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Department Of BBA

CLASS - FY.BBA **SEM-I**

Subject-Principles of Management

Unit 4 – Recent Trends in Management

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Management of Change

Meaning of Organisational Change

Organisational change refers to a **difference in the form, quality, or state of an organisation over time.**

It may involve changes in:

- An individual's job
- A work group or team
- Organisational strategy
- Programmes and products
- The entire organisation

Meaning of Change Management

Change management is a **planned process of moving an organisation, team, or individual from the present situation to a desired future situation.**

It involves changes in:

- Employees' behaviour and mindset
- Technology
- Rules and regulations
- Organisational structure
- The surrounding environment

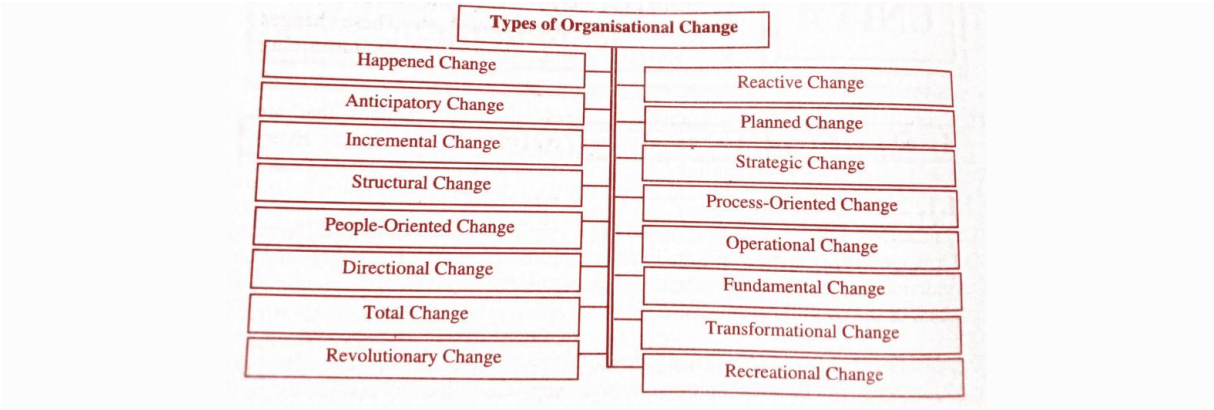
Definitions of Change Management

According to Gabler:
Change management is the strategy of planned and systematic change achieved by influencing organisational structure, corporate culture, and individual behaviour, with maximum employee participation.

According to Kostka and Monch:
Change management involves planning, initiating, implementing, reviewing, and stabilising fundamental organisational changes. Its long-term aim is to improve behaviour, abilities, processes, and communication structures.

Types of Organisational Change

Organisational change refers to modifications in an organisation's structure, strategies, processes, technology, or employees' behaviour to improve performance and adapt to new situations.



1. Happened Change

- It is an unexpected change over which the organisation has little or no control.
- It may be caused by external factors.
- **Examples:** Natural disasters, wars, political changes, and sudden technological obsolescence.

2. Reactive Change

- It is a change made in response to an event or problem that has already occurred.
- It helps the organisation respond to external threats or internal difficulties.
- **Examples:** Changing prices due to competitors, adopting new technology, and solving performance problems.

3. Anticipatory Change

- It is a change made in advance by predicting future needs or situations.
- It helps the organisation prepare for future challenges and opportunities.
- **Example:** Introducing new technology before the old technology becomes outdated.

4. Planned Change

- It is a deliberate and systematic change made according to organisational objectives.
- It is proactive and aims to improve organisational performance with minimum disruption.
- **Examples:** Changing working hours, adopting better technology, and entering a new market.

5. Strategic Change

- It involves changes in the major goals, objectives, or overall direction of an organisation.
- It helps the organisation survive competition and adapt to changing market conditions.
- **Example:** A traditional company shifting from offline sales to an online business model.

6. Process-Oriented Change

- It involves changes or improvements in the methods and processes used to perform work.
- It may include automation, computerisation, and technological upgrades.
- Employees need proper training and information to adapt to new processes.
- **Example:** Replacing manual billing with an automated billing system.

7. People-Oriented Change

- These changes aim to improve the behaviour and attitudes of employees.
- They focus on team spirit, job satisfaction, commitment, loyalty, and cooperation.
- These changes are introduced through training, counselling, and brainstorming sessions.
- **Example:** Conducting team-building activities to improve employee cooperation.

8. Operational Change

- Operational changes are made to increase the efficiency of daily operations.
- They involve improvements in processes, quality, pricing, and work methods.
- They help organisations achieve their basic objectives and compete effectively.
- **Example:** A bank introducing online banking services to improve customer service.

9. Directional Change

- Directional change occurs when an organisation needs to change its existing direction or strategy.
- It may be caused by competition, government regulations, or outdated technology.
- It helps the organisation adopt a new strategy when the existing one is no longer effective.
- **Example:** A company shifting from manufacturing traditional products to producing electric vehicles.

10. Fundamental Change

- Fundamental change refers to deep-rooted changes that redefine the basic purpose or objectives of an organisation.
- It may occur due to sudden internal or external problems.
- **Example:** A company changing its basic business purpose to overcome serious financial difficulties.

11. Total Change

- Total change is required when an organisation faces serious problems, decline, or possible closure.
- It involves major improvements in vision, strategy, employee performance, and management.
- Its purpose is to restore the organisation's stability and success.
- **Example:** A loss-making company completely restructuring its management and business operations to survive.

12. Transformational Change

- Transformational change involves a complete and systematic transformation of an organisation.
- It may be caused by technological changes, market competition, or changes in customer demand.
- It affects the organisation's structure, strategy, culture, and working methods.
- It includes developmental and transitional changes.
- **Example:** A traditional retail business transforming into a fully digital business.

13. Structural Change

- Structural change refers to changes in the internal authority and organisational structure.
- It includes changes in the chain of command, delegation of authority, and decision-making processes.
- It helps improve coordination and clarify responsibilities.
- **Example:** A company creating new departments or changing its reporting hierarchy.

14. Recreational Change

- Recreational change aims to refresh and re-energise employees.
- It provides a break from routine and monotonous work.

- It may include sports days, picnics, excursions, and family events.
- **Example:** An organisation arranging a picnic for employees to improve morale.

15. Evolutionary/Incremental Change

- Evolutionary or incremental change refers to small, gradual, and deliberate improvements in the workplace.
- These changes are adaptive and usually occur over a period of time.
- Their cumulative effect gradually becomes noticeable.
- **Example:** A company making small improvements in its customer service procedures every month.

16. Revolutionary Change

- Revolutionary change is a radical, rapid, and dramatic change in an organisation.
- It involves adopting completely different ways of working.
- It aims to bring about major transformation within a short period.
- **Example:** A company completely replacing its traditional business model with a new digital business model.

Kurt Lewin's Theory of Change (Kurt Lewin's Force Field Theory)

Meaning

Kurt Lewin's Force Field Theory explains how two opposing forces affect organisational change.

- **Forces for change:** Forces that support and encourage change.
- **Forces resisting change:** Forces that oppose change and prefer the existing situation.

According to Lewin, an organisation remains stable when these two forces are balanced. To implement change successfully, managers must strengthen the forces supporting change, reduce resistance, or do both.
Example: When a company introduces new software, some employees support it, while others resist because they are comfortable with the old system.

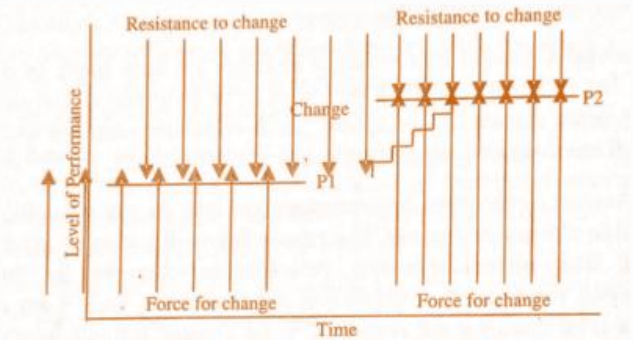


Figure 4.1: Lewin's Force Field Theory of Change

Assumptions of Kurt Lewin's Force Field Theory

1. Change involves ending existing practices or behaviours and adopting new ones.
2. Change is driven by motivation.
3. People are at the centre of every organisational change.
4. Individuals generally resist change, even when it is beneficial.

5. Successful change requires new attitudes, behaviours, and practices to be encouraged and rewarded.

Performance Levels in Force Field Theory

- At performance level **P1**, the organisation is stable because the forces supporting change and resisting change are balanced.
- To reach the higher performance level **P2**, managers must strengthen the forces for change, weaken resistance, or do both.
- Once resistance is reduced and change is accepted, the organisation can achieve the desired performance level.

Three Stages of Kurt Lewin's Change Model

Kurt Lewin proposed a three-stage model of organisational change:

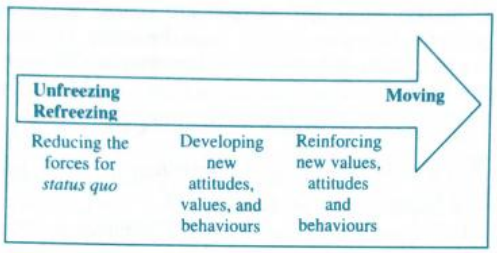


Figure 4.2: Kurt Lewin's Model of Organisational Change and Development

1. Unfreezing

Meaning: Preparing employees for change by reducing resistance and breaking old habits.
Main activities:

- Explain the need for change.
- Communicate its benefits and consequences.
- Clear employees' doubts.
- Encourage employees to leave their comfort zones.
- Use rewards and motivation to gain acceptance.

2. Moving (Changing)

Meaning: Introducing and implementing the new system, behaviour, or working method.
Main activities:

- Involve employees in implementing change.
- Train employees in new skills and methods.
- Encourage managers to act as role models.
- Use identification and internalisation.
- Apply rewards and corrective measures when necessary.
- Handle unexpected problems carefully.

3. Refreezing

Meaning: Making the new changes permanent so employees do not return to old habits.
Main activities:

- Make new behaviours part of daily work.
- Reinforce new values, attitudes, and practices.
- Provide continuous motivation and rewards.

- Make the new system a normal part of the organisation.
- Ensure employees understand and accept the changes.

Example of Lewin's Model in an Organisation

Suppose a company introduces a new computerised attendance system.

Stage	Application
Unfreezing	Explain the problems with manual attendance and the benefits of the new system.
Moving	Train employees and introduce the new attendance software.
Refreezing	Make the software part of daily routine and reinforce its regular use.

Importance of Change Management

1. **Planned and Controlled Change:** Change management makes change a planned activity with predetermined objectives and results, helping management evaluate progress.
2. **Fulfils Customer Requirements:** It helps organisations respond quickly to changing customer needs and expectations.
3. **Proper Utilisation of Resources:** It helps arrange and utilise the organisation's existing resources effectively.
4. **Assesses the Overall Impact:** It enables management to understand how a change will affect different departments and the entire organisation.
5. **Maintains Routine Activities:** It helps implement changes systematically without unnecessarily disturbing regular business operations.
6. **Improves Employee Efficiency:** By considering employees' opinions and suggestions, management can maintain and improve organisational efficiency and effectiveness.
7. **Reduces the Risk of Failure:** Proper planning reduces the chances of failure and the time required to implement change.
8. **Increases Employee Performance:** When employees understand and support the change process, their motivation and performance improve.
9. **Improves Customer Service:** Experienced and confident employees can provide better services to customers and clients.
10. **Predicts Future Threats:** Change management helps organisations identify potential threats and take appropriate action in advance.
11. **Reduces Uncertainty:** It minimises confusion and uncertainty associated with organisational changes through proper planning and communication.
12. **Reduces Costs:** Effective change management helps control unnecessary expenses during the change process.
13. **Develops Leadership and Teams:** It encourages leadership development, teamwork, and the adoption of best practices within the organisation.

Principles of Change Management

1. **Clear Vision and Objectives:** The organisation should clearly define the purpose of change and the results it wants to achieve.
2. **Effective Communication:** Management should communicate the need, benefits, and impact of change to employees clearly and regularly.
3. **Employee Participation:** Employees should be involved in the change process so that they feel valued and support the change.

4. **Strong Leadership:** Managers and leaders should guide employees, motivate them, and act as role models during the change process.
5. **Proper Planning:** Changes should be planned systematically by identifying objectives, resources, responsibilities, and possible risks.
6. **Training and Development:** Employees should receive appropriate training to develop the skills and knowledge required to adapt to new systems and procedures.
7. **Managing Resistance:** Management should understand employees' concerns and address their doubts through counselling, communication, and support.
8. **Flexibility and Adaptability:** Organisations should be flexible enough to modify their plans according to changing situations and unexpected problems.
9. **Continuous Monitoring and Evaluation:** Management should regularly review the progress of change and evaluate whether the desired objectives are being achieved.
10. **Recognition and Rewards:** Employees who support and successfully adopt the change should be recognised and rewarded to encourage others.
11. **Adequate Resources:** Sufficient financial, human, and technological resources should be provided to implement change effectively.
12. **Making Change Permanent:** Successful changes should be incorporated into the organisation's culture, policies, and daily working practices to prevent employees from returning to old habits.

Management of Crisis

Meaning of Crisis

A **crisis** is an unexpected situation involving extreme danger or difficulty that creates instability within an organisation and causes anxiety among employees.
Examples: Fire in a factory, financial losses, cyber attacks, natural disasters, or sudden strikes by employees.

Meaning of Crisis Management

Crisis management is the process of taking planned and timely actions to deal with a crisis, minimise damage, and restore normal organisational activities as quickly as possible.

It involves preparing for crises, responding effectively when they occur, and preventing their recurrence.

Three Elements of a Crisis

1. **Unexpected Occurrence:** A crisis often arises suddenly and cannot always be predicted.
2. **Danger or Difficulty:** It creates serious problems or threatens the organisation's stability.
3. **Need for Prompt Response:** Immediate action is required to control the situation and reduce damage.

Objectives of Crisis Management

- To minimise damage and losses.
- To protect employees and organisational resources.
- To restore normal business operations quickly.
- To reduce anxiety and uncertainty among employees.
- To prevent the recurrence of similar crises.
- To maintain organisational stability and continuity.

Process of Crisis Management

1. **Planning:** Prepare a well-designed plan to handle possible crises.
2. **Identification:** Identify the crisis and understand its seriousness.
3. **Immediate Response:** Take prompt action to control the situation and minimise damage.
4. **Recovery:** Restore normal organisational activities as quickly as possible.
5. **Evaluation:** Analyse the causes and events that led to the crisis.
6. **Prevention:** Develop better systems and train employees to prevent similar crises in the future.

Reasons for Crisis in an Organisation

A crisis may arise due to internal problems or external factors that disturb the normal functioning of an organisation.

1. **Machinery and Equipment Failure:** Breakdown of machinery, power cuts, software failures, or internet problems can interrupt business operations.
2. **Conflicts Among Employees:** Formation of conflicting groups and camps among employees can create tension and disturb teamwork.
3. **Strikes and Protests:** Indefinite strikes, boycotts, and employee protests can stop or delay organisational activities.
4. **Terrorism, Violence, and Theft:** Criminal activities, violence, terrorism, and theft can threaten employee safety and damage organisational property.
5. **Neglect of Minor Issues:** Small problems that are ignored or handled carelessly may gradually develop into serious crises.
6. **Fraud and Irregularities:** Financial fraud, manipulation of data, and serious misconduct can damage the organisation's reputation and financial position.
7. **Mismanagement:** Poor management may lead to financial losses, operational difficulties, and even bankruptcy.

Advantages of Crisis Management

Crisis management helps an organisation prepare for unexpected situations, minimise damage, and maintain business continuity.

1. **Improves Preparedness:** A well-designed crisis management plan prepares the organisation to face potential threats and emergencies.
2. **Enables Quick Action:** Early preparation helps management take immediate action and prevent the crisis from becoming worse.
3. **Ensures Legal Compliance:** Effective crisis management helps organisations follow statutory rules and regulations, reducing the risk of crises.
4. **Provides Competitive Advantage:** An organisation that is well prepared to handle crises can perform better than its competitors during difficult situations.
5. **Improves Communication and Reputation:** Proper communication creates awareness, builds trust, and helps protect the organisation's reputation during a crisis.
6. **Reduces Losses:** Effective crisis management reduces casualties, property damage, and financial losses, helping the organisation survive the crisis.
7. **Helps Predict Potential Crises:** It helps management identify possible crisis situations and assess their likelihood of occurrence.
8. **Reduces Panic and Wrong Decisions:** Advance preparation reduces confusion, panic, and impulsive decisions during emergencies.

Disadvantages of Crisis Management

1. **High Cost:** Preparing crisis management plans, training employees, and conducting mock drills can involve significant expenses.
2. **Excessive Planning:** Planning for every possible crisis may consume too much time and resources without providing proportional benefits.
3. **Distraction from Core Activities:** Excessive focus on crisis management can distract employees and management from the organisation's main goals and routine activities.

Total Quality Management (TQM)

Meaning of TQM

Total Quality Management (TQM) is a management approach that focuses on continuously improving the quality of products, services, and work processes by involving every employee in the organisation.
Its main objective is to achieve **customer satisfaction through continuous quality improvement**.

TQM is a long-term process that uses planning, data, effective communication, and teamwork to improve organisational performance.

Explanation of the Three Words in TQM

1. Total

- It means that every employee and department is responsible for maintaining and improving quality.
- Quality is not the responsibility of only one department.
- Everyone must contribute to achieving quality standards.

2. Quality

- Quality refers to the ability of a product or service to satisfy customer needs and expectations.
- Organisations must understand customer requirements and provide products and services accordingly.

3. Management

- Management means planning, organising, directing, and controlling activities to achieve quality.
- It emphasises continuous improvement rather than making only occasional changes.
- Every employee should contribute to improving quality.

Definition of TQM

According to Professor Leopold S. Vasin:

"TQM is the control of all transformation processes of an organisation to best satisfy customer's needs in the most economical manner."

In simple words, TQM means managing all organisational activities to provide better-quality products and services at a reasonable cost.

Example of TQM

Suppose a company manufactures mobile phones. It collects customer feedback, trains employees, checks product quality at every production stage, analyses defects, and continuously improves its manufacturing process.

As a result, product defects decrease, costs are controlled, and customer satisfaction increases. This is an example of TQM.

Merits and Demerits of Total Quality Management (TQM)

Merits of TQM

1. **Better Employee Relations:** TQM improves relationships among employees and creates a motivated workforce. It helps improve job satisfaction, attendance, teamwork, and workplace safety.
2. **Improved Operational Performance:** It improves the efficiency of business operations by reducing errors, delays, production time, and quality-related costs.
3. **Greater Customer Satisfaction:** TQM focuses on customer needs and expectations. Providing high-quality products and services increases customer satisfaction and loyalty.
4. **Increased Financial Performance:** Better quality attracts customers, increases sales, improves market share, and ultimately helps increase profits.
5. **Creates a Good Corporate Culture:** TQM develops a quality-oriented culture in which every department focuses on customer satisfaction rather than working only for its individual goals.
6. **Increases Efficiency:** It reduces wastage, removes work-related difficulties, improves productivity, and makes better use of organisational resources.
7. **Organisational Development:** TQM trains employees, helps prevent mistakes, and encourages continuous learning and improvement, leading to organisational growth.
8. **Flexibility:** TQM encourages creative methods, teamwork, and skill development, helping the organisation adapt to changing business needs.
9. **Promotes Supplier Satisfaction:** TQM improves communication and relationships with suppliers, encouraging them to provide better-quality raw materials and semi-finished products.

Demerits of TQM

1. **Lack of Top Management Commitment and Vision:** TQM cannot succeed if top management does not understand its importance or provide sufficient support.
2. **Resistance to Change:** Employees may resist new methods because they are comfortable with existing practices or fear that their jobs may be affected.
3. **High Costs:** Implementing TQM requires investment in employee training, quality systems, equipment, and continuous improvement. Benefits may take time to appear.
4. **Reduces Employee Morale:** Employees may feel stressed or dissatisfied when required to change their attitudes, behaviour, and working methods.
5. **Changes in Company Culture and Management Style:** TQM requires changes in organisational culture and management practices, which can take considerable time and effort.
6. **Continuous Process:** Customer expectations keep changing, so TQM requires continuous effort. Maintaining this commitment can be difficult for employees and management.
7. **Department-Based Thinking and Actions:** Departments may focus on their own objectives instead of cooperating towards the organisation's overall quality goals.

8. **Poor Appreciation of TQM:** Some companies focus only on the costs and difficulties of TQM and fail to understand its long-term benefits.
9. **Lack of Structure for TQM Activities:** Without proper guidance, practical experience, and effective training, employees may struggle to apply TQM principles successfully.
10. **Difficulty in Deciding How to Start:** Organisations may find it difficult to identify the first steps, set priorities, and decide where to begin implementing TQM.

Stress Management

Concept of Stress Management

Meaning of Stress

Stress is the physical, mental, or emotional reaction of an individual to demands or pressures that are difficult to handle.
In an organisation, **work stress or job stress** occurs when job demands do not match an employee's knowledge, skills, abilities, or capacity to cope with them.

Stress may cause changes in an individual's physical condition, emotions, thinking, and behaviour.

Meaning of Stress Management

Stress management refers to the methods and techniques used to control and reduce stress so that individuals can maintain their physical and mental well-being and perform their work effectively.

Definitions of Stress

According to Davis:
Stress is a condition of strain on an individual's emotions, thought processes, and physical condition.

According to Steinberg and Ritzmann:
Stress can be defined as an underload or overload of matter, energy, or information entering or leaving a living system.

According to Fred Luthans:
Stress is an adaptive response to an external situation that results in physical, psychological, or behavioural changes in organisational members.

Merits / Importance of Stress Management

1. **Improves the Ability to Motivate Employees:** Stress management improves employee morale and motivation. It reduces frustration and helps employees work together effectively as a team.
2. **Reduces the Chances of Decreased Productivity:** Managing stress helps employees concentrate on their work and maintain productivity. It also supports the achievement of organisational goals.

3. **Decreases the Chances of Unethical Issues:** High stress may encourage employees to take shortcuts or engage in unethical practices. Stress management helps employees make better decisions and follow ethical standards.
4. **Reduces Workplace Conflicts:** Stress can lead to misunderstandings, disagreements, and arguments among employees. Managing stress helps maintain healthy workplace relationships and reduces conflicts.
5. **Strengthens the Communication Process:** High stress can negatively affect communication between employees and managers. Stress management encourages open communication, better understanding, and effective sharing of information.

Principles of Stress Management

Stress management principles are guidelines that help individuals control pressure, reduce stress, and maintain a healthy balance between personal and professional life.

1. Make Promises Carefully, Not Indiscriminately

- A person should accept new tasks only after considering existing responsibilities and workload.
- Important decisions should not be made in a hurry or under pressure.
- If more time is needed, one should request a reasonable deadline before making a commitment.

Example: Before accepting a new project, an employee should check whether they can complete their existing work on time.

2. Do Not Act Blindly Under Pressure

- A person should identify the actual source of pressure before taking action.
- Pressure may arise from unrealistic personal expectations or excessive expectations from others.
- One should do their best without attempting to achieve impossible targets.

Example: If a manager assigns too much work, an employee should discuss realistic deadlines rather than rushing and making mistakes.

3. Prioritise

- A person should arrange tasks according to their importance and urgency.
- Important tasks and responsibilities should receive attention first.
- Time should be used wisely, and less important activities should be postponed or avoided when necessary.

Example: Completing an urgent client assignment before responding to less important emails.

4. Think Benevolently and Avoid an Adversarial Mentality

- A person should avoid assuming that everyone is dishonest or harmful.
- Others should be judged fairly based on their actions and behaviour.
- Maintaining a balanced attitude helps build healthy relationships and reduces unnecessary conflicts.

Example: Instead of immediately blaming a colleague for a mistake, discuss the issue calmly and understand the situation.

5. Adopt a Day-to-Day Policy of Optimistic Realism

- A person should focus on positive possibilities while accepting the realities of a situation.
- Problems should be treated as opportunities to learn and improve.
- Negative thinking should be replaced with practical solutions and constructive actions.

Example: If a business loses an important customer, the manager should analyse the reasons and work on attracting new customers.

6. Take Care of the Body as Well as the Mind

- Physical and mental health are closely connected.
- A balanced diet, regular exercise, adequate sleep, and good personal hygiene help manage stress.
- Maintaining a clean and comfortable home and workplace also supports well-being.

Example: Taking regular breaks, exercising daily, and getting sufficient sleep to remain physically and mentally refreshed.

Knowledge Management

Meaning of Knowledge Management

Knowledge Management (KM) is a systematic process of collecting, creating, storing, organising, sharing, and using knowledge and information to improve an organisation's productivity, efficiency, innovation, and performance.

Under knowledge management, useful information is stored in a common place or database so that employees and different departments can easily access and use it when required.
Example: A company stores customer feedback, research reports, business rules, and solutions to previous problems in a common database so that all departments can benefit from them.

Main Activities of Knowledge Management

1. **Acquiring Knowledge:** Collecting useful information from employees, customers, research, and business activities.
2. **Developing Knowledge:** Creating new knowledge through research, experience, training, and innovation.
3. **Organising and Storing Knowledge:** Arranging information systematically in databases or other storage systems.
4. **Sharing Knowledge:** Making useful information accessible to employees and different departments.
5. **Applying Knowledge:** Using stored information to solve problems and make better decisions.
6. **Managing Knowledge:** Regularly updating, maintaining, and improving the organisation's knowledge resources.

Definitions of Knowledge Management

According to Holm:
Knowledge management means providing the right information to the right people at the right time, helping them create, share, and act on knowledge.

According to Horwitch and Armacost:
Knowledge management involves creating, extracting, transforming, and storing appropriate knowledge and information to develop better policies, improve actions, and achieve results.

According to Nancy C. Shaw:
Knowledge management is the systematic process of developing and maintaining an organisation's ability to use knowledge effectively to create business value and gain a competitive advantage.

Merits and Demerits of Knowledge Management (KM)

Merits of Knowledge Management

Knowledge Management helps organisations collect, store, share, and use information effectively to improve productivity and business performance.

1. Quicker and Better Decisions

- KM helps managers make faster and more accurate decisions.
- Past experiences and solutions can be used to solve similar problems.
- It helps avoid repeating mistakes made by previous employees.

Example: A manager uses records of previous projects to solve a current problem quickly.

2. Enhanced Productivity

- KM improves employee and organisational productivity.
- Employees can access stored information instead of searching for it repeatedly.
- It helps reduce costs and utilise resources effectively.

Example: Employees use a common database to find work procedures quickly.

3. Development of New Products and Services

- KM encourages innovation by making existing knowledge and experience available.
- It reduces the time and cost required for research and development.
- It helps organisations develop new products and services more efficiently.

Example: A company uses customer feedback to develop an improved product.

4. Business Intelligence and Analysis

- KM helps business analysts collect and analyse information about markets, customers, and competitors.
- It provides relevant data for preparing reports and making business decisions.
- It helps identify business opportunities and market trends.

Example: A company analyses stored sales data to identify its most popular products.

5. Improved Project Management

- KM helps project managers estimate costs, identify risks, and solve project-related problems.
- Previous project experiences can be used to improve future projects.
- It also improves communication among team members working at different locations.

Example: A project manager uses previous project reports to prepare a better budget.

6. Better Customer Service

- KM helps customer service employees solve customer problems quickly.

- Stored information provides suitable solutions to frequently asked questions.
- It helps employees direct complex queries to the appropriate experts.
  Example: A customer support employee uses a knowledge database to resolve a common technical issue.

Demerits of Knowledge Management

1. Difficulty in Justifying Investment

- The benefits of KM are often difficult to measure because knowledge is an intangible asset.
- Organisations may find it difficult to calculate the exact return on investment.
- This can make investment decisions challenging.

2. Difficulty in Obtaining Top Management Support

- Top management may hesitate to invest in KM because its benefits may take time to appear.
- Organisations must prepare a strong business case to demonstrate its value.

3. Cultural Barriers to Knowledge Sharing

- Employees may hesitate to share knowledge because of competition, lack of trust, or fear of losing importance.
- Changing this organisational culture can be difficult.

4. Confidentiality Issues

- Sharing knowledge may expose confidential customer information or sensitive business details.
- Organisations must protect private information while sharing useful knowledge.

5. Technology Is Only a Means to an End

- Technology alone cannot guarantee successful KM.
- Knowledge management systems must be aligned with organisational goals, processes, and employee needs.

6. Need for Continuous Updating

- Knowledge and information can become outdated over time.
- Organisations must regularly update their databases and systems, which requires time and resources.

7. Collection and Storage of Incorrect Information

- Organisations may store irrelevant, inaccurate, or excessive information.
- This makes it difficult for employees to find reliable and useful knowledge.

8. Over-Ambitious Project Scope

- Organisations may try to implement too many KM activities at once.
- Without proper planning and realistic objectives, projects may become expensive, complicated, or unsuccessful.

Outsourcing

Meaning of Outsourcing

Outsourcing is a business practice in which an organisation transfers certain business activities or functions to an external service provider instead of performing them internally.

The external service provider performs the assigned activities according to an agreement or contract between the two parties.

Organisations use outsourcing to reduce costs, improve efficiency, access specialised expertise, and concentrate on their main business activities, such as planning, research, and development (R&D).
Example: A company hires an external agency to manage its payroll, customer support, or information technology services.

Definition of Outsourcing

Outsourcing can be defined as the process of transferring certain business operations or functions to an external organisation under a contractual agreement.

Example of Outsourcing

Suppose a manufacturing company hires an external company to handle its accounting and customer support services. The manufacturing company can then concentrate on production, product development, and marketing.

This arrangement is called outsourcing.

Advantages and Disadvantages of Outsourcing

Advantages of Outsourcing

Outsourcing helps organisations improve efficiency, reduce expenses, and obtain specialised services from external service providers.

1. Facilitates Better Manpower

- Outsourcing provides access to skilled, trained, and experienced professionals.
- External service providers have specialised knowledge and updated information in their respective fields.
- They can provide better training and services to employees.

Example: Hiring an expert agency to train employees in the latest computer software.

2. Boosts Employee Morale

- Outsourcing activities that are not directly related to the organisation's main objectives allows employees to focus on their core responsibilities.
- It can reduce unnecessary workloads and help maintain a strong organisational culture.

Example: A law firm outsourcing benefits administration so that its lawyers can focus on legal work.

3. Minimises Risk

- Outsourcing helps organisations manage risks related to legal compliance, labour laws, and specialised business activities.
- External experts can provide updated information and conduct audits to help prevent legal problems.

Example: Hiring a specialist agency to conduct workplace compliance audits.

4. Cost Savings

- Outsourcing reduces the need to hire additional employees, provide office space, and invest in specialised infrastructure.
- It can help small organisations control operating expenses.
- Costs can be adjusted according to the services required.

Example: A small company outsourcing payroll services instead of maintaining a separate payroll department.

Disadvantages of Outsourcing

1. Loss of Control

- The organisation may lose direct control over outsourced activities.
- The external service provider may not always meet the organisation's expectations or deadlines.
- This can affect business operations.

Example: An external recruitment agency delays hiring employees because it is prioritising other clients.

2. Loss of Opportunity to Acquire Knowledge

- Employees may lose opportunities to develop skills and gain valuable experience when activities are outsourced.
- The organisation may become dependent on external experts instead of developing internal capabilities.

Example: Outsourcing leadership training may prevent a company from developing its own expertise in employee development.

3. Threat to Confidentiality

- External service providers may require access to confidential business information.
- There is a risk of sensitive information being disclosed or misused.
- This can harm the organisation's competitive position.

Example: A service provider accidentally shares confidential customer data with an unauthorised party.

4. Affects Company Goodwill

- Outsourcing may lead to layoffs and dissatisfaction among existing employees.
- Employees may become worried about job security.
- This can damage the organisation's reputation and make it difficult to attract talented employees.

Example: Employees become dissatisfied when a company outsources its customer service department and reduces its workforce.