What is organisational behaviour?

Honest disagreement is often a good sign of progress.

Mahatma Gandhi

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Demonstrate the importance of interpersonal skills in the workplace.
2. Describe the manager’s functions, roles and skills.
3. Define organisational behaviour (OB).
4. Show the value to OB of systematic study.
5. Identify the major behavioural science disciplines that contribute to OB.
6. Demonstrate why there are few absolutes in OB.
7. Identify the challenges and opportunities managers have in applying OB concepts.
8. Compare the three levels of analysis in this book’s OB model.
TURNAROUND AT TASSAL

Tassal pioneered salmon farming in Australia in 1986 and is now Australia’s largest salmon producer as well as one of the largest employers in Tasmania. It has been recognised by the World Wide Fund for Nature (WWF) for its world-leading sustainable fish-farming practices. The company has spent millions of dollars upgrading its infrastructure and changing its fish food to make it more environmentally friendly.

But things were not always that rosy for the company. In 2003, it came close to extinction and was placed into receivership. Thanks to a unique turnaround strategy adopted by its chief executive officer, Mark Ryan, it is now a success story. At age 32, Mark took over the ailing company and transformed it into a thriving $300 million business. At the same time, he breathed new life into Tasmania’s salmon industry, making it one of the state’s most valuable industries. ‘I’m a passionate Tasmanian, and the [state’s] whole salmon industry was poorly run in 2002, when I was first assigned to work on Tassal. I thought I could make a difference and I was passionate about it,’ Ryan says.

Mark Ryan’s powerful leadership philosophy about empowering people was significant to the transformation of the ailing enterprise: ‘You are not here to work with me, you are not here to work for me, you are here to work instead of me.’ As he explains, ‘We have intentionally built our people strategy on engaging local and international capability in all aspects of our business, ranging from marine scientists, veterinarians, safety people, engineers, fish farmers, sustainability, sales and marketing, leading and managing all those people is crucial to the success of the business.’ This strategy recognises that expertise is becoming so critical and specialised in the future of the salmon industry that many of the important aspects of running the business need to be in the hands of other capable people.

Engaging staff in the business is always a key aspect of making a company successful. As an ex-chartered accountant and young CEO, Mark Ryan appreciated the significance of this. ‘I don’t know what I don’t know; I need to ensure people feel empowered enough to ensure I know what I need to know. It is about getting the people involved to own the process,’ he says. ‘All the long-term strategy in the world doesn’t make a difference if you don’t have the right people in place. You can be a good leader and have the strategy but unless you have capable people who are pulling in your direction, forget it. . . . I can have the vision but I need people that have farmed and processed fish around the world to achieve global best practice and to maximise sales.’

THE SUCCESS OF TASSAL is a window into the future of organisations in the 21st century. Understanding what motivates highly talented employees and providing them with the environment in which to excel is at the core of what companies like Tassal need to do. This example shows that many core concepts and ideas in organisational behaviour remain constant—leadership, values, diversity, job attitudes and satisfaction, and effective communication, to name a few.

The importance of interpersonal skills

Until the late 1980s, business school curricula emphasised the technical aspects of management, focusing on economics, accounting, finance and quantitative techniques. Coursework in human behaviour and people skills received less attention. Over the past two to three decades, however, business schools have realised the role that understanding human behaviour plays in determining a manager’s effectiveness, and required courses on people skills have been added to many curricula. As the director of leadership at MIT’s Sloan School of Management put it: “MBA students may get by on their technical and quantitative skills the first couple of years out of school. But soon, leadership and communication skills come to the fore in distinguishing the managers whose careers really take off.”

Developing managers’ interpersonal skills also helps organisations to attract and keep high-performing employees. Regardless of labour market conditions, outstanding employees are always in short supply. Companies known as good places to work—such as Woolworths, Bunnings, Westpac and Google Australia—have a big advantage. A recent survey of hundreds of workplaces and more than 200,000 respondents showed that social relationships among colleagues and supervisors were strongly related to overall job satisfaction. Positive social relationships were also associated with lower stress levels at work and lower intentions to quit. So, having managers with good interpersonal skills is likely to make the workplace more pleasant. Research indicates that employees who know how to relate to their managers well with supportive dialogue and proactivity will also find their ideas are endorsed more often, further improving workplace satisfaction. Creating a pleasant workplace also appears to make good economic sense. Companies with reputations as good places to work (such as the ‘100 best places to work in Australia’) have been found to generate superior financial performance.

Partially for these reasons, universities have begun to incorporate social entrepreneurship education into their curricula in order to train future leaders to address social issues within their organisations using interpersonal skills. This is especially important, because there is a growing awareness of the need to understand the means and outcomes of corporate social responsibility. We have come to understand that in today’s competitive and demanding workplace, managers can’t succeed on their technical skills alone. They also have to have good people skills. This book has been written to help managers and potential managers to develop those people skills.

What managers do

Let’s begin by briefly defining the terms manager and organisation, the place where managers work. Then let’s look at the manager’s job: specifically, what do managers do?

Managers get things done through other people. They make decisions, allocate resources and direct the activities of others to attain goals. Managers do their work in an organisation, which is a consciously coordinated social unit, comprised of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals. By this definition, manufacturing and service firms are organisations, and so are schools, hospitals, churches, military units, retail stores, police departments and local, state and federal government agencies. The people who oversee the activities of others and who are responsible for attaining goals in these organisations are managers (sometimes called administrators, especially in not-for-profit organisations).

MANAGEMENT FUNCTIONS

In the early part of the 20th century, French industrialist Henri Fayol wrote that all managers perform five management functions: planning, organising, commanding, coordinating and controlling. Today, we have condensed these into four: planning, organising, leading and controlling.
Because organisations exist to achieve goals, someone has to define those goals and the means for achieving them; management is that someone. The **planning** function encompasses defining an organisation's goals, establishing an overall strategy for achieving those goals and developing a comprehensive set of plans to integrate and coordinate activities. Evidence indicates that this is the function that increases the most as managers move from lower-level to mid-level management.9

Managers are also responsible for designing an organisation's structure. We call this function **organising**. It includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.

Every organisation contains people, and it is management's job to direct and coordinate those people. This is the **leading** function. When managers motivate employees, direct their activities, select the most effective communication channels or resolve conflicts among members, they are engaging in leading.

To ensure things are going as they should be, management must monitor the organisation's performance and compare it with previously set goals. If there are any significant deviations, it is management's job to get the organisation back on track. This monitoring, comparing and potential correcting is the **controlling** function.

So, using the functional approach, the answer to the question ‘What do managers do?’ is that they plan, organise, lead and control.

**MANAGEMENT ROLES**

In the late 1960s, Henry Mintzberg, then a graduate student at MIT, undertook a careful study of five executives to determine what they did in their jobs. On the basis of his observations, Mintzberg concluded that managers perform ten different, highly interrelated roles, or sets of behaviours.10 As shown in Exhibit 1.1, these ten roles are primarily (1) interpersonal, (2) informational or (3) decisional.

**Interpersonal roles**

All managers are required to perform duties that are ceremonial and symbolic in nature. For instance, when the vice-chancellor of a university hands out degrees at graduation or a factory supervisor gives a group of high school students a tour of the plant, he or she is acting in a **figurehead** role. All managers also have a **leadership** role. This role includes hiring, training, motivating and disciplining employees. The third role within the interpersonal grouping is the **liaison** role, or contacting others who provide the manager with information. The sales manager who obtains information from the quality-control manager in his or her own company has an internal liaison relationship. When that sales manager has contact with other sales executives through a marketing trade association, he or she has an outside liaison relationship.

**Informational roles**

All managers, to some degree, collect information from outside organisations and institutions, typically by scanning the news media (including the Internet) and talking with other people to learn of changes in the public's tastes, what competitors may be planning, and so on. Mintzberg called this the **monitor** role. Managers also act as a conduit to transmit information to organisational members. This is the **disseminator** role. In addition, managers perform a **spokesperson** role when they represent the organisation to outsiders.

**Decisional roles**

Mintzberg identified four roles that require making choices. In the **entrepreneur** role, managers initiate and oversee new projects that will improve their organisation's performance. As **disturbance handlers**, managers take corrective action in response to unforeseen problems. As **resource allocators**, managers are responsible for allocating human, physical and monetary resources. Finally, managers perform a **negotiator** role, in which they discuss issues and bargain with other units to gain advantages for their own unit.
MANAGEMENT SKILLS

Still another way of considering what managers do is to look at the skills or competencies they need to achieve their goals. Researchers have identified a number of skills that differentiate effective managers from ineffective managers.11

**Technical skills**

Technical skills encompass the ability to apply specialised knowledge or expertise. When you think of the skills of professionals such as civil engineers or oral surgeons, you typically focus on the technical skills they have learned through extensive formal education. Of course, professionals don’t have a monopoly on technical skills, and not all technical skills have to be learned in schools or other formal training programs. All jobs require some specialised expertise, and many people develop their technical skills on the job.

**Human skills**

The ability to understand, communicate with, motivate and support other people, both individually and in groups, defines human skills. Many people are technically proficient but may be poor listeners, unable to understand the needs of others or weak at managing conflicts. Because managers get things done through other people, they must have good human skills.

**Conceptual skills**

Managers must have the mental ability to analyse and diagnose complex situations. These tasks require conceptual skills. Decision making, for instance, requires managers to identify problems, develop alternative solutions to correct those problems, evaluate the alternative solutions and select the best one. After they have selected a course of action, managers need to be able to organise a
What is organisational behaviour?

CHAPTER 1

plan of action and then execute it. Integrating new ideas with existing processes and innovating on the job are also crucial conceptual skills for today’s managers.

EFFECTIVE VERSUS SUCCESSFUL MANAGERIAL ACTIVITIES

Fred Luthans and his associates looked at what managers do from a somewhat different perspective. They asked: ‘Do managers who move up the quickest in an organisation do the same activities and with the same emphasis as managers who do the best job?’ You might think the answer is ‘yes’. But that’s not always the case.

Luthans and his associates studied more than 450 managers. All engaged in four managerial activities:

1. traditional management—decision making, planning and controlling
2. communication—exchanging routine information and processing paperwork
3. human resource management—motivating, disciplining, managing conflict, staffing and training
4. networking—socialising, politicking and interacting with outsiders.

The ‘average’ manager spent 32% of his or her time in traditional management activities, 29% communicating, 20% in human resource management activities and 19% networking. However, the time and effort that different individual managers spent on those activities varied a great deal. As shown in Exhibit 1.2, among managers who were successful (defined in terms of speed of promotion within their organisation), networking made the largest relative contribution to success, and human resource management activities made the least relative contribution. Among effective managers (defined in terms of quantity and quality of their performance and the satisfaction and commitment of employees), communication made the largest relative contribution and networking the smallest.

More recent studies in Australia, Israel, Italy, Japan and the United States confirm the link between networking and social relationships and success within an organisation. And the connection between communication and effective managers is also clear. A study of 410 US managers indicates that those who seek information from colleagues and employees (even if it is negative) and who explain their decisions are the most effective.

This research offers important insights. Successful managers give almost the opposite emphases to traditional management, communication, human resource management and networking as do effective managers. This finding challenges the historical assumption that promotions are based on performance, and it illustrates the importance of networking and political skills in getting ahead in organisations.

EXHIBIT 1.2 Allocation of activities by time

<table>
<thead>
<tr>
<th>Activity</th>
<th>Average managers</th>
<th>Successful managers</th>
<th>Effective managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional management</td>
<td>29%</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Communication</td>
<td>32%</td>
<td>48%</td>
<td>26%</td>
</tr>
<tr>
<td>Human resource management</td>
<td>20%</td>
<td>28%</td>
<td>44%</td>
</tr>
<tr>
<td>Networking</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
</tr>
</tbody>
</table>

A REVIEW OF THE MANAGER’S JOB
One common thread runs through the functions, roles, skills, activities and approaches to management: each recognises the paramount importance of managing people, whether it is called ‘the leading function’, ‘interpersonal roles’, ‘human skills’ or ‘human resource management, communication and networking activities’. It is clear that managers need to develop their people skills to be effective and successful.

Enter organisational behaviour
We’ve made the case for the importance of people skills. But neither this book nor the discipline on which it is based is called ‘people skills’. The term that is widely used to describe the discipline is organisational behaviour. (often abbreviated to OB) is a field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge towards improving an organisation’s effectiveness. That’s a mouthful, so let’s break it down.

Organisational behaviour is a field of study, meaning that it is a distinct area of expertise with a common body of knowledge. What does it study? It studies three determinants of behaviour in organisations: individuals, groups and structure. In addition, OB applies the knowledge gained about individuals, groups and the effect of structure on behaviour in order to make organisations work more effectively.

To sum up our definition, OB is the study of what people do in an organisation and how their behaviour affects the organisation’s performance. And because OB is concerned specifically with employment-related situations, you should not be surprised that it emphasises behaviour as related to concerns such as jobs, work, absenteeism, employment turnover, productivity, human performance and management.

Although there is debate about the relative importance of each, OB includes the core topics of motivation, leader behaviour and power, interpersonal communication, group structure and processes, learning, attitude development and perception, change processes, conflict, work design and work stress.15

Online retailer Zappos.com understands how organisational behaviour affects an organisation’s performance. Zappos maintains good employee relationships by providing generous benefits, extensive customer service training and a positive, fun-loving work environment. Employees are empowered to make decisions that increase customer satisfaction and are encouraged to create fun and ‘a little weirdness’. At Zappos, employee loyalty, job satisfaction and productivity are high, contributing to the company’s growth. SOURCE Bloomberg via Getty Images.
Complementing intuition with systematic study

Each of us is a student of behaviour. Whether you have explicitly thought about it before, you have been ‘reading’ people almost all your life, watching their actions and trying to interpret what you see or to predict what people might do under different conditions. Unfortunately, the casual or common-sense approach to reading others can often lead to erroneous predictions. However, you can improve your predictive ability by supplementing intuition with a more systematic approach.

Following the systematic approach presented in this book will enable you to uncover important facts and relationships, and provides a base from which to make more accurate predictions of behaviour. Underlying this systematic approach is the belief that behaviour is not random. Rather, we can identify fundamental consistencies underlying the behaviour of all individuals and modify them to reflect individual differences.

These fundamental consistencies are very important. Why? Because they allow predictability. Behaviour is generally predictable, and the systematic study of behaviour is a means to making...

‘Management by walking around is the most effective management’

This statement is mostly false, but with a caveat. Management by walking around (MBWA) is an organisational principle made famous with the 1982 publication of In Search of Excellence and based upon a 1970s’ initiative by Hewlett-Packard—in other words, it’s a dinosaur. But the idea of requiring managers at all levels of the organisation to wander around their departments to observe, converse with and hear from employees continues as a common business practice. Many companies that expect managers and executives to do regular ‘floor time’ have claimed benefits ranging from employee engagement to deeper management understanding of company issues. While MBWA sounds helpful, though, it is not a panacea. The limitations of MBWA are threefold: available hours, focus and application.

1. **Available hours.** Managers are tasked with planning, organising, coordinating and controlling, yet even CEOs—the managers who should be the most in control of their time—report that 53% of their average 55-hour workweek is spent in meetings. We’ve yet to see a meeting conducted while touring the plant!

2. **Focus.** MBWA turns management’s focus towards the concerns of employees. This is good, but only to a degree. As noted by Jeff Weiner, CEO of LinkedIn, this is a problem. ‘Part of the key to time management is carving out time to think, as opposed to constantly reacting. And during that thinking time, you’re not only thinking strategically, thinking proactively, thinking longer-term, but you’re literally thinking about what is urgent versus important.’ Weiner and other CEOs argue that meetings distract them from their purpose, especially internal company interactions.

3. **Application.** The principle behind MBWA is that the more managers know their employees, the more effective those managers will be. This isn’t always (or even often) true. As we’ll learn in Chapter 6, knowing (or thinking you know) something shouldn’t always lead us to act on only that information. For example, a 30-minute test conducted recently to determine personality traits and reactions to scenarios resulted in a 20% reduction in attrition for a Xerox call centre, even though managers had previously been diligent in seeking information on candidates through interviews. There is no substitute for good, objective data.

Based on the need for managers to dedicate their efforts to administering and growing businesses, and given the proven effectiveness of objective performance measures, it seems the time for MBWA is gone. Yet, there is one caveat. We certainly don’t argue that managers should refrain from knowing their employees, or that a stroll around the work floor is a bad idea. Rather, we find the regular, intentional interactions of MBWA do not, in themselves, make an effective management tool.

systematic study
Looking at relationships, attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

evidence-based management (EBM)
Basing managerial decisions on the best available scientific evidence.

Introduction
reasonably accurate predictions. When we use the term systematic study, we mean looking at relationships, attempting to attribute causes and effects, and basing our conclusions on scientific evidence—that is, on data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner.

Evidence-based management (EBM) complements systematic study by basing managerial decisions on the best available scientific evidence. We want doctors to make decisions about patient care based on the latest available evidence, and EBM argues that managers should do the equivalent, becoming more scientific in how they think about management problems. For example, a manager might pose a managerial question, search for the best available evidence and apply the relevant information to the question or case at hand. You might think it difficult to argue against this (what manager would say that decisions shouldn’t be based on evidence?) but the vast majority of management decisions are still made ‘on the fly’, with little systematic study of available evidence.

Systematic study and EBM add to intuition, or those feelings we have about what makes others (and ourselves) ‘tick’. Of course, the things you have come to believe in an unsystematic way are not necessarily incorrect. Jack Welch (former CEO of General Electric) noted, ‘The trick, of course, is to know when to go with your gut.’ But if we make all decisions with intuition or gut instinct, we are probably working with incomplete information—like making an investment decision with only half the data.

Relying on intuition is particularly problematic because we tend to overestimate the accuracy of what we think we know. Surveys of HR managers have shown that many managers hold ‘common-sense’ opinions regarding effective management that have been flatly refuted by empirical evidence.

We find a similar problem in chasing the business and popular media for management wisdom. The business press tends to be dominated by fads. Although we try to avoid it, we might also fall into this trap. It’s not that the business press stories are all wrong; it’s that without a systematic approach it’s hard to separate the wheat from the chaff.

We aren’t advising that you throw away your intuition, or all the business press. Nor are we arguing that research is always right. Researchers make mistakes, too. What we are advising is to use evidence as much as possible to inform your intuition and experience. That is the promise of OB.

Disciplines that contribute to the OB field
Organisational behaviour is an applied behavioural science built on contributions from a number of behavioural disciplines, mainly psychology and social psychology, sociology and anthropology. Psychology’s contributions have been mostly at the individual or micro level of analysis, while the other disciplines have contributed to our understanding of macro concepts such as group processes and organisation. Exhibit 1.3 is an overview of the major contributions to the study of organisational behaviour.

PSYCHOLOGY
Psychology seeks to measure, explain and sometimes change the behaviour of humans and other animals. Those who have contributed and continue to add to the knowledge of OB are learning theorists, personality theorists, counselling psychologists and, most importantly, industrial and organisational psychologists.

Early industrial/organisational psychologists studied the problems of fatigue, boredom and other working conditions that could impede efficient work performance. More recently, the contributions of industrial/organisational psychologists have expanded to include learning, perception, personality, emotions, training, leadership effectiveness, needs and motivational forces, job satisfaction, decision-making processes, performance appraisals, attitude measurement, employee-selection techniques, work design and job stress.
What is organisational behaviour?

CHAPTER 1

SOCIAL PSYCHOLOGY

Social psychology, generally considered to be a branch of psychology, blends concepts from both psychology and sociology to focus on people’s influence on one another. One major study area is change—how to implement it and how to reduce barriers to its acceptance. Social psychologists also contribute to measuring, understanding and changing attitudes; identifying communication patterns; and building trust. Finally, they have made important contributions to the study of group behaviour, power and conflict.

SOCIOLOGY

While psychology focuses on the individual, sociology studies people in relation to their social environment or culture. Sociologists have contributed to OB through their study of group behaviour in organisations, particularly formal and complex organisations. Perhaps most importantly, sociologists have studied organisational culture, formal organisation theory and structure, organisational technology, communications, power and conflict.
anthropology The study of societies to learn about human beings and their activities.

ANTHROPOLOGY

Anthropology is the study of societies to learn about human beings and their activities. Anthropologists’ work on cultures and environments has helped us understand differences in fundamental values, attitudes and behaviour between people in different countries and within different organisations. Much of our current understanding of organisational culture, organisational environments and differences between national cultures is a result of the work of anthropologists or those using their methods.

There are few absolutes in OB

Laws in the physical sciences—chemistry, astronomy, physics—are consistent and apply in a wide range of situations. They allow scientists to generalise about the pull of gravity or to be confident about sending astronauts into space to repair satellites. But as a noted behavioural researcher observed: ‘God gave all the easy problems to the physicists.’ Human beings are complex, and few, if any, simple and universal principles explain organisational behaviour. Because human beings are not alike, our ability to make simple, accurate and sweeping generalisations is limited. Two people often act very differently in the same situation, and the same person’s behaviour changes in different situations. Not everyone is motivated by money, and you may behave differently at a religious service from how you behave at a party.

That doesn’t mean, of course, that we can’t offer reasonably accurate explanations of human behaviour or make valid predictions. It does mean that OB concepts must reflect situational, or contingency, conditions. We can say \( x \) leads to \( y \), but only under conditions specified in \( z \)—the contingency variables. The science of OB was developed by applying general concepts to a particular situation, person or group. For example, OB scholars would avoid stating that everyone likes complex and challenging work (the general concept). Why? Because not everyone wants a challenging job. Some people prefer routine over varied, or simple over complex. A job attractive to one person may not be attractive to another; its appeal is contingent on the person who holds it.

As you proceed through this book, you will encounter a wealth of research-based theories about how people behave in organisations. But don’t expect to find a lot of straightforward cause-and-effect relationships. There aren’t many! Organisational behaviour theories mirror the subject matter with which they deal, and people are complex and complicated.

Challenges and opportunities for OB

Understanding organisational behaviour has never been more important for managers. Take a quick look at the dramatic changes that are taking place in organisations. The typical employee is getting older; more women have joined the workplace; corporate downsizing and the heavy use of temporary workers are severing the bonds of loyalty that tied many employees to their employers; and global competition is requiring employees to become more flexible and to cope with rapid change. The global recession has brought to the forefront the challenges of working with, and managing, people during uncertain times.

In short, today’s challenges bring opportunities for managers to use OB concepts. In this section, we review some of the most critical issues confronting managers for which OB offers solutions—or at least meaningful insights towards solutions.

RESPONDING TO ECONOMIC PRESSURES

When the US economy plunged into a deep and prolonged recession in 2008, virtually all other large economies followed suit around the world. Redundancies and sackings were widespread, and those who survived the axe were often asked to accept pay cuts. In Australia, while the impact of the global financial crisis has not been as severe as in other developed countries, it has been the catalyst for many organisations to make significant changes to their employee profiles and company structures.

During difficult economic times, effective management is often at a premium. Anyone can run a company when business is booming, because the difference between good and bad management
What is organisational behaviour?

CHAPTER 1

reflects the difference between making a lot of money and making a lot more money. When times are bad, though, managers are on the front line, with employees who must be fired, who are asked to make do with less and who worry about their futures. The difference between good and bad management can be the difference between profit and loss or, ultimately, between survival and failure.

Managing employees well is equally difficult whether times are tough or good, but the OB approaches sometimes differ. In good times, understanding how to reward, satisfy and retain employees is at a premium; in bad times, issues such as stress, decision making and coping come to the fore.

It is good news for the future of business that researchers, the media and company leaders have identified the potential of data-driven management and decision making. While ‘big data’—the extensive use of statistical compilation and analysis—has been applied to many areas of business, increasingly it is applied to making effective decisions. Online retailers may have been the first to notice and act upon information on customer preferences newly available through the Internet shopping experience, information far superior to data gathered in simple store transactions. This enabled online retailers to create more targeted marketing strategies than ever before.

The bookselling industry is a case in point: before online selling, brick-and-mortar bookstores could collect data about book sales only to make their projections about consumer interests and trends. With the advent of Amazon, suddenly a vast array of information about consumer preferences became available for tracking: what customers bought, what they looked at, how they navigated the site, and what they were influenced by (such as promotions, reviews and page presentation). The challenge for Amazon then was to identify which statistics were persistent, giving relatively constant outcomes over time, and predictive, showing steady causality between certain inputs and outcomes. The company used these statistics to develop algorithms that let it forecast which books customers would like to read next. Amazon then could base its wholesale purchase decisions on the feedback customers provided, both through these passive methods and through solicited recommendations for upcoming titles, by which Amazon could continuously perfect its algorithms.

The success of Amazon has revolutionised bookselling—and even retail industries—and has served as a model for innovative online retailers. It also illustrates what big data can do for other businesses that can capitalise on the wealth of data available through virtually any Internet connection, from Facebook posts to sensor readings to GPS signals from mobile phones.

Savvy businesses use big data to manage people as well as technology. A recent study of 330 companies found that the data-driven companies were 5% more productive and 6% more profitable than their competitors. These may seem like small percentage gains, but they represent a big impact on economic strength and measurable increases in stock-market evaluations for these companies, which are in the top third of their industries. Another study of 8000 firms in 20 countries confirms that constant measuring against targets for productivity and other criteria is a hallmark of well-run companies.

The use of big data for managerial practices is a relatively new area but one that holds convincing promise. In dealing with people, leaders often rely on hunches and estimate the influence of information that they have heard most recently, that has been frequently repeated or that is of personal relevance. Obviously, this isn’t always the best evidence because all managers (all people) have natural biases. A manager who uses data to define objectives, develop theories of causality and test those theories can find which employee activities are relevant to the objectives. Research conducted by Australia’s Telsyte predicts that more than 70% of large Australian organisations will become data driven by 2019. Adoption to date has centred on the retail, manufacturing and government sectors.

RESPONDING TO GLOBALISATION

Organisations are no longer constrained by national borders. Burger King is owned by a British firm and McDonald’s sells hamburgers in Moscow. ExxonMobil, a so-called US company, receives almost 75% of its revenue from sales outside the United States. New employees at Finland-based phone maker Nokia are increasingly being recruited from India, China and other developing countries; non-Finns now outnumber Finns at Nokia’s renowned research centre in Helsinki. And all major car makers now manufacture cars outside their borders; Honda builds cars in the United States, Ford in Brazil, Volkswagen in Mexico, and Mercedes and BMW in South Africa.

The world has become a global village. In the process, the manager’s job has changed in many ways. For example, a manager is now more likely to be involved in assignments outside of the home country and to work with people from different cultures. In a global economy, jobs tend to flow where lower costs give businesses a comparative advantage, though labour groups, politicians and local community leaders see the exporting of jobs as undermining the job market at home. Managers face the difficult task of balancing the interests of their organisation with their responsibilities to the communities in which they operate.

MANAGING WORKFORCE DIVERSITY

One of the most important challenges for organisations is adapting to people who are different. We describe this challenge as *workforce diversity*. Whereas globalisation focuses on differences between people from different countries, workforce diversity addresses differences between people within given countries.

*Workforce diversity* acknowledges a workforce of women and men, many racial and ethnic groups, individuals with a variety of physical or psychological abilities, and people who differ in age and sexual orientation. Managing this diversity is a global concern. Most European countries have experienced dramatic growth in immigration from the Middle East; Argentina and Venezuela host a significant number of migrants from other South American countries; and nations from India to Iraq and Indonesia find great cultural diversity within their borders.

For example, the bulk of the pre-1980s workforce in Australia comprised white, predominantly European Anglo-Saxon males working full-time to support a non-employed spouse and school-aged children. Since then, the workforce demographics have changed considerably.

PERSONAL INVENTORY ASSESSMENTS

Multicultural Awareness Scale

Any study of organisational behaviour (OB) starts with knowledge of yourself. As one step, take this PIA to determine your multicultural awareness.

IMPROVING CUSTOMER SERVICE AND PEOPLE SKILLS

Service employees include technical support representatives, fast-food counter workers, sales clerks, nurses, mechanics, consultants, financial planners and flight attendants. The shared characteristic of their jobs is substantial interaction with an organisation’s customers. OB can help managers increase the success of these interactions by showing how employee attitudes and behaviour influence customer satisfaction.

Many an organisation has failed because its employees failed to please customers. Management needs to create a customer-responsive culture. Managers in particular, and employees in general, need sound people skills. OB presents relevant concepts and theories that can help explain and predict the behaviour of people at work. For instance, you can use OB to learn ways to design motivating jobs, techniques for improving your listening skills, and how to create more effective teams.
WORKING IN NETWORKED ORGANISATIONS

Networked organisations allow people to communicate and work together even though they may be thousands of kilometres apart. Independent contractors can telecommute via computer to workplaces around the globe and change employers as the demand for their services changes. Software programmers, graphic designers, systems analysts, technical writers, photo researchers, book and media editors and medical transcribers are just a few examples of people who can work from home or other non-office locations.

The manager’s job is different in a networked organisation. Motivating and leading people and making collaborative decisions online require techniques that are different from those used when individuals are physically present in a single location. As more employees do their jobs by linking to others through networks, managers need to develop new skills. OB can provide valuable insights to help with honing those skills.

ENHANCING EMPLOYEE WELL-BEING AT WORK

The typical employee in the 1960s or 1970s showed up at a specified workplace Monday to Friday and worked for clearly defined eight- or nine-hour chunks of time. That is no longer true for a large segment of today’s workforce. Employees are increasingly complaining that the line between work and non-work time has become blurred, creating personal conflicts and stress. At the same time, today’s workplace presents opportunities for workers to create and structure their own roles. But even if employees work at home or from half a continent away, managers need to consider their well-being at work.

One of the biggest challenges in maintaining employee well-being is the new reality that many workers never get away from the virtual workplace. Communication technology allows many technical and professional employees to do their work at home, in their cars, or on the beach in Surfers Paradise or Noosa—but it also means many feel like they never really get a break. Another challenge is that organisations are asking employees to put in longer hours. According to a recent study, one in four employees shows signs of burnout, partially as a result of longer work hours, and two in three report high stress levels and fatigue. This may actually be an underestimate, because workers report maintaining ‘always on’ access for their managers through email and texting. Finally, employee well-being is challenged by heavy outside commitments. Single-parent households and employees with dependent parents have even more significant challenges in balancing work and family responsibilities, for example.

As a result of their increased responsibilities in and out of the workplace, employees want more time off. Recent studies suggest employees want jobs that give them flexibility in their work schedules so they can better manage work/life conflicts. In fact, 56% of respondents in a recent study reported that work/life balance was their definition of career success—more than money, recognition and autonomy. Most university students say attaining a balance between their personal life and their work is a primary career goal; they want a ‘life’ as well as a job. Organisations that don’t help their people achieve work/life balance will find it increasingly difficult to attract and retain the most capable and motivated employees.

As you’ll see in later chapters, the field of OB offers a number of suggestions to guide managers in designing workplaces and jobs that can help employees deal with work/life conflicts.

IMPROVING ETHICAL BEHAVIOUR

In an organisational world characterised by cutbacks, expectations of increasing productivity and tough competition, it is not surprising that many employees feel pressured to cut corners, break rules and engage in other questionable practices.

Increasingly, employees face ethical dilemmas and ethical choices, in which they are required to identify right and wrong conduct. Should they ‘blow the whistle’ if they uncover illegal activities in their company? Do they follow orders with which they don’t personally agree? Should they give an inflated performance evaluation to an employee they like, knowing it could save that employee’s job? Do they ‘play politics’ to advance their career?
Holiday deficit disorder

Do you work to live, or live to work? Those of us who think it’s a choice might be wrong. No matter what employee annual leave balance sheets indicate, in many cases workers will end this year with a week of unused time. Or more. Australians have a reputation for being laidback, but that may be changing. A survey conducted in 2013 indicated they take less than their annual holiday entitlement (on average, only 15 out of 20 days). Even when on holiday, they tend to check their work emails, according to the survey, which found that a potential 58 million days of annual leave went unused in 2013.

It would be easy to assume employers prefer employees to work without breaks, but that’s not always the case. Employers are generally required to compensate departing employees financially for accrued annual leave, and most companies say they recognise the benefits of a refreshed workforce. As a result, they often encourage their employees to take their holidays through periodic ‘use it or lose it’ email reminders. Yet, employers are also expecting workers to do more with less, in the form of fewer co-workers to help get the job done, putting implicit or explicit pressure on them to use all available resources—chiefly their time—to meet manager expectations.

Research indicates employees are more likely to respond to the direct pressure of management than to the indirect benevolence of corporate policy. Thus, policy or not, many employees don’t take their annual leave due to direct or indirect pressure from their manager. While it is easy to dismiss these pressures, in today’s economy there is always a ready line of replacements, and many employees will do everything possible to keep in their manager’s good books, including forgoing holidays.

The downside, of course, is the risk of burnout. Forgoing holiday time can wear you down emotionally, leading to exhaustion, negative feelings about your work and a reduced feeling of accomplishment. You may find you are absent more often, contemplate leaving your job, and grow less likely to want to help anyone (including your managers). Here are some choices you can make to prevent a downward spiral:

1. **Recognise your feelings.** According to a recent report by ComPsych Corp. on 2000 employees, two in three identified high levels of stress, out-of-control feelings and extreme fatigue. We solve few problems without first recognising them.

2. **Identify your tendency for burnout.** Research on 2089 employees found that burnout is especially acute for newcomers and job changers. If you have recently made a career change, it can help you to know that any increase in symptoms should level off after two years. But keep in mind that each individual experiences stress differently.

3. **Talk about your stressors.** Thomas Donohoe, a researcher on work/life balance, recommends talking with trusted friends or family. On the job, appropriately discussing your stress factors can help you reduce job overload.

4. **Build in high physical activity.** Recent research found an increase in job burnout (and depression) was strongest for employees who didn’t engage in regular physical activity, while it was almost negligible for employees who did engage in regular high physical activity. Physical activity distracts the mind from stressors, enhances feelings of mastery and self-efficacy, and builds physiological resilience to stress.

5. **Take brief breaks throughout your day.** For office employees, the current expert suggestion is to spend at least one to two minutes standing up every hour to combat the effects of all-day sitting. Donohoe also suggests taking snack breaks, walks or small naps to recharge.

6. **Take your holiday!** Studies suggest that recovery from stress can happen only if employees are (a) physically away from work and (b) not occupied by work-related duties. That means log off your email accounts, shut off your phone, and put down your pen for the duration of the holiday. As much as possible, remove yourself from the work environment, both physically and mentally.

With work only a thumb swipe away and performance demands high, it’s not always easy to look beyond the next deadline. But to maximise your long-term productivity and avoid stress, burnout
What is organisational behaviour?

CHAPTER 1

What constitutes good ethical behaviour has never been clearly defined, and in recent years the line differentiating right from wrong has blurred. Employees see people all around them engaging in unethical practices: elected representatives padding electoral allowances, company executives inflating profits so that they can make money from lucrative share options, and university lecturers allowing full-fee-paying but poorly performing students to pass their courses! When caught, these people give excuses such as ‘everyone does it’ or ‘you have to seize every advantage nowadays’.

Determining the ethically correct way to behave is especially difficult in a global economy, because different cultures have different perspectives on certain ethical issues. The fair way to treat employees in an economic downturn varies considerably across cultures, for instance. As you’ll see in Chapter 2, perceptions of religious, ethnic and gender diversity differ across countries. Is it any wonder that employees are expressing decreased confidence in management and increasing uncertainty about what is appropriate ethical behaviour in their organisations?

Managers and their organisations are responding to the problem of unethical behaviour in a number of ways. They are writing and distributing codes of ethics to guide employees through ethical dilemmas. They are offering seminars, workshops and other training programs to try to improve ethical behaviours. They are providing in-house advisors who can be contacted, in many cases anonymously, for assistance in dealing with ethical issues, and they are creating protection mechanisms for employees who reveal internal unethical practices.

Today’s managers need to create an ethically healthy climate for their employees, where they can do their work productively with minimal ambiguity about what constitutes right and wrong behaviours. Companies that promote a strong ethical mission, encourage employees to behave with integrity and provide strong ethical leadership can influence employee decisions to behave ethically. In upcoming chapters, we discuss the actions that managers can take to create an ethically healthy climate and to help employees sort through ethically ambiguous situations.

Coming attractions: developing an OB model

We conclude this chapter by presenting a general model that defines the field of OB, stakes out its parameters, and identifies inputs, processes and outcomes. The result will be ‘coming attractions’ of the topics in the remainder of this book.

AN OVERVIEW

A model is an abstraction of reality, a simplified representation of some real-world phenomenon. Exhibit 1.4 presents the skeleton on which we will construct our OB model. It proposes three types of variables (inputs, processes and outcomes) at three levels of analysis (individual, group and organisational). The model proceeds from left to right, with inputs leading to processes and...
part 1 introduction

processes leading to outcomes. Notice that the model also shows that outcomes can influence inputs in the future.

inputs Variables that lead to processes.

Inputs are the variables such as personality, group structure and organisational culture that lead to processes. These variables set the stage for what will occur in an organisation later. Many are determined in advance of the employment relationship. For example, individual diversity characteristics, personality and values are shaped by a combination of an individual’s genetic inheritance and childhood environment. Group structure, roles and team responsibilities are typically assigned immediately before or after a group is formed. Finally, organisational structure and culture are usually the result of years of development and change as the organisation adapts to its environment and builds up customs and norms.

processes Actions that individuals, groups and organisations engage in as a result of inputs and that lead to certain outcomes.

Processes are actions that individuals, groups and organisations engage in as a result of inputs and that lead to certain outcomes. At the individual level, processes include emotions and moods, motivation, perception and decision making. At the group level, they include communication, leadership, power and politics, and conflict and negotiation. Finally, at the organisational level, processes include change practices.

outcomes Key factors that are affected by some other variables.

Outcomes are the key variables that you want to explain or predict, and that are affected by some other variables. What are the primary outcomes in OB? Scholars have emphasised individual-level outcomes such as attitudes and satisfaction, task performance, citizenship behaviour and withdrawal behaviour. At the group level, cohesion and functioning represent some of the outcomes. Finally, at the organisational level, we look at overall profitability and survival. Because these outcomes are covered in all the chapters, we briefly discuss each here so you can understand what the ‘goal’ of OB is.
Attitudes and stress

Employee attitudes are the evaluations employees make, ranging from positive to negative, about objects, people or events. For example, the statement, ‘I really think my job is great’ represents a positive job attitude, and ‘My job is boring and tedious’ represents a negative job attitude. Stress is an unpleasant psychological process that occurs in response to environmental pressures. Some people might think that influencing employee attitudes and stress is purely soft stuff and not the business of serious managers, but as we will show, attitudes often have behavioural consequences that directly relate to organisational effectiveness. The belief that satisfied employees are more productive than dissatisfied employees has been a basic tenet among managers for years, though only recently has research begun to support it. Ample evidence shows that employees who are more satisfied and treated fairly are more willing to engage in the above-and-beyond citizenship behaviour (see below) so vital in the contemporary business environment.

Task performance

The combination of effectiveness and efficiency at doing your core job tasks is a reflection of your level of task performance. If we think about the job of a factory worker, task performance could be measured by the number and quality of products produced in an hour. The task performance of a teacher would be the level of education that students obtain. The task performance of a consultant might be measured by the timeliness and quality of the presentations they offer to the client firm. All these types of performance relate to the core duties and responsibilities of a job and are often directly related to the functions listed on a formal job description.

Obviously, task performance is the most important human output contributing to organisational effectiveness, so in every chapter of this book we devote considerable time to detailing how task performance is affected by the topic in question.

Citizenship behaviour

The discretionary behaviour that is not part of an employee’s formal job requirements, and that contributes to the psychological and social environment of the workplace, is called citizenship behaviour. Successful organisations need employees who will do more than their usual job duties—who will provide performance beyond expectations. In today’s dynamic workplace, where tasks are increasingly performed by teams and flexibility is critical, employees who engage in ‘good citizenship’ behaviours help others on their team, volunteer for extra work, avoid unnecessary conflicts, respect the spirit as well as the letter of rules and regulations, and gracefully tolerate occasional work-related impositions and nuisances. Organisations want and need employees who will do things that aren’t in any job description. Evidence indicates that organisations that have such employees outperform those that don’t. As a result, OB is concerned with citizenship behaviour as an outcome variable.

Withdrawal behaviour

We’ve already mentioned behaviour that goes above and beyond task requirements, but what about behaviour that in some way is below task requirements? Withdrawal behaviour is the set of actions that employees take to separate themselves from the organisation. There are many forms of withdrawal, ranging from showing up late or failing to attend meetings to absenteeism and turnover.

Employee withdrawal can have a very negative effect on an organisation. The cost of employee turnover alone has been estimated to run into the thousands of dollars, even for entry-level positions. Absenteeism also costs organisations significant amounts of money and time every year. It’s obviously difficult for an organisation to operate smoothly and attain its objectives if employees fail to report to their jobs. The workflow is disrupted, and important decisions may be delayed. In organisations that rely heavily on assembly-line production, absenteeism can be considerably more than a disruption; it can drastically reduce the quality of output or even shut down the facility. Levels
of absenteeism beyond the normal range have a direct impact on any organisation's effectiveness and efficiency. A high rate of turnover can also disrupt the efficient running of an organisation when knowledgeable and experienced personnel leave and replacements must be found to assume positions of responsibility.

If the ‘right’ people are leaving the organisation—the marginal and submarginal employees—turnover can actually be positive. It can create an opportunity to replace an underperforming individual with someone who has higher skills or motivation, to open up increased opportunities for promotions, and to bring new and fresh ideas to the organisation. In today’s changing world of work, reasonable levels of employee-initiated turnover improve organisational flexibility and employee independence, and they can lessen the need for management-initiated layoffs.

So, why do employees withdraw from work? As we will show later in the book, reasons include negative job attitudes, emotions and moods, and negative interactions with co-workers and supervisors.

**Group cohesion**

Although many outcomes in our model can be conceptualised as individual-level phenomena, some relate to how groups operate. **Group cohesion** is the extent to which members of a group support and validate one another at work. In other words, a cohesive group is one that sticks together. When employees trust one another, seek common goals and work together to achieve these common ends, the group is cohesive; when employees are divided among themselves in terms of what they want to achieve and have little loyalty to one another, the group is not cohesive.

There is ample evidence showing that cohesive groups are more effective. These results are found both for groups that are studied in highly controlled laboratory settings and also for work teams observed in field settings. This fits with our intuitive sense that people tend to work harder in groups that have a common purpose. Companies attempt to increase cohesion in a variety of ways, ranging from brief ice-breaker sessions to social events such as picnics, parties and outdoor adventure-team retreats. Throughout the book, we will try to assess whether these specific efforts are likely to result in increases in group cohesiveness. We’ll also consider ways that picking the right people to be on the team in the first place might be an effective way to enhance cohesion.

**Group functioning**

In the same way that positive job attitudes can be associated with higher levels of task performance, group cohesion should lead to positive group functioning. **Group functioning** refers to the quantity and quality of a group’s work output. In the same way that the performance of a sports team is more than the sum of individual players’ performance, group functioning in work organisations is more than the sum of individual task performances. What does it mean to say that a group is functioning effectively? In some organisations, an effective group is one that stays focused on a core task and achieves its ends as specified. Other organisations look for teams that are able to work together collaboratively to provide excellent customer service. Still others put more of a premium on group creativity and the flexibility to adapt to changing situations. In each case, different types of activities will be required to get the most from the team.

**Productivity**

The highest level of analysis in organisational behaviour is the organisation as a whole. An organisation is productive if it achieves its goals by transforming inputs into outputs at the lowest cost. Thus, **productivity** requires both **effectiveness** and **efficiency**.

A hospital is **effective** when it successfully meets the needs of its clientele. It is **efficient** when it can do so at a low cost. If a hospital manages to achieve higher output from its present staff by reducing the average number of days a patient is confined to bed or increasing the number of staff—patient
contacts per day, we say the hospital has gained productive efficiency. A business firm is effective when it attains its sales or market share goals, but its productivity also depends on achieving those goals efficiently. Popular measures of organisational efficiency include return on investment, profit per dollar of sales and output per hour of labour.

Service organisations must include customer needs and requirements in assessing their effectiveness. Why? Because a clear chain of cause and effect runs from employee attitudes and behaviour to customer attitudes and behaviour to a service organisation’s productivity.

**Survival**

The final outcome we consider is organisational survival, which is simply evidence that the organisation is able to exist and grow over the long term. The survival of an organisation depends not just on how productive it is, but also on how well it fits with its environment. A company that is very productively making goods and services of little value to the market is unlikely to survive for long, so survival factors in such things as: perceiving the market successfully, making good decisions about how and when to pursue opportunities, and engaging in successful change management to adapt to new business conditions.

Having reviewed the input, process and outcome model, we’re going to amend the figure to group topics together based on whether we study them at the individual, group or organisational level. As you can see in Exhibit 1.5, we will deal with inputs, processes and outcomes at all three levels of analysis, but we group the chapters as shown here to correspond with the typical ways that research has been done in these areas. It is easier to understand one unified presentation about how personality leads to motivation, which leads to performance, than to jump around levels of analysis. Because each level builds on the one that precedes it, after going through them in sequence you will have a good idea of how the human side of organisations functions.
Summary

Managers need to develop their interpersonal, or people, skills to be effective in their jobs. Organisational behaviour (OB) investigates the impact that individuals, groups and structure have on behaviour within an organisation, and it applies that knowledge to make organisations work more effectively. Specifically, OB focuses on how to improve productivity; reduce absenteeism, turnover and deviant workplace behaviour; and increase organisational citizenship behaviour and job satisfaction.

Implications for managers

- Resist the inclination to rely on generalisations; some provide valid insights into human behaviour, but many are erroneous.
- Use metrics and situational variables rather than ‘hunches’ to explain cause-and-effect relationships.
- Work on your interpersonal skills to increase your leadership potential.
- Improve your technical skills and conceptual skills through training and staying current with organisational behaviour trends such as big data.
- Organisational behaviour can improve your employees’ work quality and productivity by showing you how to empower your employees, design and implement change programs, improve customer service, and help your employees balance work/life conflicts.
What is organisational behaviour?

CHAPTER 1

Point/Counterpoint

LOST IN TRANSLATION?

Point

Walk into your nearest major bookshop. You’ll undoubtedly find a large selection of books devoted to management and managing. Consider the following recent titles:

- *Hardcore Leadership: 11 Master Lessons from My Airborne Ranger Uncle’s ‘Final Jump’* (CreateSpace, 2013)
- *Half-Naked Interview* (Amazon Digital, 2013)
- *Fu*k Jobs!: How to Create a Passive Income Stream and Never Work Again* (CreateSpace, 2013)
- *Four Dead Kings at Work* (SlimBooks, 2013)
- *Monopoly, Money, and You: How to Profit from the Game’s Secrets of Success* (McGraw-Hill, 2013)
- *Nothing to Lose, Everything to Gain: How I Went from Gang Member to Multimillionaire Entrepreneur* (Portfolio Trade, 2013)
- *Giraffes of Technology: The Making of the Twenty-First-Century Leader* (CreateSpace, 2013)

Popular books on organisational behaviour often have cute titles and are fun to read, but they make the job of managing people seem much simpler than it is. Most are based on the author’s opinions rather than substantive research, and it is doubtful that one person’s experience translates into effective management practice for everyone. Why do we waste our time on ‘fluff’ when, with a little effort, we can access knowledge produced from thousands of scientific studies on human behaviour in organisations?

Organisational behaviour is a complex subject. Few, if any, simple statements about human behaviour are generalisable to all people in all situations. Should you really try to apply leadership insights you got from a book about Geronimo or Tony Soprano to managing software engineers in the 21st century?

Counterpoint

Organisations are always looking for leaders, and managers and manager-wannabes are continually looking for ways to hone their leadership skills. Publishers respond to this demand by offering hundreds of titles that promise insights into managing people. Books like these can provide people with the secrets to management that others know about. Moreover, isn’t it better to learn about management from people in the trenches, as opposed to the latest esoteric musings from the ‘Ivory Tower’? Many of the most important insights we gain from life aren’t necessarily the product of careful empirical research studies.

It is true there are some bad books out there. But do they outnumber the esoteric research studies published every year? For example, a few management and organisational behaviour studies were published recently with the following titles:

- *Market Segmentation, Service Quality, and Overall Satisfaction: Self-Organizing Map and Structural Equation Modelling Methods*
- *The Effects of Performance Rating, Leader–Member Exchange, Perceived Utility, and Organizational Justice on Performance Appraisal Satisfaction: Applying a Moral Judgment Perspective*
- *Examining the Influence of Modularity and Knowledge Management (KM) on Dynamic Capabilities*

We don’t mean to poke fun at these studies. Rather, our point is that you can’t judge a book by its cover any more than you can a research study by its title.

There is no one right way to learn the science and art of managing people in organisations. The most enlightened managers are those who gather insights from multiple sources: their own experience, research findings, observations of others and, yes, business press books. If great management were produced by carefully gleaning results from research studies, academicians would make the best managers. How often do we see that?

Research and academics have an important role to play in understanding effective management. But it isn’t fair to condemn all business books by citing the worst (or, at least, the worse-sounding ones).
Many companies have written substance abuse policies, but some may not be effective or may even pose a liability risk for the firm. Research indicates the problem with adherence to substance abuse policies isn’t a lack of understanding of the violations, but one of enforcement. Supervisors can play a key role, but research indicates that many times supervisors are ill equipped at identifying abuse, are afraid of invading employees’ privacy, and would rather do nothing than do the wrong thing.

Each group will decide whether substance abuse policies are needed and, if so, create a policy statement and action plan.

The Task, Part A: The Plan
1. Identify the scope of the problem. Take a poll: Does everyone see this as a problem? To what extent? Are some types of impairment worse than others? Break down your answer in terms of each of the reported incident rates (drunk once per year, high once per year, etc.). Does the type of employment (manufacturing, lab work, office work) change the tolerance level?
2. Identify the risks. For each type of work listed above, write down the risks to the worker and to the company of having impaired workers on the job in terms of (a) physical safety risks to the company and employees, (b) liability risks, and (c) damage to the company culture.
3. Consider the implications. Note the potential consequences of not developing a substance abuse policy for (a) the workers, (b) the managers, and (c) the company. What are the pros and cons of not formalising a policy? Conversely, what are the pros and cons of creating a policy?
4. Decide. Will you develop a policy? If so, draft a one- to two-paragraph company statement. If not, list the reasons why having a policy may be detrimental to the company.

The Task, Part B: The Implementation Plan
5. Develop tolerance thresholds for non-compliance with the policy.
6. Decide whether data will be needed to measure compliance. Will you require regular drug and alcohol screenings, periodic screenings, on-request screenings for suspected violations, or no screenings...
for employees (which means supervisors act upon observations instead)? Identify the type of data that will satisfy your policy (onsite or offsite testing).

7. To what level of the organisation should responsibility for enforcement be assigned? Does management need to observe and voice suspicions, and if so, can a manager accuse any employee, or just those who work for him or her? If employees can initiate inquiries about co-workers or managers, will they do so anonymously or in person?

8. How will you equip those assigned as enforcement agents to detect substance abuse? Record what your training methods will be, and include frequency and type of training for each level of the organisation.

9. What proactive steps will you take to raise awareness of the substance abuse issue, your new policy and your implementation plan?


Case study

APPLE GOES GLOBAL

It wasn’t long ago that products from Apple, perhaps the most recognisable name in electronics manufacturing around the world, were made entirely in America. This is not so anymore. Now, almost all of the approximately 70 million iPhones, 30 million iPads and 59 million other Apple products sold yearly are manufactured overseas. This change represents more than 200000 jobs directly lost by US workers, not to mention more than 700000 other jobs and business given to foreign companies in Asia, Europe and elsewhere. The loss isn’t temporary. As the late Steven P. Jobs, Apple’s iconic co-founder, told US President Obama, ‘Those jobs aren’t coming back.’

At first glance, the transfer of jobs from one workforce to another would seem to hinge on a difference in wages, but Apple shows this is an oversimplification. In fact, paying US wages would add only $65 to each iPhone’s expense, while Apple’s profits average hundreds of dollars per phone. Rather, and of more concern, Apple’s leaders believe the intrinsic characteristics of the labour force available to them in China—which they identify as flexibility, diligence and industrial skills—are superior to those of the US labour force. Apple executives tell stories of shorter lead times and faster manufacturing processes in China that are becoming the stuff of company legend. ‘The speed and flexibility is breathtaking,’ one executive said. ‘There’s no American plant that can match that.’ Another said, ‘We shouldn’t be criticised for using Chinese workers. The US has stopped producing people with the skills we need.’

Because Apple is one of the most imitated companies in the world, this perception of an overseas advantage might suggest that the US workforce needs to be better led, better trained, more effectively managed, and more motivated to be proactive and flexible. If US (and Western European) workers are less motivated and less adaptable, it’s hard to imagine that doesn’t spell trouble for the future of the American workforce. Perhaps, though, Apple’s switch from ‘100% made in the USA’ to ‘10% made in the USA’ represents the natural growth pattern of a company going global. At this point, the iPhone is largely designed in the United States (where Apple has 43000 employees); parts are made in South Korea, Taiwan, Singapore, Malaysia, Japan, Europe and elsewhere; and products are assembled in China. The future of at least 247 suppliers worldwide depends on Apple’s approximately $30.1 billion in orders per quarter.

As maker of some of the most cutting-edge, revered products in the electronics marketplace, perhaps Apple serves not as a failure of one country to hold on to a company completely, but as one of the best examples of global ingenuity.

Questions

1. What are the pros and cons for local and overseas labour forces of Apple’s going global? What are the potential political implications for country relationships?

2. Do you think Apple is justified in drawing the observations and conclusions expressed in the case? Why or why not? Do you think it is good for or harmful to the company that its executives have voiced these opinions?

3. How could managers use increased worker flexibility and diligence to increase the competitiveness of their manufacturing sites? What would you recommend?