

CHAPTER 1

WHAT IS ORGANISATIONAL BEHAVIOUR?

LEARNING OBJECTIVES

After studying this chapter, students should be able to answer the following questions:

1. How would you define organisational behaviour?
2. Why do managers require knowledge of OB?
3. How would you explain the value of the systematic study of OB?
4. What are the contributions made by the main behavioural science disciplines to OB?
5. What are the main challenges and opportunities for managers in using OB concepts?
6. How would you describe what managers do?

INTRODUCTION

Managers need to develop their interpersonal or people skills if they are going to be effective in their jobs. Organisational behaviour (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behaviour within an organisation, and then applies that knowledge to make organisations work more effectively. Specifically, OB focuses on how to improve productivity, reduce absenteeism and turnover, and increase employee citizenship and job satisfaction.

We all hold generalisations about the behaviour of people. Some of our generalisations may provide valid insights into human behaviour, but many are erroneous. Organisational behaviour uses systematic study to improve predictions of behaviour that would be made from intuition alone. Yet, because people are different, we need to look at OB in a contingency framework, using situational variables to moderate cause-effect relationships.

Organisational behaviour offers both challenges and opportunities for managers. It recognises differences and helps managers to see the value of workforce diversity and practices that may need to be changed when managing in different countries. It can help improve quality and employee productivity by showing managers how to empower their people as well as how to design and implement change programs. It offers specific insights to improve a manager's people skills. In times of rapid and ongoing change, faced by most managers today, OB can help managers cope in a world of "temporariness" and learn ways to stimulate innovation. Finally, OB can offer managers guidance in creating an ethically healthy work climate.

Teaching note: The opening case presents a challenge for students. Students can use the material in this chapter to answer the leadership/job satisfaction dilemma presented.

CHAPTER OUTLINE

The chapter opens with an introduction of OB from the perspective of one who is successful in the field, the GM of Catholic Healthcare – Mr Sam Galluccio. Sam’s story concludes with some sage advice: “You need to spend time talking to people in the organisation about the issues they face and talking to managers in order to understand their expectations and perspectives on managing”. Further, he remarks that students new to OB can learn how to make a “positive difference” in the workplace by observing their managers.

The study of Organisational Behaviour

Definition:

Organisational Behaviour: 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 toward improving an organisation’s effectiveness.

A. Organisational behaviour is a field of study.

1. OB studies three determinants of behaviour in organisations: individuals, groups, and structure.
2. OB applies the knowledge gained about individuals, groups, and the effect of structure on behaviour in order to make organisations work more effectively.
3. OB is concerned with the study of what people do in an organisation and how that behaviour affects the performance of the organisation.

There is increasing agreement as to the components of OB, but there is still considerable debate as to the relative importance of each: motivation, leader behaviour and power, interpersonal communication, group structure and processes, learning, attitude development and perception, change processes, conflict, work design, and work stress.

Complementing Intuition with Systematic Study

A. Introduction

1. Each of us is a student of behaviour:
 - Since birth we have watched the actions of others and have attempted to interpret what we see, unfortunately, a casual or commonsense approach to reading others can often lead to erroneous predictions.
 - You can improve your predictive ability by replacing your intuitive opinions with a more systematic approach.
 - The systematic approach used in this book will uncover important facts and relationships and will provide a base from which more accurate predictions of behaviour can be made.
 - Behaviour generally is predictable if we know how the person perceived the situation and what is important to him or her.
 - While people’s behaviour may not appear to be rational to an outsider, there is reason to believe it usually is intended to be rational by the individual and that they see their behaviour as rational.

2. There are certain fundamental consistencies underlying the behaviour of all individuals that can be identified and then modified to reflect individual differences.
 - These fundamental consistencies allow predictability.
 - There are rules (written and unwritten) in almost every setting.
 - Therefore, it can be argued that it is possible to predict behaviour.
3. When we use the phrase *systematic study*, we mean looking at gathered information under controlled conditions and measured and interpreted in a reasonably rigorous manner.
4. Systematic study replaces intuition, or those “gut feelings” about “why I do what I do” and “what makes others tick.” We want to move away from intuition to analysis when predicting behaviour.

Contributing Disciplines to the OB Field

A. Introduction

1. Organisational behaviour is an applied behavioural science that is built upon contributions from a number of behavioural disciplines.
2. The predominant areas are psychology, sociology, social psychology, anthropology, and political science.

Figure 1-2 overviews the major contributions to the study of organisational behaviour.

B. Psychology

1. Psychology is the science that seeks to measure, explain, and sometimes change the behaviour of humans and other animals.
2. Early industrial/organisational psychologists concerned themselves with problems of fatigue, boredom, and other factors relevant to working conditions that could impede efficient work performance.
3. More recently, their contributions have been 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.

C. Sociology

Sociologists study the social system in which individuals fill their roles; that is, sociology studies people in relation to their fellow human beings.

Their greatest contribution to OB is through their study of group behaviour in organisations, particularly formal and complex organisations.

D. Social Psychology

1. Social psychology blends the concepts of psychology and sociology.
2. It focuses on the influence of people on one another.

Major area—how to implement it and how to reduce barriers to its acceptance

E. Anthropology

Anthropology is the study of societies to learn about human beings and their activities.

Anthropologists work on cultures and environments; for instance, they have helped us understand differences in fundamental values, attitudes, and behaviour among people in different countries and within different organisations.

F. Political Science

Political science is frequently overlooked as a contributing discipline to the development of OB.

Political science studies the behaviour of individuals and groups within a political environment. Specific topics include structuring of conflict, allocation of power, how people manipulate power for individual self-interest.

There Are Few Absolutes in OB

A. Introduction

There are few, if any, simple and universal principles that explain organisational behaviour. Human beings are complex. Because they are not alike, our ability to make simple, accurate, and sweeping generalisations is limited. That does not mean, of course, that we cannot offer reasonably accurate explanations of human behaviour or make valid predictions. It does mean, however, that OB concepts must reflect situational, or contingency, conditions.

Challenges and Opportunities for OB

A. Introduction

Understanding OB has never been more important for managers. Taking into consideration the dramatic changes now taking place in organisations such as greater demographic diversity, changing organisational structures, changing employee loyalty, and global competition, there are a lot of challenges and opportunities for managers today to use OB concepts.

B. Responding to Globalisation

Organisations are no longer constrained by national borders. Examples of multi-national companies are provided on page 14, demonstrating that the world of commerce has become a global village and the process is changing a manager's job.

1. *Increased Foreign Assignments:* Managers are increasingly finding that foreign assignments are becoming more likely, such as being transferred to an operating division or subsidiary in another country and then managing a workforce that is likely to have different needs, aspirations and attitudes.
2. *Working with people from different cultures:* Even in your own country you will find yourself working with people of different cultures. To work effectively you need to understand how culture, geography and religion shape people in order to adapt your management style.

3. *Coping with an anti-capitalism backlash:* Across the globe the capital focus of efficiency, growth and profits are not always accepted. Managers of global companies realise that practices need to be modified to reflect the values of the different countries in which an organisation operates.
4. *Overseeing movement of jobs to countries with low-cost labour:* In a global economy, jobs tend to flow to places where lower costs provide a competitive advantage, however these practices are criticised by unions, politicians, and local community leaders. Managers must balance the interests of their organisation with their responsibilities to the communities in which they operate.
5. *Managing people when the threat of terrorism is high:* Terrorism has a profound effect on the business world. Increasingly, organisations need to find ways of dealing with employee fears about security precautions and overseas assignments. Understanding emotions, motivation, communication and leadership can help managers deal more effectively.

C. Managing Workforce Diversity

Workforce diversity is one of the most important and broad-based challenges currently facing organisations. Globalisation focuses on the differences between people *from* different countries while workforce diversity addresses the differences among people *within* given countries.

1. *Workforce diversity* means that organisations are becoming more heterogeneous in terms of gender, race, and ethnicity. It is an issue in Canada, Australia, South Africa, Japan, and Europe as well as the United States.
2. *Embracing diversity:* A melting-pot approach assumed people who were different would automatically assimilate. Employees do not set aside their cultural values and lifestyle preferences when they come to work. The melting pot assumption is replaced by one that recognises and values differences.
3. *Changing demographics:* Members of diverse groups were a small percentage of the workforce and were, for the most part, ignored by large organisations (pre-1980s); now:
 - Approximately 34% of full-time workers are women
 - The ageing of the workforce is a significant issue with workers aged 45 years and over currently almost one third of the labour force
4. *Implications:* Workforce diversity has important implications for management practice.
 - Shift to recognising differences and responding to those differences rather than treating everyone alike
 - Providing diversity training and revamping benefit programs to accommodate the different needs of employees

D. Improving Quality and Productivity

1. Total quality management (TQM) is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organisational processes.
2. Implementing quality programs requires extensive employee involvement
3. Process reengineering reconsiders how work would be done and an organisation structured if it were starting over.

E. Improving Customer Service

1. The majority of employees in developed countries work in service jobs—jobs that require substantive interaction with the firm’s customers. For example, in Australia 73% work in services industries while in the United States it is almost 80%.
2. Employee attitudes and behaviour are directly related to customer satisfaction requiring management to create a customer responsive culture.
3. OB can provide considerable guidance in helping managers create customer-responsive cultures.

F. Improving People Skills

1. OB can help managers and professionals develop the people skills needed for managerial effectiveness.
2. OB concepts and theories will help explain and predict the behaviour of people at work and managers will learn new ways to design motivating jobs, techniques for improving listening skills and how to create more effective teams.

G. Coping with “Temporariness”

1. Managers have always been concerned with change:
 - What is different today is the length of time between changes
 - Change is an ongoing activity for most managers. The concept of continuous improvement, for instance, implies constant change
 - In the past, managing could be characterised by long periods of stability, interrupted occasionally by short periods of change.
 - Today, long periods of ongoing change are interrupted occasionally by short periods of stability!
2. Permanent “temporariness”:
 - Both managers and employees must learn to live with flexibility, spontaneity and unpredictability
 - The jobs that workers perform are in a permanent state of flux, so workers need to continually update their knowledge and skills to perform new job requirements.

H. Stimulating Innovation and Change

1. Successful organisations must foster innovation and the art of change.
2. Companies that maintain flexibility, continually improve quality, and beat their competition to the marketplace with innovative products and services will be tomorrow’s winners.
3. Employees are critical to an organisation’s ability to change and innovate.

I. Helping Employees Balance Work-Life Conflicts

1. The creation of the global workforce means work no longer sleeps. Workers are on-call 24-hours a day or working non-traditional shifts.
2. Communication technology has provided a vehicle for working at any time or any place.

3. Employees are working longer hours per week—from 43 to 47 hours per week since 1977.
4. The lifestyles of families have changed creating conflict: more dual career couples and single parents find it hard to fulfil commitments to home, children, spouse, parents, and friends.
5. Employees want jobs that allow flexibility and provide time for a “life.”

J. Improving Ethical Behaviour

1. In an organisational world characterised by retrenchments, expectations of increasing worker productivity, and tough competition, many employees feel pressured to engage in questionable practices.
2. Members of organisations are increasingly finding themselves facing ethical dilemmas in which they are required to define right and wrong conduct.
3. Examples of decisions employees might have to make are:
 - “Blowing the whistle” on illegal activities
 - Following orders with which they do not personally agree
 - Possibly giving inflated performance evaluations that could save an employee’s job
 - Playing politics to help with career advancement, etc.
4. Organisations are responding to this issue by:
 - Writing and distributing codes of ethics
 - Providing in-house advisors
 - Creating protection mechanisms for employees who reveal internal unethical practices

Managers need to create an ethically healthy environment for employees where they confront a minimal degree of ambiguity regarding right or wrong behaviours.

What Manager’s Do

Definitions:

Manager: individuals who achieve goals through people.

Organisation: a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

A. Management Functions

1. French industrialist Henri Fayol wrote that all managers perform five management functions: plan, organise, command, coordinate, and control. Modern management scholars have condensed to four: planning, organising, leading, and controlling.
2. Planning requires a manager to:
 - Define goals (organisational, departmental, worker levels)
 - Establish an overall strategy for achieving those goals
 - Develop a comprehensive hierarchy of plans to integrate and coordinate activities.
3. Organising requires a manager to:

- Determine what tasks are to be done
 - Who is to be assigned the tasks
 - How the tasks are to be grouped
 - Who reports to whom
 - Where decisions are to be made (centralised/decentralised).
4. Leading requires a manager to:
- Motivate employees
 - Direct the activities of others
 - Select the most effective communication channels
 - Resolve conflicts among members.
5. Controlling requires a manager to:
- Monitor the organisation's performance
 - Compare actual performance with the previously set goals
 - Correct significant deviations.

B. Management Roles

1. In the late 1960s, Henry Mintzberg studied five executives to determine what managers did on their jobs. He concluded that managers perform ten different, highly interrelated roles or sets of behaviours attributable to their jobs.

The ten roles can be grouped as being primarily concerned with interpersonal relationships, the transfer of information, and decision making. (*Table 1.1*)

2. Interpersonal roles
- Figurehead—duties that are ceremonial and symbolic in nature
 - Leader—hire, train, motivate, and discipline employees
 - Liaison—contact outsiders who provide the manager with information. These may be individuals or groups inside or outside the organisation.
3. Informational roles
- Monitor—collect information from organisations and institutions outside their own
 - Disseminator—a conduit to transmit information to organisational members
 - Spokesperson—represent the organisation to outsiders
4. Decisional roles
- Entrepreneur—managers initiate and oversee new projects that will improve their organisation's performance
 - Disturbance handlers—take corrective action in response to unforeseen problems
 - Resource allocators—responsible for allocating human, physical, and monetary resources
 - Negotiator role—discuss issues and bargain with other units to gain advantages for their own unit

C. Management Skills

1. Robert Katz has identified three essential management skills: technical, human, and conceptual.

2. Technical skills
 - The ability to apply specialised knowledge or expertise. All jobs require some specialised expertise, and many people develop their technical skills on the job.
3. Human skills
 - The ability to work with, understand, and motivate other people, both individually and in groups, describes human skills.
 - Many people are technically proficient but interpersonally incompetent.
4. Conceptual skills
 - The mental ability to analyse and diagnose complex situations

Decision making, for example, requires managers to spot problems, identify alternatives that can correct them, evaluate those alternatives, and select the best one.

D. Effective vs. Successful Managerial Activities

1. Fred Luthans and his associates asked: Do managers who move up most quickly in an organisation do the same activities and with the same emphasis as managers who do the best job? Surprisingly, those managers who were the most effective were not necessarily promoted the fastest.
2. Luthans and his associates studied more than 450 managers. They found that all managers engage in four managerial activities.
 - Traditional management—Decision making, planning, and controlling. The average manager spent 32 percent of his or her time performing this activity.
 - Communication—Exchanging routine information and processing paperwork. The average manager spent 29 percent of his or her time performing this activity.
 - Human resource management—Motivating, disciplining, managing conflict, staffing, and training. The average manager spent 20 percent of his or her time performing this activity.
 - Networking—Socialising, politicking, and interacting with outsiders. The average manager spent 19 percent of his or her time performing this activity.
3. Successful managers—defined as those who were promoted the fastest: (*Figure 1.1*)
 - Networking made the largest relative contribution to success.
 - Human resource management activities made the least relative contribution.
4. Effective managers—defined as quality and quantity of performance, as well as commitment to employees:
 - Communication made the largest relative contribution.
 - Networking made the least relative contribution.
5. Successful managers do not give the same emphasis to each of those activities as do effective managers—it almost the opposite of effective managers.
6. This finding challenges the historical assumption that promotions are based on performance, vividly illustrating the importance that social and political skills play in getting ahead in organisations.

E. A Review of the Manager's Job

One common thread runs through the functions, roles, skills, and activities approaches to management: managers need to develop their people skills if they are going to be effective and successful.

SUMMARY AND IMPLICATIONS FOR MANAGERS

1. Managers need to develop their interpersonal skills.
 2. OB is a field that investigates the impact of individuals, groups, and structure on an organisation.
 3. OB offers both challenges and opportunities for managers. It offers insights to improve a manager's people skills, value workforce diversity, improve quality and productivity, empower people, design change programs, balance work/life conflicts, meet labour shortages, cope with temporariness and stimulate innovation.
 4. OB offers guidance in creating an ethically healthy work climate.
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EXERCISES AND PRACTICAL ELEMENTS OF OB

MYTH OR SCIENCE?

Preconceived Notions versus Substantive Evidence

Synopsis: Assume you signed up to take an introductory university course in calculus. On the first day, you were asked: "Why is the sign of the second derivative negative when the first derivative is set equal to zero, if the function is concave from below?" You reply, "How am I supposed to know? That's why I'm taking this course."

Now, you are in an introductory course in organisational behaviour. Your instructor asks you: "Why aren't employees as motivated at work today as they were 30 years ago?" Reluctantly, you would begin writing. You would have no problem coming up with an explanation to this motivation question.

You enter an OB course with many preconceived notions that you accept as facts. OB not only introduces you to a comprehensive set of concepts and theories, but it also has to deal with many commonly accepted "facts" about human behaviour and organisations that you have acquired over the years. But these "facts" are not necessarily true. The field of OB is built on decades of research. This research provides a body of substantive evidence that is able to replace preconceived notions.

Teaching note: Place students in groups of three-to-five. Have them brainstorm a list of at least 3 popular "facts" or myths that they have heard about universities, university students, and faculty. Example—university students are rebels; university "boys" (or girls) do not want to get their hands dirty on the job; those who can do, those who can't teach; etc.

1. Record ideas on the board. Go round-robin; take one idea at time from each group in turn until groups contribute all their ideas.
2. Now have students brainstorm about what objective data exists or could be collected to counter each of these myths. Collect the information the same way, posting it on the board.
3. Close with a discussion of the importance of these misperceptions to students and faculty and why the parallel misperceptions about organisational behaviour are important.

Full Case:

Preconceived Notions versus Substantive Evidence

Assume you signed up to take an introductory course in calculus. On the first day of class your lecturer asks you to take out a piece of paper and answer the following question: ‘Why is the sign of the second derivative negative when the first derivative is set equal to zero, if the function is concave from below?’ It is unlikely you would be able to answer that question. Your reply to that lecturer would probably be something like, ‘How am *I* supposed to know? That’s why I’m taking this course!’

Now, change the scenario. You are in an introductory course in organisational behaviour. On the first day of class your lecturer asks you to write an answer to the following question: ‘Why are employees not as motivated at work today as they were 30 years ago?’

You might feel a bit of reluctance, but we would guess you would begin writing. You would have no problem coming up with an explanation to this question of motivation.

These two scenarios are meant to demonstrate one of the challenges of teaching a course in OB. You enter an OB course with a lot of *preconceived notions* that you accept as *facts*. You think you already know a lot about human behaviour.¹

Typically, that isn’t true in calculus, physics, chemistry or even accounting. So, in contrast to many other disciplines, OB not only introduces you to a comprehensive set of concepts and theories; it also has to deal with a lot of commonly accepted ‘facts’ about human behaviour and organisations that you have acquired over the years. Some examples might include ‘You can’t teach an old dog new tricks’; ‘happy workers are productive workers’ and ‘two heads are better than one’. But these ‘facts’ aren’t necessarily true. So, one of the objectives of a course in organisational behaviour is to replace popularly held *notions*, often accepted without question, with science-based conclusions. As you will see in this book, the field of OB is built on decades of research. This research provides a body of substantive evidence that is able to replace preconceived notions.

OB IN PRACTICE

The Great Talent Race

Synopsis: Labour shortages in Australia and elsewhere have made talent management a strategic issue. Melanie Laing, Unisys Asia-Pacific suggests ‘there is a compelling business case for the creation and development of innovative talent management programs – a 25-year-old generation Y employee hoping to quickly rise to a junior management position has very different needs than an employee with 20 years experience looking to move to a senior management role.’ Rod Vawdrey, CEO of Fujitsu Australia since 2003, set about revising the company’s business model and developing a suitable organisational model to support it. He set out to create an environment in which people could thrive, supported by a performance culture that identifies ‘the Fujitsu Way’. He believes that such a culture needs to have a formal, disciplined talent management system that includes making sure that there is clear career succession, and appraisal and feedback systems in place. He reinforces the old cliché: ‘people are our only sustainable asset, and you attract people to the organisation because of how it is perceived in the market and how it treats its people’. Fujitsu has now become an employer of choice through its emphasis on talent management. Rod Vawdrey points out ‘we treat our employees well...we are an employer where you get rewarded for your effort and get recognised for your contribution; you get respected as a person and you get the opportunity to make a name for yourself’.

Sources: Craig Donaldson, ‘Skill Shortages Drive Talent Management’, *Human Resources*, 21 March 2006 (www.humanresourcesmagazine.com.au), Richard Jones, ‘Creating an Industrial-Strength Company’, *Management Today*, September 2006 (www.aim.com.au).

Teaching note: Both of these examples identify the requirement for organisations to focus on employee needs. This brief activity will help the students engage with the research activities frequently undertaken by managers to explore the needs of their staff and the inherent difficulties associated with doing so.

1. Using a visioning and brainstorming method, ask the students to fast-forward five years and to imagine themselves having recently commenced their career. What is it that they ‘need’ from their job, what is their employer ‘offering’ them that will encourage them to stay with that employer? Record their ideas on a whiteboard/blackboard/flip chart.
2. After identifying their needs, debrief and discuss with the large group the differences that are likely to occur in an organisation where three generations of employees are present. How are needs of the ‘baby boomers’ and ‘generation X’ similar or different to the needs of ‘generation Y’? What implications does that have on designing effective talent management strategies?

Full Case:

Labour shortages in Australia and elsewhere have made the issue of talent management a strategic issue. According to Melanie Laing, regional director of human resources for Unisys Asia-Pacific, ‘There is a compelling business case for the creation and development of innovative talent management programs because companies that do this well will rise above their competitors.’ She adds, ‘A 25-year-old Generation Y employee hoping to quickly rise to a junior management position has very different needs in terms of talent management than an employee with 20 years’ experience looking to move to a senior management role.’

Fujitsu Australia has a competitive advantage in acquiring and developing talented employees. Rod Vawdrey joined Fujitsu Australia as CEO in 2003. His objective was to revise the company’s business model and then develop a suitable organisational model to

support that model. The type of organisation he envisaged involved creating an environment in which people could thrive, and creating a performance culture that identifies 'the Fujitsu Way'.

Vawdrey believes that to achieve such a culture, his organisation needs to have a formal, disciplined talent management system that includes making sure there is clear career succession, and appraisal and feedback systems are in place. Getting the right people in the right jobs is a priority. Vawdrey believes that there is still a lot of recycled material in middle management in Australia—a 'permafrost', he calls it—that is stopping the real talent from coming through. He reinforces the old cliché: 'People are our only sustainable asset, and you attract people to the organisation because of how it is perceived in the market and how it treats its people.'

Fujitsu has now become an employer of choice through its emphasis on talent management and developing a culture where, as Rod Vawdrey points out, '...we treat our employees well ... we are an employer where you get rewarded for your effort and get recognised for your contribution; you get respected as a person and you get the opportunity to make a name for yourself.'

SOURCES: Craig Donaldson, 'Skill Shortages Drive Talent Management', *Human Resources*, 21 March 2006: <www.humanresourcesmagazine.com.au/articles/52/0C03DF52.asp?Type=59&Category=917>; and Richard Jones, 'Creating an Industrial-Strength Company', *Management Today*, September 2006: <www.aim.com.au/DisplayStory.asp?ID=601>.

OB IN PRACTICE

Culture, ethics and productivity at NAB

Synopsis: The National Australia Bank (NAB) sacked eight people, including four senior executives, after a damning report into its 2004 \$320 million currency options scandal. Investigations revealed that the systems and culture allowed dealers to conceal losses and record false trades. The four traders at the centre of the scandal were young, highly motivated and gung ho. There was a culture in which risk management controls were viewed as negotiable as opposed to the checks and balances for risk-taking behaviour. The bank is entrenched in an ambitious transformation program designed to redevelop and revitalise the bank. A number of issues the program is designed to tackle include that the organisation is too bureaucratic and cumbersome, inward-looking and not customer-focused. It had a weak compliance framework and major gaps existed in the organisation's cultural framework. While the bank had a set of values, people weren't accountable and the values were not reflected in the way in which were assessed.

Teaching note: Using organisational behaviour approaches it is possible to analyse the reason that the above actions were able to take place undetected and without caution. The case can be explored from the individual, group and organisational level.

1. Depending upon the number of students in the class, either divide the students into three groups or divide them into multiple small groups.
2. Ask the groups of students to analyse the above case from one perspective - either the individual, group or organisational level. The group should explore potential reasons for why the problem

occurred and offer suggestions for what could be done to reduce the problem and encourage adoption a customer focused culture.

3. Return to the large group and ask the small groups to report their analysis and suggestions. Draw together the different levels of analysis.

Full Case:

The National Australia Bank (NAB), Australia's biggest bank, sacked eight people, including four senior executives, after a damning report into its 2004 \$360 million currency options scandal. The extent of the cultural breakdown at NAB was revealed by David Lewis who headed the investigation team into the scandal. His team found that there were issues in the systems and culture that allowed the dealers to conceal losses and record false trades.

Lewis's team interviewed a lot of people. The four traders who were at the centre of the scandal were young, highly motivated and very gung ho. One thing became clear to Lewis: the people involved didn't think they had done anything wrong. Lewis added that the investigation revealed widespread issues within NAB, despite a sophisticated system of controls, and most were connected with cultural and human elements, as opposed to system breakdowns. In particular, there was a culture in which risk management controls were negotiable rather than taken as checks and balances for risk-taking behaviour. However, despite the huge cultural breakdown at NAB, Lewis said, the bank's response has been impressive, and within the organisation the whole affair has been enormously cathartic. The bank has set about a program of corporate renewal that is unprecedented in Australian financial institutions. There is a greater sensitivity to organisational behaviour and to the relationships between culture, ethics and the drive for productivity and the need for cultural change.

Elizabeth Hunter, as head of NAB's people and culture section, is entrenched in the ambitious transformation program designed to redevelop and revitalise the bank. Hunter pointed to a number of issues that the program is attempting to tackle.

The organisation is too bureaucratic and cumbersome. It was inward-looking and not customer-focused. It had a weak compliance framework. And most significant, the investigation into the scandal highlighted major gaps in NAB's cultural framework. Hunter revealed that while the bank had a set of values, people weren't held accountable and values weren't reflected in the way people were assessed. Culture change programs were voluntary, and there was a lack of visible and consistent leadership in this area.

The 2005 employee opinion survey results strongly reinforced that staff are committed to NAB's customers, but it also highlighted a major challenge of getting staff to rebuild their connection with NAB. Hunter said, 'We recognise we have a way to go on our cultural journey. The thing we're most encouraged about is that our people are passionate about the customer and providing outstanding service—this is a great base on which to build the business and culture we need.' The NAB experience highlights for all managers the need to have a sound understanding of organisational behaviour in order to manage the intricacies of an organisation's culture.

SOURCES: Melinda Finch, 'NAB and the Art of Corporate Renewal', *Human Resources*, no. 104, 16 May 2006, pp. 10–11; Stuart Fagg, 'Inside NAB's Culture Nightmare', *Human Resources*, 6 September 2005; and Stephen Long, 'Eight Sacked over NAB Currency Trading Scandal', *The World Today*, 12 March 2004.

QUESTIONS FOR REVIEW

1. *How are OB concepts addressed in management functions, roles, and skills?*

Answer – One common thread runs through the functions, roles, and skills of managers: the need to develop people skills if they are going to be effective and successful. Managers get things done through other people. Managers do their work in an organisation.

- Management functions involve managing the organisation—planning and controlling and managing people within the organisation—organising and leading.
- Management roles are the “parts” managers play within an organisation and involve their interaction with people.
- Management skills, as identified by Robert Katz, boil down to three essential management skills: technical, human, and conceptual. These use OB to manage processes and people and to problem solve.

2. *Define organisational behaviour. Relate it to management.*

Answer – Organisational behaviour (abbreviated 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 toward improving an organisation’s effectiveness. As managers accomplish their work through others, OB provides the tools for guiding the productivity of others, predicting human behaviour at work and the perspectives needed to manage individuals from diverse backgrounds.

3. *What is an organisation? Is the family unit an organisation? Explain.*

Answer – An organisation is a consciously coordinated social unit, composed of two or more people, which functions on a relatively continuous basis to achieve a common goal or set of goals. The family is a type of organisation because it has all the characteristics of an organisation. The one variation is that the “goals” of a family may not be explicit, and therefore students might argue that it is not an organisation per se.

4. *Identify and contrast the three general management roles.*

Answer – In the late 1960s, Henry Mintzberg discovered three general management roles that had sub-roles. The ten roles can be grouped as being primarily concerned with interpersonal relationships, the transfer of information, and decision making.

- *Interpersonal*—ceremonial and symbolic
- *Figurehead*—duties are ceremonial and symbolic in nature
- *Leadership*—hire, train, motivate, and discipline employees
- *Liaison*—contact outsiders who provide the manager with information. These may be individuals or groups inside or outside the organisation.
- *Information*—involve the collection and dissemination of information
- *Monitor*—collect information from organisations and institutions outside their own
- *Disseminator*—a conduit to transmit information to organisational members
- *Spokesperson*—represent the organisation to outsiders
- *Decisional*—focus on making choices
- *Entrepreneur*—managers initiate and oversee new projects that will improve their organisation’s performance
- *Disturbance handlers*—take corrective action in response to unforeseen problems
- *Resource allocators*—are responsible for allocating human, physical, and monetary resources

- *Negotiator*—discuss issues and bargain with other units to gain advantages for their own unit

5. *Contrast the contributions of psychology and sociology to OB.*

Answer – OB is a field of study that investigates the impact that individuals, group, and structure have on behaviour within organisations. Both psychology and sociology are concerned with behaviour. Psychology is the science of behaviour that studies individual behaviour and sociology studies people in relation to their fellow human beings. Psychological study in the field of OB has contributed knowledge on a number of topics including: learning, perception, personality, emotions, training, leadership, motivation, job satisfaction, decision making, etc. Sociological study has contributed knowledge on topics such as: group dynamics, teams, organisational culture, organisational theory and structure, communications, power and conflict.

6. *“Behaviour is generally predictable, so there is no need to formally study OB.” Why is that statement wrong?*

Answer – Such a casual or commonsense approach to reading others can often lead to erroneous predictions. OB improves managers’ predictive ability by replacing intuitive opinions with a more systematic approach. Behaviour generally is predictable if we know how the person perceived the situation and what is important to him or her. While people’s behaviour may not appear to be rational to an outsider, there is reason to believe it usually is intended to be rational and it is seen as rational by them. There are certain fundamental consistencies underlying the behaviour of all individuals that can be identified and then modified to reflect individual differences. These fundamental consistencies allow predictability. When we use the phrase *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.

7. *What are the three levels of analysis in our OB model? Are they related? If so, how?*

Answer – Individual, group, organisation. The three basic levels are analogous to building blocks—each level is constructed upon the previous level. Group concepts grow out of the foundation laid in the individual section; we overlay structural constraints on the individual and group in order to arrive at organisational behaviour.

8. *If job satisfaction isn’t a behaviour, why is it considered an important dependent variable?*

Answer – Job satisfaction is the difference between the amount of rewards workers receive and the amount they believe they should receive. Unlike the other dependent variables, job satisfaction represents an attitude rather than a behaviour. It became a primary dependent variable for two reasons: 1) demonstrated relationship to performance factors and 2) the value preferences held by many OB researchers. Managers have believed for years that satisfied employees are more productive. Much evidence questions that assumed causal relationship. However, it can be argued that advanced societies should be concerned with the quality of life. Ethically, organisations have a responsibility to provide employees with jobs that are challenging and intrinsically rewarding.

9. *What are effectiveness and efficiency, and how are they related to organisational behaviour?*

Answer – An organisation is productive if it achieves its goals (effective) and does so by transferring inputs to outputs at the lowest cost (efficiency). As such, productivity implies a concern for both effectiveness and efficiency. Hospital example—effective when it successfully meets the needs of its clientele. It is efficient when it can do so at a low cost. Business firm example—effective when it attains its sales or market share goals, but its productivity also depends on achieving those goals efficiently. Achieving productivity through effectiveness and efficiency involves all three levels of an

organisation, the individual, the group, and the organisational system. OB provides the tools, insights, and ability to predict outcomes needed to balance these two elements.

QUESTIONS FOR CRITICAL THINKING

1. *Contrast the research comparing effective managers with successful managers. What are the implications from the research for practicing managers?*

Answer: Management research over the past one hundred years has demonstrated that successful managers are both technically competent and have strong interpersonal skills and the ability to work well with others. In the early 20th century French industrialist Henri Fayol developing a conceptualisation of management that, although slightly modified from the original, is still used today to describe the function of management, while in the roles and skills required of managers has been research and document by Henry Mintzberg and Robert Katz respectively.

2. *Why do you think the subject of OB might be criticised as being ‘only common sense’, when one would rarely hear such a criticism of a course in physics or statistics?*

Answer: One of the difficulties encountered by the field of OB is the criticism that it is ‘only common sense’. The criticism has derived because all people, since birth, watch and attempt to interpret the behaviour of others, therefore, all people have developed a set of accepted ‘facts’ regarding the nature of human behaviour and working in organisations. The science of organisational behaviour, however, takes a system approach to examining human behaviour looking at relationships and attempting to attribute causes and effects based on scientific evidence. A scientific and systematic analysis will help managers improve the accuracy of explaining and predicting behaviour.

3. *Millions of workers have lost their jobs due to downsizing. At the same time, many organisations are complaining that they cannot find qualified people to fill vacancies. How do you explain this apparent contradiction?*

Answer: There are few if any, simple and universal principles that explain organisational behaviour as humans are complex, they are not all alike, and often our ability to make simple, accurate and sweeping generalisations is limited, organisations as collections of individuals are equally complex. Economic ups and downs are difficult to predict and organisations must attempt to improve productivity, efficiency and cost effectiveness. This may lead organisations through a process of identifying the ‘right’ size of the firm for the current and near future. However, labour shortages are also predicted to continue for the next ten to fifteen years because of population changes, thus managers will need sophisticated recruitment and retention strategies to keep skill employees or risk the dilemma of having no one to manage.

4. *On a scale of 1 to 10 measuring the sophistication of a scientific discipline in predicting phenomena, mathematical physics would probably be a 10. Where do you think OB would fall on the scale? Why?*

Answer: It is likely that a wide range of responses will be provided to this question. However, it is important for students to realise that like the physical sciences, organisational behaviour is the science of analysing and predicting behaviour based upon scientific evidence. However, unlike the physical sciences there are few absolutes in the study of human behaviour. People are complex, situations change, and not all variables impacting upon behaviour can be analysed singled out and analysed.

5. *What do you think is the single most critical ‘people’ problem facing managers today? Give specific support for your position.*

Answer: Depending upon the students' experiences a wide range of issues is likely to be identified here. The text covers a number of challenges for today's managers including the globalisation of the workforce and working with people of different cultures, managing a workforce of increasing diversity and complexity, improving quality and productivity, the shortage of skilled labour, efforts to improve customer service through people, improving managerial effectiveness through the development of people skills, empowering staff, coping with change or temporariness, stimulating innovation and change, helping employees balance work and family lives, improving the conduct of ethical behaviour and working in networked organisations.

EXPERIENTIAL EXERCISE

Workforce Diversity

Purpose:

To learn about the different needs of a diverse workforce.

Time required:

Approximately 40 minutes.

Participants and roles:

Divide the class into six groups of approximately equal size. Each group is assigned one of the following roles:

- **Nell** is 28 years old. She is a divorced mother of three children, aged three, five and seven. She is the department head. She earns \$65,000 a year on her job and receives another \$4,500 a year in child support from her ex-husband.
- **Enid** is a 72-year-old widow. She works 25 hours a week to supplement her \$8,000 annual pension. Including her hourly wage of \$10, she earns \$22,000 a year.
- **John** is a 34-year-old Maori born in New Zealand who is now an Australian permanent resident. He is married and the father of two small children. John attends university at night and is within a year of earning his bachelor's degree. His salary is \$35,000 a year. His wife is a solicitor and earns approximately \$70,000 a year.
- **Lu** is a 26-year-old physically impaired male Asian Australian. He is single and has a master's degree in education. Lu is paralysed and confined to a wheelchair as a result of a car accident. He earns \$40,000 a year.
- **Maria** is a single 22-year-old Samoan woman. Born and raised in Samoa, she came to Australia only three months ago. Maria's English needs considerable improvement. She earns \$25,000 a year as a cleaner.
- **Mike** is a 16-year-old white male high school student who works ten hours a week after school and during holidays. He earns \$10.20 an hour, or approximately \$5,600 a year.

The members of each group are to assume the character consistent with their assigned role.

Background:

Our six participants work for a company that has recently installed a flexible benefits program. Instead of the traditional 'one benefit package fits all', the company is allocating an additional 25 per cent of each employee's annual pay to be used for discretionary benefits. Those benefits and their annual cost are listed below.

- Supplementary health care for employee:
 - Plan A (no deductible and pays 90 per cent) = \$3,000
 - Plan B (\$200 deductible and pays 80 per cent) = \$2,000
 - Plan C (\$1,000 deductible and pays 70 per cent) = \$500
- Supplementary health-care for dependants (same deductibles and percentages as above):
 - Plan A = \$2,000
 - Plan B = \$1,500
 - Plan C = \$500
- Supplementary dental plan = \$500
- Life insurance:
 - Plan A (\$25,000 coverage) = \$500
 - Plan B (\$50,000 coverage) = \$1,000
 - Plan C (\$100,000 coverage) = \$2,000
 - Plan D (\$250,000 coverage) = \$3,000
- Mental health plan = \$500
- Prepaid legal assistance = \$300
- Leave = 2 per cent of annual pay for each week, up to six weeks a year
- Superannuation at retirement equal to approximately 50 per cent of final annual earnings = \$1,500
- Four-day work week during the summer months (available only to full-time employees) = 4 per cent of annual pay
- Day-care services (after company contribution) = \$2,000 for all of an employee's children, regardless of number
- Company-provided transportation to and from work = \$750
- University fees reimbursement = \$1,000
- Language class fees reimbursement = \$500

The task:

1. Each group has 15 minutes to develop a flexible benefits package that consumes 25 per cent (and no more!) of their character's pay.
2. After completing step 1, each group appoints a spokesperson who describes to the entire class the benefits package they have arrived at for their character.
3. The entire class then discusses the results. How did the needs, concerns and problems of each participant influence the group's decision? What do the results suggest for trying to motivate a diverse workforce?

Note: Special thanks to Professor Penny Wright (San Diego State University) for her suggestions during the development of this exercise.

Teaching Notes

1. With these types of exercises, students will press for the "right answer." Emphasise that how they reached their decisions and awareness of other's perspectives is key here, much more so than the final decision.
2. The allocation of resources may take several forms and be correct. Students should look at how well the needs were met by their decision.
 - What needs were identified?
 - How did each element of the benefit plan meet the identified need?
 - How diverse were the needs, and why were they so diverse?
 - How do the recommendations reflect the current enterprise bargaining framework in Australia?

ETHICAL DILEMMA – Lying in business

Is it ever OK to lie?

Most people would probably agree that lying during a negotiating for the release of hostages would be OK, but what about lying in business when the stakes are not life and death?

As a case in point: Jordan, sued his ex-employer as the company did not disclose to him that the company was undergoing an impending sale. Jordan left his employer and sold his shares, ten days later the sale of the company was made public and those sold shares became worth more. In the eyes of the law, sometimes omitting relevant facts can be as bad as lying.

***Teaching note:** Ethical dilemmas provide an opportunity to explore the value and attitude differences of the students and usually provide sufficient energy for animated class discussions. This can often be a critical learning point for many.*

Facilitate a class discussion based upon the following:

1. In a business context, is it ever OK to lie?
2. If any students answered ‘yes’, lead a discussion about the situations when they believe it would be appropriate and why. If the students answered ‘no’, explore why they believed this to be the case.
3. Then explore with the students whether they believe that in business withholding information for one’s advantage is the same as lying and why or why not.
4. The final question asks the students to explore whether in the business context if someone has something to gain by lying, percentage of the people, do they think would lie?

Emphasise to students that there is rarely a ‘right or wrong’ answer to these dilemmas, however, there are always consequences to decisions. Ask the students to reflect upon the various consequences of their proposed actions.

CASE Study 1 – The ‘High School Casual’

The Australian retail industry which provides approximately 15 per cent of all jobs is a heavy user of casual employment with about 45 per cent of retail jobs being casual. The two giants of the retail industry Coles Myer Ltd and Woolworths Limited account for 22 per cent of all people employed in the retail trade. Walton’s Emporium is an independent retailer employing 35 high school students as casuals and generally hires them from the age of 15 based upon enthusiasm, presentation and the results of a numerical test. Working hours vary, although most anticipate a Friday evening and all day Saturday, however, unexpectedly and without reason a casual might be dropped from a shift for two to three weeks. The perception of casual staff is that this is a covert means of punishment, although no formal performance review is conducted. Relations between casual staff and full-time staff is not affable, with full-time staff finding casuals a hindrance and casuals finding the full-time staff disparaging. Casuals are provided two weeks on-the-job training on duties relating to checkout operation and customers, however, product training, general customer service and catalogue specials is only provided to full-time staff. The

www.hotbot.com

www.looksmart.com

For this first exercise, go to www.searchenginewatch.com to learn more about what Search Engines and Metacrawlers do and how they differ. Once you are on the searchenginewatch home page, click on [Search Engine Listings](#) then on [Major Search Engines](#). This page presents an overview of the major engines and how best to use them. Do not forget to look at other topics on this web site that are interesting to you.

Now perform a search on “Organisational Behaviour” using three different search engines. Do the results differ or are they the same? If they differ, why do you think they are different? Write a paragraph or two answering these questions based on what you learned from researching Search Engines. Also, include another paragraph providing examples and/or reasons of when you would use choose one Search Engine over another.

2. The text tells us that OB replaces intuition with systematic study. Where do scholars prepare for a career researching OB topics? Additionally, what if you decide at some point to pursue graduate study in OB. Where would you go? Perform a search to identify two-to-three graduate programs in OB and print out the home page with the descriptions of these programs and bring them to class. Note that different schools have programs in different departments and disciplines which show the diversity thinking about OB in these programs. If you need ideas as to where to start, try:
 - Harvard—<http://www-hugas.harvard.edu/webfiles/admis/socsci/orgbeh.htm>
 - Official web site of the Organisational Behaviour Division of the Academy of Management—<http://www.buec.udel.edu/OBWeb/>

If time allows, we will discuss as a class the information you found on the general areas of study and the types of courses required in graduate work in OB.

3. The field of OB is closely linked to practice of Human Resource Management (HRM). Go to the Australian Human Resources Institute web page: www.ahri.com.au and answer the following questions:
 - As you read the AHRI homepage, identify OB topics and list on a separate paper. Try to find as many as possible. Compare your list with a classmate and note the ones you missed.
 - Choose one of the topics and on a separate paper write three questions you have on the topic. Click on the topics or web links on the AHRI homepage and try to find the answers. If you find what you are looking for, write the answers next to your original questions. If you are unsuccessful in finding the answers, write a short paragraph describing what your strategy would be to find the answers you want.
4. Find an organisation that directly addresses the cost of absenteeism or turnover on its Web site. What, if anything, is that organisation doing to reduce those costs? What did your search tell you in terms of the importance or unimportance of these costs to organisations? In class we will meet in small groups to discuss the strategies organisations are using. Once you have found an organisation, check with me to make certain that we do not have too many in the class researching the same company. Be prepared to talk about your organisation’s strategy to the group and possibly the class.
5. Try some advanced searching. Go to www.google.com and click on [advanced search](#). In the “exact phrase” box, key in “organisational behaviour,” and in the “at least one of these words”

box, key in “globalisation. On the drop down menu for Language choose English. Scroll through the pages to determine if there is a pattern to the types of web pages returned. Go back to the advanced search page (use your back button or retype the URL). This time in the “exact phrase” box, key in “globalisation,” and in the “at least one of these words” box, key in “employ*” (the * is a wildcard symbol which will bring up any word which begins with employ such as employee). What types of pages were returned this time? Which would be more useful to a scholar researching OB and globalisation? Why? Now, repeat the above process choosing an OB topic of your choice instead of “globalisation.” Did you find similar patterns of web page returns with your first and second try? Prepare a paragraph or two telling what you learned about researching OB topics on the WWW.

6. Visit the companion web site for our textbook to see what resources are available to you. You will need to register to enter the site. (Keep track of your password!) Take the true/false practice test for the first chapter and print your results.

ⁱ Chris Woodyard, ‘War, Terrorism Scare off Business Travelers’, *USA Today*, 25 March 2003.