

Module 1

Introduction to Management and Organisational Behaviour

Introduction

This module presents a general discussion of management in organisations today, and provides some background on organisational behaviour. You will have an opportunity to express your understanding of critical managerial challenges within organisations today, and will also be provided with a case that illustrates some of these challenges. This module covers a diverse body of literature in an effort to provide you with some conceptual models and practical tools that will enhance your understanding of behaviours in the workplace, and hopefully help you make successful progress as an effective member of your organisation. So let's jump into this discussion with a debate about the most important asset in organisations today: People!

Upon completion of this you will be able to:

- *have a good understanding* of managerial challenges and changes faced by managers
- *define* organisational behaviour as a field of study
- *explain and critique* why an understanding of behaviour in organisations is critical for members in all types of workplaces.



Outcomes

Terminology



Terminology

Diversity:	Individual differences resulting from social demographic characteristic such as age, gender, race, ethnicity, religion and so on.
Management:	The process of planning, organising, leading and controlling and other in an organisation to increase its effectiveness.
Organisation:	A collection of people who work together and coordinate their actions to achieve individual and organisational goals.
Organisational	Often referred to as OB, it focuses on the



Behaviour:	behaviour of people in organisations, and how their behaviour (both as individuals and groups) affects performance in these organisations. It also examines the effects of structure on these members and groups, and on the organisation as a whole.
Organisational Effectiveness:	The ability of an organisation to achieve its goals.
Organisation Structure:	The formal system of task and reporting relationships that controls, coordinates, and motivates employees so that they cooperate and work together to achieve an organisation's goal.
Social Responsibility:	An organisation's obligations towards people or groups directly affected by its actions.

People versus profits



Reflection

After reading the two scenarios below, take some time to think about what your own position is on this issue, and write a brief rationale for that position. It will be interesting to see throughout the course of this module, whether that position changes.

Scenario 1: "IT IS CRITICAL THAT PEOPLE BE PUT FIRST"

Intel does it. So do Microsoft, Motorola, W.L. Gore & Associates, Southwest Airlines, Hewlett-Packard, Lincoln Electric and Starbucks. What is it? These companies pursue "people-first" strategies.

There is an increasing amount of evidence that successful organisations put people first. Why? Astute managers have come to learn that their organisation's employees are its only true competitive advantage. Competitors can match most organisations' products, processes, locations, distribution channels, and the like. What's far more difficult to copy is a workforce made up of highly knowledgeable and motivated people. The characteristic that differentiates successful companies from their less-successful counterparts is the quality of the people they are able to get and keep.

What kinds of practice differentiate people-first organisations? We can list at least four:

1. they value cultural diversity, actively seeking a diverse workforce based on age, gender, and race;
2. they are family friendly, helping employees balance work and personal responsibilities through programmes like flexible work schedules and on-site child-care facilities;

3. they invest in employee training, spending heavily to make sure employee skill levels are kept current (This not only ensures that employees can handle the latest technologies and processes for the organisation but that employees will be marketable to other employers.);
4. they empower their employees; pushing authority and responsibility down to the lowest levels.

Organisations that put people first have a more dedicated and committed workforce. This, in turn, converts into higher employee productivity and satisfaction. These employees are willing to put forth the extra effort – to do whatever is necessary to see that their jobs are done properly and completely. People-first strategies also lead to organisations being able to recruit smarter, more conscientious and more loyal employees.

Scenario 2: “IT IS CRITICAL THAT PROFITS BE PUT FIRST”

Putting “people first” is easy to say. And it’s currently politically correct. What manager, in his or her right mind, is going to admit publicly that employees take a back seat to cost cutting or profitability? It’s important, however, not to confuse talk with action.

Putting people first is not necessarily consistent with long-term competitiveness. Managers must recognise this fact and increasingly act on it. Today’s organisations more typically pursue a “labour-cost minimisation” strategy rather than a people-first strategy. When you look beyond what managers say, you find most businesses place profits before people. To stay competitive in a global economy, they look for cost-cutting measures. They re-engineer processes and cut the size of their permanent workforce. And they substitute temporary workers for full-time permanent staff.

Organisations with problems typically look to staffing cuts as a first response. And organisations without problems regularly review their staffing needs to identify redundancies and overstaffing. Their goal is to keep themselves “lean and mean”. In today’s competitive environment, few organisations have the luxury to be able to provide workers with implied “permanent employment” or to offer anything more than minimal job security. For almost all organisations, employees are a variable cost. Staff levels are kept to a minimum and employees are continually added or deleted as needed.

Interestingly, the labour-cost-minimisation strategy appears to be spreading worldwide. It began in Canada and the United States in the early 1990s. Now it has become the model for companies in countries such as Japan, South Korea, and Thailand – places that historically protected their employees in good times and bad. Many firms in these countries have abandoned their permanent-employment, people-first policies. Why? Because such policies are inconsistent with aggressive, low-cost global competition.

Source: Robbins & Langton (2001)



The above debate is ongoing in most organisations, where management must make decisions between efficiencies and effectiveness. Indeed, a bottom line focus must be balanced with the need to create an environment for employees that facilitates an acceptable bottom line! Commentators often distinguish between these two terms as ‘doing things right’ and ‘doing the right thing’. Many of these issues will be addressed throughout this module.

A changing workplace

A number of critical changes and challenges present themselves to diverse organisations today.

Activity 1.1



Activity

Before reading further, take some time to think about what you perceive to be some of the key evolutionary changes (either within or external to organisations) that present some of the critical challenges faced by managers today. Let’s compare today’s work environment with that of ten years ago. Prepare a list of six to eight items, and include a rationale for your choices.

When your list is complete:

There are numerous items that you might have identified from your own work experience and your knowledge of organisational issues. Let’s review some of the possibilities.

Globalisation

Certainly the emergence of a ‘borderless’ world has had a tremendous impact on the way organisations behave. They are no longer insulated from foreign competition, and this has forced organisations to examine cost efficiencies, structure, job design, human capital, and many other sources of effectiveness and competitiveness.

Technology

We have seen tremendous technological advances in the last decade, and this has had a significant impact on the way organisations behave. The Internet has enabled small, start-up companies to become global organisations (even from people’s homes). We have access to much more information, and we can access it much more quickly. This has a number of effects on organisational behaviour: it has given organisations access to larger, more diverse markets; it enables organisations to market their products and services electronically (non-profit organisations for example are able to solicit contributions from their members without print and mailing expenses); it has helped many organisations reduce costs. But, it has intensified competition for many organisations; it has enabled

consumers to become more sophisticated and therefore more demanding; it often requires significant capital investments (and the risk of obsolescence is high); and it can be a great source of stress for employees who must continually adapt to new technologies.

Mergers and acquisitions

Recent years have been a time of mergers and acquisitions for many organisations, seeking to increase market share and profitability. But the complexity of these integrations has had a tremendous impact on employees in newly merged organisations; they often have great difficulty adjusting to potentially conflicted cultures. This has contributed to many failed mergers and acquisitions.

Workplace diversity

The workforce in today's new economy is much more diverse, as a result of changing demographics. This necessitates a better understanding of needs and values in the workforce, and careful planning in an effort to provide a work environment that is welcoming and comfortable for all employees.

Organisational structure

In response to increased competition, many organisations have focussed on cost efficiencies and increased effectiveness. Management has argued that the members must 'get closer to the customer' and focus almost exclusively on 'value-added' services in an effort to distinguish themselves from the competition. In order to accomplish these goals, organisations have become leaner and meaner, and ultimately much flatter. In some organisations, middle management has been reduced substantially compared with what it was ten years ago, and organisations design jobs around self-directed teams, who make decisions with greater autonomy now than in the past, when only management was sanctioned to make strategic decisions.

Work-life balance

There was a time when managers (who were mostly men) would not consider turning down a promotion. But today, many people do just that, because they place a much greater priority on personal time – time for themselves, travel time, time for their families. Organisations have responded in a number of ways: allowing flexible work hours, providing day care in an effort to allow parents to be close to their children, encouraging at-home offices, and providing for extended vacations and paid sabbaticals. Employee loyalty is critical in establishing a productive and dedicated workforce, and if these needs are ignored, organisations risk losing these employees.

The rate of change

Some managers have identified the pace of change in today's environment as their number one management challenge. Historically, change appeared to be the exception, while stability in organisations was the norm. We could plan change and progress using historical



performance as our guide. That is no longer possible and, in fact, potentially dangerous. Our ability to rely on a sense of permanence has been eroded, and this necessitates flexibility, an astute understanding of our markets and customers, and a tolerance for ambiguity moving forward. Globalisation and technological advances have provided organisations with a guarantee that change is ubiquitous and cannot be ignored.

Increased competition

Competition has intensified for many organisations over the last decade, primarily as a result of the issues discussed above. Globalisation and technology have eased entry into some industries by some organisations, and organisations must compete within a much larger arena. This has resulted in some radical changes, some of which include strategic, structural, and operational. We will discuss organisational change in detail in Module 11.

Increased ethical and social responsibility

Consumers have access to more information than ever, and some would argue that they are more knowledgeable in general about the values and behaviour of the organisations in which they invest. Increased competition has provided consumers with more choices in terms of purchasing products or services. As such, many organisations face an increased need to behave ethically and demonstrate appropriate social behaviour. Unfortunately, not all organisations feel compelled to behave in ethical or moral ways. But they risk being exposed for their negligence by a whistleblower from within the organisation who wishes to expose wrongdoing.

Evolution in the role of the workforce

In the foregoing exercise, you might have come up with a number of other changes and challenges that organisations must manage today. Certainly much of what is discussed above implies that organisations must be prepared to create a work environment that fosters commitment from employees, expertise, creativity, and innovation. Organisations strive for this in an effort to design, produce, market and deliver a product or service that meets their consumers' needs and expectations – all while being socially responsible and profitable! This is a tall order. And it has been argued by many strategists that product or service differentiation is no longer a source of competitive advantage; the differentiation must exist in the workforce. Much value has been placed on people in recent years – why? Because it is possible that the 'people' are an organisation's core competency. Business concepts and ideas, and the ability to identify and seize opportunities, are all dependent on people who are passionate about a shared vision and set of values.

This module speaks of many issues that are people-focussed. But before moving to some of those topics, we must first define organisational behaviour, and discuss the importance of this field of study.

Organisational behaviour defined

The field of organisational behaviour is very large, and is an area of study that merits our attention as members of organisations for many reasons. Organisational behaviour (often referred to as OB) focuses on the behaviour of people in organisations, and how their behaviour (both as individuals and groups) affects performance in these organisations. It also examines the effects of structure on these members and groups, and on the organisation as a whole. It is the objective of this discipline to help members of organisations better understand themselves and those with whom they interact. Specifically, we study organisational behaviour with a view to becoming effective participants and managers in the workplace. An enhanced understanding of a number of topics will help us realise this objective.

Some of these topics include: individual perceptions, sources of motivation and individual needs, job satisfaction, group behaviour, diversity in the workplace, conflict management, leadership, politics and power, organisational change, and negotiation.

Those who study OB might want to understand how personality such as extraversion and agreeableness influence the way they behave in the organisation and knowing how to motivate employees for high performance using OB theories and concepts of goal-setting, feedback, conflict management, team leadership and communication for improving work performance. Managers in any organisational setting use communication, leadership decision-making, conflict management in addition to motivation to influence employees and their own work behaviour. Besides these managerial (OB) processes, this field of study enlarges one's scope on how to use socio-technical systems such as physical and virtual teams, grouping organisations based on products or services.

Organisational behaviour has been a distinct body of literature since the 1940s. Its roots are in anthropology, industrial and social psychology, and sociology. The application of organisational behaviour has expanded over the last six decades, and is an area of study upon which we rely to help us understand socio-emotional behaviour in a number of complex environments: for profit and not-for-profit organisations; public administration; education; health care management and international development. Many of you who have been employed by one or more of these organisations might recognise that often, really effective managers seem to be the exception rather than the rule. And it has been argued that this is often a result of poor interpersonal skills. Managers and other employees today face much uncertainty in the workplace, if for no other reason than because of ubiquitous changes in an increasingly complex environment.

We know that finance, marketing, information technology, economics, accounting, are all disciplines that are important in organisations. And the success of these organisations is dependent upon skills across these disciplines. Yet we must consider that underlying and influencing all of



these perspectives are the attitudes and behaviours of individuals in the organisation. And much of an organisation's success is dependent on the effective management of its employees.

The key success of an organisation lies in its human resources. Successful organisations depend on human resources to work hard, think creatively, and perform excellently. What is required is rewarding, encouraging, and nurturing the human resources in a timely and meaningful manner. How employees behave is the key to achieving effectiveness. Because people behave in many predictable and unpredictable ways in which each person has a unique behavioural pattern, the task of managers would be to observe, respond to, and cope with the multitude of behaviour patterns employees' display.

The rest of the module will cover managerial and behavioural issues in the workplace, beginning with a micro level of analysis (the individual), and moving on to group behaviour, and then a more macro focus on the organisations, and organisational communities. Before moving to Module 2, please take some time to prepare an analysis of the case below.

Module summary



Summary

Management is the process of planning, organising, leading, and controlling an organisation (which may include human, financial, material and other resources) to increase its effectiveness. Leaders or managers alike who are knowledgeable about OB are in a good position to improve their ability to perform the management function in their organisation. Changes in the environment constantly challenge organisations and their owners', managers', and employees' abilities to adapt and change work behaviours and procedures to increase the effectiveness with which they operate. A number of critical changes and challenges present themselves to diverse organisations in the current business world, such as changing pressures or forces in the:

- social and cultural context
- global and technological advances
- mergers and acquisitions
- workplace diversity
- work-life balance
- rate of change
- increased competition.

These factors pose many challenges for management in organisations, and organisations must respond effectively to those challenges if they are to survive or prosper.



Case study 1.1

Please read the case study below, and then prepare your answers to the questions that follow.



Case study

Ernst and Young is putting its managers under the microscope with a confidential employee poll.

The professional services firm is hoping to cull candid information from its workers to help its managers become more effective and help curb turnover.

“People leave managers. They don’t leave organisations,” says Keith Bowman, the company’s director of human resources.

“For the last five years, people have had an incredible number of work opportunities. They are more likely to look for other jobs and leave. The role of the manager is absolutely fundamental to keeping people from leaving.”

Starting next month, Ernst and Young employees will be asked about their managers: “How well does the individual foster a positive work environment and help our people grow?”

Staff can respond electronically to one of several pre-selected ratings, from not well to extremely well. All responses are anonymous.

This approach comes at a time when the working world is under siege by an employee retention crisis – one that observers say will only get more severe in the years to come as an impending labour shortage of almost one million workers is expected across all industries in Canada.

As a result, organisations are desperate to understand how to keep top talent from job-hunting.

Their desperation is well-founded; given that one in three workers will resign from their job in the next two years, according to a new survey by the Hay Group.

Ineffective managers are a major factor in the increasing rates of departure, says the research company, which interviewed more than one million employees in 330 organisations around the world.

“Poor managers have a huge impact on employee turnover. Management’s inability to adapt to the times will continue to contribute dramatically to sustaining high levels of turnover,” says Ron Grey, managing director of The Hay Group, Canada.

“We have seen significant problems with senior managers who have not recognised the changing relationship with workers and continue to operate using historical methods,” he says.

“As the workplace becomes more team-based and virtual, the role of managers must also change,” Mr. Bowman says.

“If you have the right people, you do not need to manage them. More work is team-based. More work is done from home. Managers should look for results and output, not whether their people are in the office at 9:00 a.m.

The Hay Group survey found the main reason workers left was that they felt their skills weren’t being used. The second-most cited reason was the inability of top managers to be effective leaders.

For instance, only 30-40 per cent of workers surveyed said they felt their bosses were eager to help advance their careers.

“Managers were also criticised for tolerating workers who underperform – creating a key source of dissatisfaction among their peers,” Mr. Grey says. More than half of the employees surveyed said their employers routinely accept poor performers who shirk responsibility. Many top workers respond by leaving.

“To add insult to injury,” Mr. Grey says, “managers often don’t understand why so many people are eager to leave and change jobs.”

“Managers have a degree of blind loyalty that makes it difficult for them to understand the views of other employees,” Mr. Grey says.

Workplace consultants urge managers to become better communicators, to treat employees as individuals and help foster career development.

KPMG’s chief human resources officer, Lauren Burns, says many of the firm’s employees leave because they are “cherry-picked” by their clients, not because of bad management. The company has started re-recruiting former employees who may want to return.

“Still,” Mr. Burns says, “old-style management techniques that rely on close supervision, hierarchy and paternalistic methods are the most common reasons organisations are given for high turnover. People feel trapped. They are unhappy with the working relationship they have with their managers and want to get out.”

Source: Southworth (2001)

Case Study Questions

1. In your opinion, what makes employees at Ernst and Young perceive managers as ineffective? Elaborate and give incidences of some of the managerial behaviour that drives employees out of Ernst and Young.
2. Is there something that you believe that managers can do to ensure that employees will remain with the organisation?



Assessment



Assessment

1. “A number of critical changes and challenges present themselves to diverse organisations today.” In the light of this statement, identify the change factors that present critical challenges faced by Managers today. Explain their impact.
2. What do *you* mean by Organisational Behaviour? How is the study of OB relevant for Managers?

References



References

Robbins, S. & Langton, N. (2001). *Organizational behaviour*. (2nd ed.). Upper Saddle River, NJ: Prentice-Hall.

Southworth, N. (2001, May 30). Managers crucial to curbing turnover. *Globe and Mail*.