identified and the task force has zeroed in on the target, what is left for the CEO to do?

He has to lead the change process, as has been emphasised earlier and in order to lead the process he must have a model which he follows ethically, consistently and transparently.

There are four further options then open to the CEO and the model he chooses could be any of the four given below.

If the polarities on the horizontal axis signify internal and external agents of change, then the polarities of the vertical axis signify the two structural traits desired : flexibility and control. A judicious mix of the two should produce the desired output : the quantity and quality of change. Each of the four models has a means and an ends dimension so the choice is simplified.

As an end note we would like to re-emphasise that there must be clarity and synergy between the CEO and the task force, there must be consistency in actions and options must be given a fair chance before they are rejected.

How well this process is performed will determine whether the CEO of the small or medium scale organisation will make it or break it. Vertical links are often deceptive since the tenacity of the chain does not depend on the strength of the links but on the human links between members of the organisation: the internal customers. Neo-feudalistic CEOs with neo-mercantilist ideals tend to make this internal customer alienated and indifferent to change. That must be avoided at all costs. Research indicates than in whatever the CEO does; time and speed will be of the essence. Organisations with low overheads respond easily to change and will have the best chance of survival when the going in 1998 gets rougher for Indian industry and capital will be tight as well as expensive. The financial manager must be one who has a wide experience with a number of types of companies and knows his onions really well. A green horn may spell doom for the company as would a person who has stayed on in the same organisation all his life knowing little else of the outside world. And while the financial man will be important the anchor, the catalyst of change remains the HRD chief who heads the task force and the CEO who provides the vision.

MODELS OF CHANGE

Human Relation Model	Open Systems Model
Means : Cohesion, Morale	Means : Flexibility
End : HRD	Ends : Growth
INTERNAL	
OUTPUT	
	EXTERNAL
	QUALITY
Means:Information Management	Means : Planning & Goal Setting
Ends : Stability	Ends : Productivity
Internal Process Model	Rational Goal Model

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