

Organisational Behaviour

Topic summaries

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Organisational Design

Exams

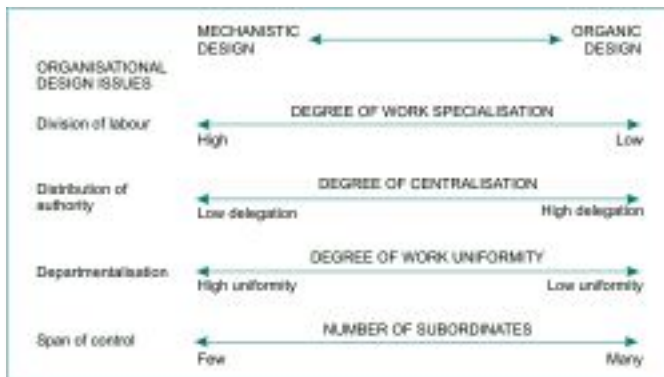
- December 2009, Essay 3
- June 2009, Essay 2

Key concepts

- Organisational Design
- Downsizing
- Delayering

Organisational Design

- **Division of labour**
How the company approaches job specialisation. Tends to be high in organic, traditional, functional structures
- **Delegation of authority**
Delegation of authority must be accompanied by delegation of responsibility to the lowest level in the organisation
- **Departmentalisation**
How is the company organized internally?
- **Span of control**
Specifies the number of reporting staff allocated to managers



Departmentalisation in OD

- Functional
- Product/ Division
- Territorial
- Matrix

Product design has the advantage that customer-facing staff is product knowledge able and able to relate much more closely to product specific problems. Allows for the creation of smaller business units that can act as profit centres and performance measures are much easier to identify. There is some duplication of functions in Product structures and product change can be harder.

Territorial design splits the organisation into geographical areas and allows staff to concentrate on specific customer groupings. Allows for good training opportunities for people to move up the management structure and at the same time makes the organisation more customer responsive. There is again some measure of duplication of functions, and managers have to be capable of managing across more than one function.

Matrix design overlays a product or project design onto a functional one and has the advantages of both Product and Functional structures. The focus on teams is much greater than in other designs. The major problem with Matrices is the problem of staff having more than one boss (and the possible confusion of priority in objectives).

Downsizing

- Reducing the size of the workforce
- Lowering the costs of operating the organization
- Increased levels of stress for all involved
- Has to be managed using planned change processes (Lewin, Dailey)
See separate topic in this!

Delaying

- Reducing or eliminating layers of middle managers
- Adds to the effect of downsizing by reducing management costs
- Directly impacts on delegation of authority and division of labour
- May be necessary for the organisation to complete job redesign
- Appropriate time to think about introducing Self-Directed Teams (SDTs) to take over some of the decision-making previously completed by managers

Change Management

Exams

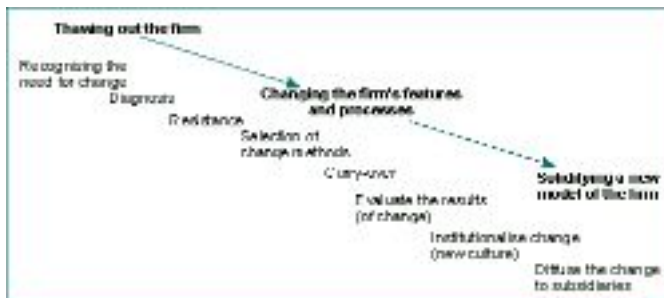
- December 2009, Essay 3
- June 2009, Essay 2
- June 2008, Essay 1

Key concepts

- Planned Change (PC) process
 - Kurt Lewin
- Robert Dailey 8-step model

The Planned Change Process (PC)

- Developed by Kurt Lewin
 - Unfreeze
 - Change
 - Refreeze
- Refined by Robert Dailey into an 8-step model
 - Unfreeze
 - § Recognising the need for change
 - § Diagnosis
 - § Dealing with resistance to change
 - Change
 - § Selection of change methods
 - § Carry-over
 - § Evaluation of results
 - Refreeze
 - § Institutionalising the change
 - § Diffusing the change throughout the organisation



Diagnosis

Multi-level collaborative data-gathering process. Serves to create dissatisfaction with the status quo. Can be assisted by appointing a change agent, as well as a steering committee made up of experienced, respected staff with good communication skills. The level of diagnosis creates expectations of the change process.

Resistance

Managing the inevitable resistance to change, which is effectively fear of the unknown. Resistance can be reduced by involving as many people as possible in the change. Participation will lead to staff feeling mentally and physically involved in the process, motivated to contribute, and willing to accept any authority which may be delegated to them as a result.

Carryover

Change behaviours are often learned off-site, this stage makes them real in the work setting. Carryover is assisted if employees can use what they have learned immediately; they can see how it is applicable to what they do. Managers and supervisors act as role models.

Evaluation

Helps understand the extent to which the change has been successful. It means individuals' reactions, attitudes, knowledge and behaviour; it means the change from a customer perspective as well as from the organisational perspective.

Institutionalisation

When the change is embedded permanently in the structures, processes and culture of the organisation. This is helped if senior managers show their full commitment to the changes and act as role models; if the changes live up to expectations; if the changes produce the rewards promised; and as long as a multi-level diagnosis and a full evaluation were conducted.

Diffusion

Often changes are piloted first in a sub-unit. Diffusion is when the changes are rolled out to the rest of the organisation.

Organisational culture

Exams

- June 2009, Essay 2
- June 2008, Essay 1
- December 2007, Essay 1

Key concepts

- HOME
- Difficult to define

H: History

- Making the organisation's history relevant to today's business activities

O: Oneness

- Creating shared expectations around the organisation's core values

M: Membership

- Raising the level of information exchange, swapping ideas amongst staff

E: Exchange

- Co-ordinating between staff, customers and vendors.

Professor Smircich, an expert on organisational culture, tells us Organisational culture is the beliefs and values which are understood by employees.

Dimensions of organisational culture:

- Culture indicates the 'way of life' for workers
 - Influence often taken for granted
 - Culture becomes obvious when it must change
- Culture is stable over time and it resists quick changes
- A culture involves internal and external aspects
 - Internally, a culture might encourage product quality, cost effectiveness and accuracy
 - Externally, the culture may promote customer service, timely distribution, price competitiveness and social responsibility
- Culture can be
 - Measured
 - Evaluated
 - Perfected
- Culture can develop in a random fashion or it can be managed to support the firm's strategic plan.
 - If culture is ignored by executives the firm will forget what it does well'

Multiple Cultures in Organisations

Because of geographic dispersion and variations in business environments and product lines, firms develop subunits with distinctive cultures. Example: Hardware vs. Software development areas.

The firm's culture depends on two things

1. The role of the chief executive (or founder)
2. The firm's socialisation process: "learning the ship's ropes"

The Chief Executive or Founder's Role

Organisational Behaviour Topic Summary

Extremely successful companies owe a lot to their dynamic founders or charismatic leaders. Strong cultures of very successful companies reflect the personal values of the founder. The imprint of Watson on IBM, Gates on Microsoft, Jobs on Apple, and Michael Dell on his eponymous computer company is obvious.

Socialisation

Socialisation transmits an organisation's culture from one generation of employees to the next. Firms that successfully integrate strategy and organisational culture try to avoid haphazard employee selection, unchallenging job assignments and fragmented career paths which all erode culture and cause the firm to badly under-perform its rivals. Professor Pascale claims that firms with strong cultures go to great lengths to teach employees how to thrive in their work surroundings.

Developing Adaptive Organisational Cultures

A strong culture is not always a proven support to competitive advantage! A strong, change-resistant culture may impede growth, earnings and competitiveness (example: IBM in the 1990's). A strong culture that adapts to changes in the firm's financial and strategic goals ensures that the firm detects and responds positively to profit-making opportunities. Management that wants an adaptable (and strong) culture must make investments in labour force training and development.

Team building, team performance

Exams

- June 2009, Essay 3
- December 2006, Essay 3
- June 2006, Essay 3

Key concepts

- Team development stages
- Leadership style
 - Project team
 - Self Directed Team

Team development stages (according to Tuckman's model)

- Forming
- Storming
- Norming
- Performing

Forming

- Members move from a personal focus to a group focus
- Members are busy to
 - Identifying the behaviours most important to the group
 - Assessing the skills, abilities and experiences of members
 - Discussing and comparing members' goals and motives
 - Assessing the degree of early commitment and involvement of members to the group
- Leads to the formation of roles and hierarchy of authority
- Pressuring groups to move quickly through forming is a good idea

Storming

- Interpersonal conflict emerges
- Member dissatisfaction with the current leader may surface and he may be replaced
- These disagreements are stage 2 process losses and they are necessary to create a basis for trust and collaboration and movement to stage 3
- If the group is unable to develop member behaviours to support trust and collaboration, members will be able to satisfy their personal needs more effectively on their own rather than through group membership
 - May create late stage 2 turnover and absenteeism
 - Some groups get stuck here and never make it out of stage 2
 - Hurts the members and the organisation
 - § Resources wasted in constructing the group
 - § Employees less likely to see future group membership as a viable career pathway or a pathway to personal need satisfaction

Norming

- Interpersonal conflict subsides and the group's normative structure emerges
- Members are thoroughly aware of their involvement and commitment to the group
- Members believe firmly that the benefits of group membership outweigh its costs
- Leadership position is established and stable

- Group has a hierarchy of roles
- Group may become 'over-confident' to the extent that groupthink sets in

Performing

- Actual performance close to potential performance
- Group exhibits collaboration; i.e. members confront and solve task-related conflict and interpersonal conflict
 - Collaboration sustains members' involvement, motivation to contribute, acceptance of authority and active participation
- Composed of members who are confident about their personal abilities
- Team members reinforce each others' confidence in the group's ability to achieve its performance objectives
- Key difference between a stage 3 and a stage 4 work group is the ability of the stage 4 group to detect the emergence of process losses in sufficient time to correct them

Leadership style

Increasing cohesion in teams to move groups to stage 4

- Clarify objectives and expectations
 - Key at all stages of group development. Group knows what the objectives are and has clear goals
- Encourage the groups to develop norms
 - For dealing with conflict, gathering information, making decisions
- Give the group regular feedback on behaviours that help or hinder the group
- Formalise the role of disturbance handler
 - Give it to a team member with a high need for affiliation
- Consider the composition of the team
 - Has it the best fit of people, personalities, experience, expertise and individual differences in order to deliver the project?
- Is the size of the teams an issue?
 - Larger groups have more ideas, experience more conflict and have lower performance per individual. Larger groups are more difficult to manage (perhaps they have social loafers) and they tend to have more vague and general objectives
- Role of the project manager in the team and how is he perceived?
 - Could the project managers be part of the problem? Is he taking advantage of positional power to dominate the group? Acting as good role models and letting group members criticise his role?
- Refocus the team on objectives by considering rewards
 - Team-based bonus tied to completion of key stages of the project?
- Performance Appraisal
 - PA system aligned to teamwork, or are individuals still being assessed on their individual workload? Are 360-degree appraisals used?
- Role conflict in that team members are reporting to two managers? Clear reporting lines between project manager and line manager?
- It may be worth getting a facilitator in to look into the reasons why groups are not operating to their full potential, in case the PMs are part of the problem.
- Team-building exercise
 - Could encourage cohesion and help groups to work better together
- Perhaps groupthink has set in?
 - When individuals adapt their norms to those of the groups and suspend critical thinking. Symptoms of groupthink are
 - Illusions of invulnerability

- Collective rationalizing
- Mindguards
- Illusion of high morality and ethics
- Negative stereotyping of the opposition
- Putting pressure on dissenters to 'be the line'
- Self-censorship
- Illusion of unanimity

Try to overcome groupthink with

- Introduce external experts to the project teams regularly
- Sub-group - Get the opinion of a sub group before consulting with the whole group
- Formalise the role of critical evaluation of ideas, on a rotating basis, so nobody feels left out
- Don't let powerful members dominate - this can be helped by separating idea generation from evaluation (brainstorming)
- Hold a 'second-chance' meeting after important decisions have been made to give members a chance to have 'second thought'

Groupthink is often a problem when groups have charismatic leaders with high referent and legitimate power - so the role of the PMs needs to be reviewed.

- Create the illusion of a 'common enemy'

This can unite the team, as long as they perceive the threat to be manageable.

Job Design

Exams:

- June 2010, Essay 2
- December 2008, Essay 1
- June 2006, Essay 1

Key concepts

Job design is all about getting the job content factors right in terms of:

- **Skill variety** (the different skills, talents and abilities to do the job)
- **Task identity** (the completeness of tasks from start to finish)
- **Task significance** (the influence on the life of the employee and other people)
- **Autonomy** (employee freedom and discretion to control the work)
- **Feedback** (direct feedback on the effectiveness of the employee)
- **Social opportunities** (opportunity to interact with others at work and socially)



Address critical psychological states of the employee

- Experienced meaningfulness of the work
- Experienced responsibility for work outcomes
- Knowledge of results from work activities

Job design principles include

- **Horizontal job loading** where the work can be expanded by applying
 - Job rotation
 - Job enlargement
 - Cross training with other employees
- **Vertical job loading**
 - Providing opportunities to learn new skills
 - Giving employees the ability to influence scheduling of work
 - Designing each job with some unique qualities
 - Giving employees control over job resources
 - Increasing personal accountability

In practical terms, there are a number of obstacles that might stand in the way of implementing Job Design principles:

- Technological aspects of a job are such that significant changes in Job Design might be impossible or too expensive

- The cost of starting up and maintaining a Job Design programme can be high on an organisational basis. Especially in times of environmental or organisational change, it may well be that too much effort has to be put into Job Design to make it effective
- There is a need to take into account the preferences of individual employees to make Job Design effective. If this is the case, then resistance to change will be much greater. In organisations that have adopted the principles of involvement, empowerment and self-directed teams, there is a greater likelihood of successfully implementing a Job Design programme
- Resistance from Managers or Unions. For Job Design to be effective managers must be prepared to delegate authority because if this is a problem it can lead to the failure of Job Design programmes. Equally, union opposition can pool the resistance of individual employees and become a major barrier to effective change being implemented.

Appraisal Systems

Exams:

- December 2009, Essay 2
- December 2008, Essay 2
- June 2007, Essay 2

Key concepts

Most common forms of appraisal systems are

- **Absolute standards** (AS)
- **Graphic scales rating systems** (GRS)
- **Behaviourally anchored rating systems** (BARS)
- Supported by MbO (Management by Objectives)

Employees need to be able to link their day-to-day work with company plans. Solution is to have a cascaded set of goals throughout the company hierarchy from top to bottom. This will give a 'clear line of sight' between jobs and organisational objectives.

Management by Objectives (MbO) can be used as an input to these systems.

Absolute Standards (AS)

- Have an 'all or nothing' feature (employee trait either present or not)
- Personal bias from the supervisor can become a major issue
- 'Halo effect' (rating an employee based upon the evaluation of other traits)
- Recency error (supervisor rates the whole year based upon one recent event)
- Most AS systems do not have a requirement for ongoing feedback
- Strictness or leniency errors
- Similarity error (supervisors rate own qualities as important)
- Forced rating (supervisor matches individual ratings with an overall rating)

Graphic scales rating systems (GRS)

- Most popular system in use
- Numerical rating scale (1-5, 1-10, etc.)
- Isolates several aspects of personality and behaviour and ties them to criteria which are meaningful to both the supervisor and employee: criteria possess content validity
- Rating differentiates between individual employees
- Encourages tendency to spread employees out along each scale
- Supervisors are in a much stronger position to assess the strengths and weaknesses of individuals
- Has validity issues related to strictness, leniency or similarity
- Use of fixed distributions by some organisations creates inequity problems
- Supervisors have a subconscious tendency to use only part of the rating scale

BARS

- Provides concrete examples of behaviours for different levels of performance
- Originated in BMod: emphasises behaviours that can be observed, learned, measured
- Ensure content validity through two cycles of design and check'.

- Each numerical level of performance is a discrete (and defined) behaviour: a behavioural anchor. They provide concrete, observable examples of behaviours related to a performance dimension. The behaviours are clear, observable, and employees can learn to exhibit the good ones and avoid the bad ones
- Takes time to develop and they do not work very well for jobs that require creativity, intellectual curiosity, innovation, and complex problem-solving
- Can be linked to MbO to provide a coherent organisational system
- Emphasises work behaviour and gives supervisors and employees sight of different levels of performance in behavioural terms
- Focus is on how the job is done rather than individual characteristics
- Design of the system is inherently participative (Theory Y perspective)
- A number of systems may need to be created to match job sets producing much more complicated system overall

MbO

- Developed by **Peter Drucker**
- Organisational application of goal-setting theory
- Establishes clear organisational goals
- Increases work motivation and employee performance
- Provides clear expectations of what is required of the employee by the organisation
 - One-to-one meetings with managers to ensure that SMART goals are set
 - § Specific
 - § Measurable
 - § Achievable
 - § Relevant (also: Resource-based)
 - § Time-specific
- Improves validity of performance evaluation
 - Organising periodic formal and informal review sessions so that progress can be monitored and corrective action put in place
- Requires ongoing reporting of progress to meeting objectives
- Provides a clear set of data against which to judge performance
- Gives individuals clear line-of-sight between their own objectives and those of the overall organisation
 - Setting specific outcome criteria to establish when a goal has been delivered
- Integrates personal with organisational goals, encouraging people towards self-actualisation

In implementing either MbO or Performance Appraisal it is important that:

- People are trained (both at employee and at managerial level) to operate the system
- That neither system degenerates into a less than useful bureaucracy
- That both systems should encourage a dialogue between managers and employees so that 'line of sight' is clear
- It is important to link development opportunities with both so that any deficiencies can be addressed in a positive fashion
- Both systems can be linked to rewards (intrinsic and/or extrinsic)
- Both systems can take a long time to develop and implement effectively so it is important to plan to spend that time to achieve a system that fits the organisation.

Locus of control

Exams:

- June 2009, Essay 1

Key concepts

Locus of control is either

- **Internal**
- **External**

Externaliser (external locus of control)

- Believes that nothing can be done at an individual level
- Low job-related need for achievement
- Look for fulfilment outside the work environment
- Low instrumentality
- More likely to develop Type B behaviour patterns, hence they take everything a little bit more relaxed and are less ambitious
- Rewards allocated by the organisation are more to do with being in the right job and place in the organisation rather than being linked to individual performance or contribution to organisational objectives
- Believe that in performance appraisal managers have favourites that get higher assessments, again not linked to "real" performance or contribution
- Believe that anyone can become an addict to drugs or alcohol
- Other people's attitudes cannot be changed through logical discussion

Internaliser (internal locus of control)

- Sees that their life and career are in their own hands
- Have a high need for achievement
- Instrumentality is high
- Willing to exert substantial effort to achieve their goals
- More likely to get frustrated if they can't develop their skills
- More equity-sensitive
- Believe that reward is an expected outcome resulting from hard work, achievement and a result of taking initiative
- Good performance appraisal results from hard work and positive contribution to the organisation
- Believe that addiction is a result of individuals giving up control
- Logic can change attitudes in others

Behaviour modification (BMod)

Exams:

- June 2007, Essay 1

Key concepts

- Rooted in the work of Professor B. F. Skinner
- Places the environment front and centre in motivation
- De-emphasises the role of the individual in the motivation process
- States that external or environmental consequences determine behaviour

Main principles of BMod are the *four contingencies of reinforcement*:

- **Positive reinforcement**
Behaviour is strengthened by the occurrence of pleasant consequences
Example: Employee receives a bonus for a job well done
- **Negative reinforcement**
Behaviour is strengthened by removal of an unpleasant consequence
Example: Employees come to work on time to avoid supervisory reprimands
- **Extinction**
Behaviour is weakened if a positive consequence does not follow
Example: Employee engages in distracting conversations with his fellow workers. They respond by ignoring him.
- **Punishment**
Behaviour is weakened if an unpleasant consequence occurs after the behaviour
Example: In a team meeting an employee is caught playing hearts on his laptop by his supervisor. The supervisor singles out the card player and makes an example of him before the entire group.

Schedules of reinforcement

- **Fixed ratio**
 - A fixed number of behaviours must occur before reinforcement occurs
- **Variable ratio**
 - Variable number of behaviours (around some average number) must occur before reinforcement
- **Fixed Interval**
 - After a given amount of time has elapsed, reinforcement occurs
- **Variable Interval**
 - After a variable amount of time (varying around an average time) has elapsed, reinforcement occurs

Pros and cons of BMod

- Pros
 - Focuses on *observable behaviour* instead of intangible individual differences
 - No manipulation occurs when *employees participate* in the behaviour modification
 - Improves employee instrumentalities
 - Employees receive higher quality feedback about their performance
- Cons

- Undermines employee respect and dignity
- Makes organisations more manipulative and exploitative
- Makes employees dull and dehumanised extensions of the machines or systems they operate
- Oversimplifies work behaviour and erodes employee creativity

Stretching the ratio or interval of reinforcement refers to shifting a reinforcement schedule from one rate to another. At first rewards are appreciated by employees. If they continue to occur too often they can lose their meaningfulness. Potency can be maintained by stretching the ratio or interval of reinforcement. As a rule, financial rewards should not be administered through stretching reinforcement schedules because employees experience such a manoeuvre as a cynical and transparent ploy.

Motivation theories

Exams:

- December 2009, Essay 1
- June 2009, Essay 1
- June 2008, Essay 2
- June 2007, Essay 1

Key concepts

- Two categories of motivation theories
- Cognitive theories
 - Posit that behaviour is a function of internal needs and motives
 - **Content theories**

Specify those human needs which activate behaviours aimed at need reduction. Answer the question: 'What specific needs cause motivation?'

 - § Abraham Maslow's Hierarchy of Needs
 - § Frederick Herzberg's Two-Factor' theory
 - **Process theories**

Inject the importance of human perceptions of environments in explaining motivation. Explain how behaviour is stimulated, directed, sustained, or stopped

 - § Equity theory
 - § Expectancy theory
- Behavioural theories

State that external or environmental consequences determine behaviour

 - **Behaviour modification** (BMod)

O See separate topic on this!
- Locus of control
 - Internal
 - External

O See separate topic on this!
- Socially acquired needs
 - Need for Achievement
 - Need for Affiliation
 - Need for Power
- Values
 - Terminal values
 - Instrumental values

Abraham Maslow's Hierarchy of Needs

Maslow suggests that one moves up through the levels over time and only when the previous need has been satisfied - the stages are:

- **Physiological**
 - Meet human basic needs of shelter, warmth, food and reproduction (sex). In developed countries the absence of the basic needs being satisfied is rare.
- **Safety and Security**
 - Need to feel safe, provides safety for loved ones through things like life assurance, health plans etc.
- **Belonging**

- First of the higher order needs, that are more cognitive. This relates to our socialisation requirements and sense that we play a role in our families, communities etc.
- **Self-esteem**
 - Need to feel recognised, appreciated and that one is an expert in the chosen field. Often this is developed as one progresses to mid-high levels in an organisation.
- **Self-actualisation**
 - Need to feel like one has done one's best, has a lasting legacy and has reached full potential. Perhaps difficult to fully achieve as it is infinite in its very nature.

The lower needs 'pull' a person in its motivation and the higher needs 'push' one on to greater things.

Frederick Herzberg's Two-Factor' theory

- Hygiene factors
- Motivators

Hygiene factors

Similar to lower order needs in Maslow's theory

Include basic factors such as pay, working conditions

Motivators

Things in the job that please the individual and satisfy psychological or intrinsic needs

- Job content
- Challenges
- Skill variety
- Method of supervision
- Incentive schemes

Herzberg expands his theory to include a link to job satisfaction:

- Provision of hygiene factors ensures people are not dissatisfied
- Existence of motivators is what pushes people into the territory of having job satisfaction

Equity theory

Very individual! What the manager thinks is going on when it comes to rewards is much less important than how employees perceive rewards and their distribution.

<u>Employee's rewards</u>	compared to	<u>Other's rewards</u>
Employee's inputs		Other's inputs (efforts)

Suggests that people perform based upon how equitable they feel their rewards are compared to others. If they feel positive (well rewarded) then they may improve performance. If they feel negative equity then they are likely to reduce performance or change the co-worker comparison or reduce the performance of others to reach parity.

When employees experience fairness, they respond with more motivation, and they experience more satisfaction. If employees experience negative inequity their motivation and satisfaction vanish, they become distrustful of management's motives (more work for less pay), and they grow suspicious of their co-workers.

"Equity principles"

- When highly valued rewards are allocated, equity sensitivities will make social comparisons that are based on the firm's traditional method for allocating them: they want to 'stick to the old system'
- Certain employees will feel both positive and negative inequity (entitleds and benevolents)
- Tell employees in advance about salary ranges, pay increases and promotion opportunities
- Avoid secrecy about pay policies and procedures
Not fully transparent but make sure employees fully understand pay ranges, pay brackets and the relationship between high performance and significant rewards

Expectancy theory

Expectancy theory proposes that the individual extends efforts in the expectancy that this will result in a first-level outcome such as good performance on the job. Instrumentality is the personal belief (expectation) that first-level outcomes lead to second-level outcomes that the individual values (outcomes that have a positive valence) such as promotion, transfer, recognition, pay rise, training. Negative instrumentality refers to the employee belief that a second-level outcome will **not** occur after a given first-level outcome.



Expectancy theory also includes workplace factors that affect effort -these include most of the hygiene elements of Herzberg's model.

Socially acquired needs

Need for Achievement

People with a high need for achievement exhibit high levels of energy and focus to earn rewards and recognition and need challenging goals, structure and constant feedback. They are vital in an organisation to drive performance. Entrepreneurs have this trait.

Need for Affiliation

People with this need require social contact at work, like cohesiveness and harmony, and group working. They excel at liaison roles and conflict resolution tasks.

Need for Power

Subdivided into:

- **Personalised power**

People with a need for personalised power are a destructive force as they place their needs and goals ahead of those of the organisation. They create conflict, often display high Mach(ia vallien)' tendencies (the manipulation of others to achieve own ends), can display a lack of respect for authority, engage in workplace bullying and even have a tendency towards alcohol and substance abuse.

- **Social power**

People with a socialised need for power tend to be successful in organizations. They use their skills, power and trust in others to drive performance. They like to assume and award responsibility and are sophisticated political operators within the organisation. These people will be identified, empowered and promoted.

Terminal values

Terminal values are end states that are deemed as 'right' for the person, such as happiness, honesty, and family focus.

Instrumental values

Instrumental values are the means employed to achieve the end state for the terminal values.

How to motivate internalisers and externalisers?

Internalisers

- Provide opportunities to develop skills
- Reward based on performance and skills
- Vertically load the job (e.g. more responsibility, autonomy)
- Use an MBO performance appraisal approach to increase "line of sight"

Externalisers

- Discuss personal needs/ wants/ views/ beliefs to better understand his traits
- Explain the performance appraisal system of the company
- Use an MBO performance appraisal approach to give opportunity to participate in the goal-setting
- Show opportunities to grow and develop within the company

Reward systems

Exams:

- June 2010, Essay 3
- June 2008, Essay 3
- December 2007, Essay 2

Key concepts

- Rewards can be **intrinsic** or **extrinsic**
- **Individual** or **group** based reward systems

Intrinsic rewards are those that employees associate with the job itself:

- Increasing levels of participation in decision making
- Being personally responsible for a meaningful part of work
- Increasing the variety of work associated with a job
- Opportunity for personal growth through job and organisational design

Extrinsic rewards are given to employees after the completion of elements of work:

- Direct compensation
 - Salary as a basic building block
 - Enhanced through bonuses, holiday pay, share options and pensions
- Indirect compensation
 - Top executive personal protection programmes
 - Low interest loans
 - Personal services
 - Job protection
- Non-financial rewards
 - Office furniture
 - Parking space
 - Status symbols
 - Public or private 'thank-you' for a job well done

Possible reward systems need to:

- Link reward to performance
Linking the pay system to Performance Appraisal and/or MbO
- Link reward to effort
In the hope that effort will lead to higher performance
- Reward people equitably
Paying people the same, linked to the their position in the organisation
- Link to market value of the organisation
Used for senior executives

Group based reward systems are especially important in an organisation that has a focus on the delivery of work via teams

- Cost-saving/ gain-sharing (Scanlon Plan)
Focus reward more effectively on specific work groups and their output
- Profit-sharing (Rucker Plan)
Tend to be operated on an across the organisation basis

Scanlon Plan

- Developed by Professor Scanlon in 1937
- Called gain-sharing plan
 - Gains from cost savings are shared between company owners and labour
- Powerful Theory Y tool
- First systematic cost-savings, group-based reward system
- Targets labour costs and tries to reduce them in relation to a historical average or base level
- Work groups that succeed at this receive bonuses that reflect a substantial portion of the labour cost savings
- Using interlocking committees across levels in the chain of command
 - A company may have several hundred production committees that are charged with finding ways to improve productivity in their areas of work responsibility
 - Productivity suggestions made by committees are reviewed by a screening committee composed of managers, higher-level executives, and skilled labourers
- Raises employee satisfaction, adds intrinsic rewards, reduces turnover and improves line-of-sight

Prerequisites for a successful implementation of a Scanlon plan:

- Require a dependable history of labour costs in the firm
- Seasonal product demand destabilises a gain-sharing programme
- Extra output must be able to be sold at profitable margins
- Requires a history of labour-management cooperation so that labour and management judge the cost formulae to be valid and reliable (Theory Y communications and management)
- Commitment from top management to cost savings by supporting employee education, cross training and participation

Rucker Plan

- Incentive System that works in a Self-Directed Team (SDT) environment
- Profit-sharing plan
- Measures the difference between the sales income from goods produced and the cost of the materials, supplies, and outside services consumed in the production and delivery of that output
- Sets a labour cost standard in a base period
- Determines labour's contribution to economic surplus
- Less formal because it does not rely on any committee structure
- Absence of a committee structure shortens the cycle time for evaluating and installing productivity improvement suggestions

Why do Self-Directed Teams participate in a Rucker Plan?

- Creates line of sight for team members
- Teams can raise the sales value of production by improving product designs and process effectiveness (fewer defects and fewer warranty claims)
- Can use concurrent product development to synchronise marketing, production, financial control, product engineering and R&D to shorten product development cycles
- These cost-control tools can push the firm ahead of its rivals in the battle for market share, higher gross margins and lower unit costs

- All expenditures on materials, supplies and outside services are subject to review and control
- Productivity innovations made by specialists in purchasing, distribution, warehousing, inventory control, and accounts control (payables and receivables) all raise the economic value added by lowering the cost of materials
- Firm therefore competes on price more effectively than its rivals and this increases market share

Moving towards a blend of rewarding performance through a mixture of rewards based upon core pay but supplemented through:

- Cafeteria-style benefits
Employee and employer agree a mix of various rewards that apply to the individual
- Bonuses
- Accumulating time off
- Linking pay to increasing skills
Extra pay for having completed an MBA

A reward systems needs to:

- Equitable
Equity theory is important as it links employee perceptions of their relative reward to effort and the motivation to contribute
- Capture the attention of employees
Designing the system with employee involvement can help in this
- Be understandable to employees
- Improve communication through people understanding how their efforts link to the delivery of organisational outcomes
- Deliver reward that has been earned in a timely fashion and withhold reward when it has not been earned
- Link to better organisational performance
- Be compatible with company culture
An organisation that emphasises team work cannot deliver rewards effectively through a purely individualistic system

Job Satisfaction

Exams

- December 2010, Essay 1
- December 2009, Essay 1
- December 2008, Essay 1
- December 2006, Essay 2

Key concepts

Job Satisfaction is a pivotal construct that includes

- **Facets of work**
- **Rewards (extrinsic and intrinsic)**
- **Attitudes of fellow workers**
- **Supervision**
- **Promotion**

Individual determinants are

- Years in career
Increases with time after an initial dip (6 to 24 months into the career)
- Career expectations

Relationship between performance and job satisfaction:



Organisational determinants are

- Supervision
- Job challenge
- Job clarity
- Incentives

How to increase Job Satisfaction?

- Communicating clearly how people can achieve promotion with a possible refocusing on job enlargement or involving additional job challenge through alternative progression structures like career changes.
- Careful design of rewards systems to ensure that these are being perceived as equitable alongside a wider understanding that rewards need not always be about money are important.
- Through downsizing and de-layering, the role of supervision is likely to have changed especially if self-directed teams have been introduced and the consequences of this need to be clearly communicated to staff, possibly through training.

Organisational Commitment

Exams

- December 2010, Essay 1

Key concepts

Organisational Commitment is about

- Employees buying into organisational objectives
- A willingness to exert considerable effort on behalf of the company
- A desire to remain part of the organisation

Employees with Organisational Commitment will be ambassadors for the organisation and defend its reputation. OC is different from Job Satisfaction because it involves a wider perspective going beyond the job to the whole organisation.

Organisational commitment develops slowly and consistently over time (in contrast to job satisfaction which changes in shorter time periods). People who experience career progress in a particular organisation eventually exhibit organisational commitment in their work. Chronic 'job hoppers' are not around long enough for commitment to develop.

During economic downturns shareholders always demand that management return firms to profitability by downsizing. Managers and executives comply and employees' organisational commitment plummets and good service for the firms' clients goes out the window!

For Organisational Commitment (and Job Involvement) managers need to

- Demonstrate that they care for employees
- Create opportunities for people to achieve personal goals
- Modify jobs through job design and enlargement to increase opportunities for intrinsic rewards
- Find ways to reward people regularly and equitably
- Set both organisational and personal development goals that are meaningful to employees

Job Involvement

Exams

- December 2010, Essay 1

Key concepts

Job Involvement is

- About how much an employee identifies with his/her job
- About active participation in the job
- A key element of how the individual identifies their self-worth.

Job Involvement is less at risk from the effects of downsizing/ de-layering because the attitude is tied to the individual job rather than organisational factors. Job involvement is a central component of an employee's satisfaction with life. Job involvement strengthens an employee's desire to be physically and psychologically embedded in their work.

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Conflict

Exams:

- December 2010, Essay 2

Key concepts

- **Avoiding conflict**
- **Accommodating**
- **Forcing**
- **Compromising**
- **Collaboration**

Conflict is part of the team building process. Conflict in the storming phase is expected and necessary so that team members become accepting of their own roles within the team and buy-in to supra-ordinate goals for the team.

Avoiding conflict

Appropriate when the conflict is trivial and there is no chance of change, or when dealing with the conflict would be too disruptive, or when there is a need for a breathing space, or when gathering information is more important than immediate action.

Accommodating

Letting others have their way. Adopt accommodation if you believe that winning a particular battle may mean losing the entire war: survive to fight another day.

Forcing

This refers to using power, coercion or pressure to impose a solution through intimidation.

Compromising

Reaching a mutually acceptable solution.

Collaboration

Involves participation of the parties involved in the conflict reaching mutual commitment to a solution that will provide a permanent solution to the problem.

Intrapreneurship

Exams:

- December 2010, Essay 3

Key concepts

Entrepreneurs

- Tend to be *tenacious* and *make sacrifices* in their family life and standard of living to create and run with a new idea
- Are *achievement driven* and retain the drive to succeed even in the face of failure
- Have a *clear vision* of an idea and are able to explain it to others
- *Take responsibility* for success, failure and problem solving
- Catch things that other people miss and *appreciate new ideas*
- Feel that they *are in control* of their destiny and can cope with a high degree of uncertainty
- Take calculated risks and *handle failure* as a temporary phenomenon

How to foster Intrapreneurship

- Empower employees through effective delegation of authority
- Requires that employees experience meaningfulness in their work, have responsibility for work outcomes and have knowledge of the work results
- Effective delegation through a flat organisational structure in which managers are prepared to give up power and responsibility to empowered staff
- Ensure that the organisational reward system is aligned to the new ways of working
- Protect innovation teams from outside interference (ring-fencing)
- Idea generation and idea evaluation must be separate (brain-storming)

Structure

- **Ideas champions**
Generate ideas and retain ownership for its development
- **Sponsors**
Provide support and apply organisational resources
- **Godfathers**
Help overcome internal, political barriers to innovation

Power

Exams:

- June 2010, Essay 1
- December 2008, Essay 3
- December 2006, Essay 1
- June 2006, Essay 2

Key concepts

Power is

- The ability to influence people
- One of the three major socially acquired needs
 - Need for Power
 - Need for Achievement
 - Need for Affiliation

Power is manifested in either

- Personalised form
 - Creates disruptive work relations
 - Displays favouritism and nepotism
 - Creates distrust and low employee confidence in goal-setting, Performance Appraisal and compensation

Demonstrated by highly Machiavellian personalities. Can be seen as a negative attribute for organisational goals

- Socialised form
 - Motivates his subordinates by expressing confidence in their abilities
 - Delegates authority
 - Acknowledges success with recognition and praise

This form is seen as being more positive through the impact it has on teams and the overall organisation

There are **five sources of power**:

- Associated with your position in the organisation
 - **Reward power**
Being in the position to reward people for appropriate behaviours or delivery of objectives
 - **Coercive power**
Capability of providing negative outcomes to someone not displaying the required behaviours or delivering on their objectives
 - **Legitimate power**
Comes with your position in the organisation and the responsibilities you have been given - i.e. who you can legitimately give 'orders' to
- Associated with the individual
 - **Referent power**
Comes from how you are respected or liked in the organisation. Usually means that you are perceived to be a role model
 - **Expert power**
Comes from a recognition that you have a particular specialised expertise that the organisation values

How to use the sources of power available to you:

- Build an image of success through communication of those successes within the organisation
- Creating an obligation in others by doing favours that can be returned in future
- Identify with powerful people in the organisation
- Give excellent performance, doing an excellent job, volunteer for hard tasks
- Limit access to information - 'information is power'
- Control supplies and budgets - especially when these are concentrated
- Develop a network that will provide you with organisational support
- Reorganise the job to take on more responsibilities
- Take risks and be creative. Organisations accept occasional failure if balanced by successes
- Be a knowledge worker and build expertise
- Manage the rules of the organisation for the benefit of the organisation - not following rules blindly that lead to potential loss
- Control personnel and finance decisions
- Manage your boss

From a practical point of view it is important to recognise that:

- Power can only be wielded in the context of a relationship which other people depend on in some way and has no meaning outside that context
- Individuals can learn to use power effectively
- Power can flow in any direction in an organisation (don't always look up in terms of power relationships)
- There are issues around the ethical use of power, especially on the impact of wielding power upon the interests of organisational stakeholders
- Take care in using power to play politics especially in the links between management approval and disapproval compared to results being acceptable or unacceptable

		Political results	
		Acceptable results	Unacceptable results
Management approves	Non-political work that is efficient, productive and effective	Whistle-blowing to expose theft of company equipment or the inappropriate use of company funds	
Management disapproves	Ignoring the chain of command to gain company support for a product innovation	Degrading a colleague who is a competitor for a higher-level job opening	

Politics

Exams:

- June 2006, Essay 2

Key concepts

Managers play politics because they are

- Ambitious
- Resentful
- Insecure (fearful)
- Dissatisfied
- Arrogant

Following Professor Mintzberg's guidelines there are four possibilities that all have the potential to change the firm's direction:

- **Whistle-blowing**
Occurs when an individual believes the organisation is violating his instrumental or terminal values, or the law. Bypasses the chain of command and the C-class executives are usually infuriated when they discover it. Whistle-blowers usually have high ethical standards and can appear anywhere in the firm
- **Line versus staff conflict**
Refers to the inherent disputes which must arise when staff units are created in the organisation. Insecure line managers may fear or resent staff experts. Staff experts may think that line managers are too timid or perhaps too arrogant and impulsive.
- **Sponsorship and coalition-building (building power bases)**
Gain favour for an individual if he is able to attach himself to a powerful individual or group. The ambitious employee is constrained only by staying loyal to his sponsor or group, giving his sponsor or group credit for outcomes and showing gratitude at the appropriate times.
- **Resist authority through insurgency**
Extremely popular in firms! Follow the letter of the law', interpret and enforce policies in a manner unintended by management. Hard to document and correct. Its widespread practice indicates a deterioration of organisational culture which should disturb management and lead to the constructive examination of possible internal causes for such behaviour

Leadership theories

Exams:

- December 2009, Essay 2
- June 2009, Essay 1
- June 2009, Essay 1
- June 2007, Essay 3

Key concepts

- **Trait Theory**
 - Focuses on the character of the leader and ignores subordinates or the leadership environment
- **Behavioural Theory**
 - Behavioural theory states that there is a preferred leadership approach from the subordinate point of view
 - Two fundamental leader behaviours
 - § Initiating structure
 - § Consideration
- **Contingency Theory**
 - Developed by Professor Fiedler
 - Contingency theory states that there is a preferred management style depending on the work situation
- **Path-Goal Theory**
 - Developed by Professor House
 - Path-Goal theory focuses on guiding employees through the way from input - 1st level outcomes - 2nd level outcomes (expectancy theory) and is closely related to goal-setting theories
 - Behaviourally anchored; can be followed through via training and development
- Encouraging intrapreneurial behaviour
- OB Mod

Trait Theory

Focuses on the character of the leader and ignores subordinates or the leadership environment

Behavioural Theory

States that there is a preferred leadership approach from the subordinate point of view. Two possible behaviours, initiating structure or consideration:

Initiating structure behaviours are

- Work procedures
- Planning, assigning tasks
- Clarifying work roles
- Supervising subordinates
- Asking for results

Consideration behaviours are

- Approachability

Organisational Behaviour Topic Summary

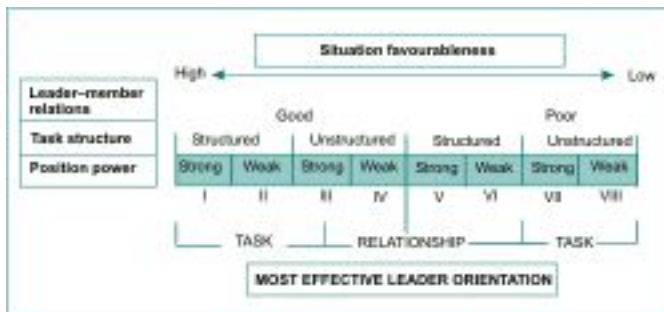
- Supportiveness
- Maintenance of high morale in the work group
- Concern for group welfare
- Maintenance of a collaborative work atmosphere

Contingency Theory

Proposes that leader behaviour interacts with the favourableness of the situation to influence group performance. Some situations are more or less favourable and they require different leader behaviours.

Components

1. Personal orientation toward his 'least preferred co-worker'
 - Relationship oriented or
 - Task oriented
2. Situational favourableness



Path-Goal Theory

Leaders must be flexible and analytical to choose the correct behaviour to move subordinates along the sequence of effort-to-performance and performance-to-reward (expectancy theory). In the PG theory he has four choices:

1. **Directive behaviours** which are planning, setting performance standards, clarifying work expectations and giving instructions
2. **Supportive behaviours** which are consideration, gratitude, empathy, and compassion
3. **Participative behaviours** such as using subordinates' ideas in problem-solving
4. **Achievement-oriented behaviours** refer to delegation of authority and setting tasks that enhance employees' skillsets.

The path-goal theory focuses on two aspects of the leadership situation. First, it looks at the subordinates' task abilities and need for achievement. Second, it looks at the environmental factors of task clarity, routineness and challenge. The leader must then match his behaviour to the interplay of subordinate characteristics and environmental factors.

Encouraging intrapreneurial behaviour

Encouraging intrapreneurship involves using key players in the organisation to be idea champions, sponsors, and godfathers. In addition, the organisation might use greenhouses to encourage group generation of ideas. The people involved in such activities will be seen as role models for the changes the organisation wants to implement. (*Also see the topic on Intrapreneurship*).

OB Mod

Take the approach of rewarding and/or punishing the behaviour of subordinates thus giving a clear lead on what behaviours were being valued by the organisation, through the Leader.

Stress / Stressors

Exams:

- December 2007, Essay 3

Key concepts

- General Adaptation Syndrome
 - **Alarm**
 - **Resistance**
 - **Exhaustion**

Causes of stress

- Environmental factors
 - Economic uncertainty
 - Political uncertainty
 - Technological uncertainty
- Organisational factors
 - Task demands
 - Role demands
 - Interpersonal demands
 - Organisational structure
 - Organisational leadership
 - Organisation's life-cycle stage
- Individual factors
 - Family problems
 - Financial problems

Individual differences

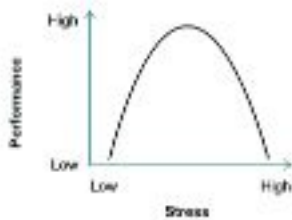
- Perception
- Job experience
- Locus of control
- Type A behaviour

Consequences of stress

- Physiological symptoms
 - Headaches
 - High blood pressure
 - Heart disease
- Psychological symptoms
 - Sleep disturbance
 - Depression, anxiety
 - Declines in job satisfaction
- Behavioural symptoms
 - Productivity level
 - Attendance pattern
 - Quitting the job
 - Accidents
 - Substance abuse

Stress/performance relationship

Organisational Behaviour Topic Summary



How to reduce stress

- Reduce span of control
- Take a more caring attitude to managing this individual
- Offer support through the organisational Employee Assistance Programme (EAP) (if one exists)
- Changing exercise regime
- Facilitating a relaxation programme
- Organising dietary assistance
- Helping the individual to open up either with work place colleagues
- Provide professional counselling
- Organisational responses
 - Reward performance and productivity, not visible time spent at work
 - Create a culture where people feel they can live according to their own values and encourage others to do the same
 - Build respect and trust in the organisation so that people are more comfortable in being open about problems they are facing before they become chronic
- For implementing solutions
 - Discuss and agree them with the individual
 - Briefing colleagues on any changes is important if solutions impact directly upon them. Understanding why changes are being made can manage any felt inequity

Topic history

December 2010

1. [Job Satisfaction](#), [Organisational Commitment](#) and [Job Involvement](#)
2. [Conflict](#)
3. [Intrapreneurship](#)

June 2010

1. [Power](#)
2. [Job design](#)
3. [Reward systems](#)

December 2009

1. [Motivation theories](#), [Job Satisfaction](#)
2. [Appraisal systems](#), MbO, [Leadership theories](#)
3. [Organisational Design](#), [Change Management](#)

June 2009

1. [Locus of control](#), [Motivation theories](#), [Leadership theories](#)
2. [Organisational Design](#), [Change Management](#)
3. [Team building](#), [team performance](#)

December 2008

1. [Job design](#), [Job Satisfaction](#)
2. [Appraisal systems](#)
3. [Power](#)

June 2008

1. [Organisational culture](#), [Change Management](#)
2. [Motivation theories](#)
3. [Reward systems](#)

December 2007

1. [Organisational culture](#)
2. [Reward systems](#)
3. [Stress](#)

June 2007

1. [Motivation theories](#)
2. [Appraisal systems](#)
3. [Leadership theories](#)

December 2006

1. [Power](#)
2. [Job Satisfaction](#)
3. Self Directed Teams, [Team building](#), [team performance](#)

June 2006

1. [Job design](#)
2. [Power](#), [Politics](#)
3. [Team building](#), [team performance](#)