

**Paper – 6101: Organizational Behaviour****Time: 3 hours****Marks: 50**

The question paper has three parts. Follow the instructions in each part.

Part – 1 (15 Marks)**Case Study - 1**

Located in Seattle's sprawling Farmer's Market, World Famous Pike Place Fish Market is known for a number of things: their variety of fresh seafood, from 15 pound salmon to 2 ounce scallops, their great prices, their friendly service. But most of all, they're known for their flying fish.

According to owner John Yokoyama, throwing fish started as just an easy way to move the fish around. Rather than carrying the fish behind the counter to weigh it and wrap it, the guy who sold the fish would throw it to the guy at the counter. People really got into it, and it became part of their show. Now it's their trademark. Everybody tries to outdo everyone else, to see who can throw the biggest fish or make the greatest catch. They're even in the Guinness Book of World Records for catching with one hand the most fish in 30 seconds.

In a typical day at the market, crowds gather to watch the show, and while they're at it, do a little shopping. In fact, this little fish store regularly makes – and breaks – sales records. With a full time staff of only 15 employees, they sell tons of fish per week, to customers from California to New York and all around the world. Their cost of doing business is close to 50 percent, and everyone has such a great time that turnover is nearly nonexistent.

What makes Pike Place Fish World Famous is their commitment to people – both their staff and customers. Their business may be selling fish, but their real goal is to make a difference in the day of everyone who comes into the store. Even if they don't leave with any fish, the crew makes certain they leave with a smile.

The Early Days

The company decided to become world famous in the late 1980s. At that time, they didn't know how they would accomplish that goal; but they committed to it fully. They added the

words "World Famous" to their logo, and printed it on everything they use. Immediately, they noticed a change.

Pike Place Coach-Consultant Jim Bergquist believes that this decision required the employees to be different. Everything depends on the context of your work. When you really commit to something, something happens, and opportunities start to show up.

Then, the Goodwill Games came to Seattle. Camera crews from around the world came to the market, looking for the guys who throw fish. The producers of *Free Willy* contacted the store about casting some of their staff as fish mongers. Spike Lee shot a commercial for Levis there. Then came ESPN, ABC, "Frasier" and "The Real World." Suddenly, Pike Place Fish was world famous.

It wasn't always this way. John Yokoyama bought the store when he was only 25 years old, and at first he managed it with an iron fist, much as he had seen other managers do.

John Yokoyama remembers that for the first 20 years that he ran the store, he was a real tyrant. He thought he had to yell at people and crack the whip to get them to do their job. He had a staff of six who were very unhappy with their boss and with their jobs. He was trying to build the business, but didn't know how. The business was in real financial trouble when he met Jim Bergquist.

Bergquist convinced John to try an experiment, to empower his employees. The first thing he asked him is if he was willing to be coached by them. When he went overboard, they had the permission to stop him. They had employee meetings which were an open forum to communicate anything. The condition was that this was a safe space. John agreed to suspend judgment and let them say what they had to say. In those early meetings, they did a lot of listening. John agreed to take responsibility for his actions. He listened honestly to what people had to say, and took their ideas to heart.

This new openness to his employees led to fundamental changes in Yokoyama's management style.

Essential Creative Principles

Pike Place Fish now follows a set of four Essential Creative Principles (ECPs) that sound more like something you'd hear at an artist's colony than in a fish store. These principles work because they recognize every employee as an individual who has valuable contributions to make to the company.

The first principle is called the **Power of Personal Responsibility**. Each employee has value as an individual, and each takes responsibility for the success of the entire business. As long as everyone commits completely to the enterprise, it will succeed.

John Yokoyama believes this principle gives employees a place to choose from. If they don't want that, they should work somewhere else. It starts with management, and it applies everywhere.

Another principle is the belief that each employee is a creative person. Since human beings are basically creative beings, the Pike Place management team knows they are dealing with creative people, and they let their employees know that their creativity is appreciated. And, if you want to play on the team, you have to take a stand for your creativity. You won't be able to be ordinary here. You have to be committed to being extraordinary.

Teamwork is key to getting the job done, and Bergquist and Yokoyama call this principle the **Power of Co-Creation**. Since everyone takes responsibility for the entire business, everyone has a common purpose. They each have a part to play, but there's no sense that anyone is "just doing their job."

Yokohama tries to look at business as a game. You've got a team, you've got coaches, and you've got a scoreboard, which is your sales record. He asks new employees, "Do you want to play on our team?" You've got to make the team, but it's easy if you're committed. There's a three-month trial period, and the team decides who makes it. In most cases, people who don't make the team select themselves out.

According to Bergquist, a team is always made of individuals. But now those individuals are operating in some coordinated way around some common goal. Teams can't create; only individuals can create. Nobody can choose for you. That's why a lot of groups don't work, because they gloss over that. People will go along with the crowd, but if they don't choose personally they're uncommitted. They're just complying, because they don't want to lose their job. If you ask people to commit, you give them the option to say no. If you can't say no, you can't say yes. The minute you stop acknowledging people's individual contributions to the team, the power starts to go away.

The third Principle of Creating the Future holds that everyone at the Market should be involved in envisioning the future of the company. Since employees are personally involved in the future of the company, they are committed to that vision.

Most people create a future based on what they already know and where they've been, says Bergquist. They extrapolate something based on that. That's a future based on the past. We ask employees to create a future from the future. Generate a future from what inspires you.

By committing to their future, the team at PPF has discovered that sometimes you get results you don't expect. They call this last phenomenon the Principle of Discontinuous Outcomes.

One of these unexpected results is that Pike Place Fish got into the consulting business themselves. It all started when a production company approached them about creating a corporate training video. That video, *Fish!*, and its follow-up, *Fish Sticks*, became best sellers in field. The videos were followed by a book, also called *Fish!*, which also became a best seller. Since then, Yokoyama and Bergquist have offered seminars to different companies in several countries. Not everyone has taken to the message, though.

At one point Bergquist and Yokohama were asked to speak at round table of 17 marketing executives from Fortune 500 companies such as Microsoft and Boeing. They told them about the four principles, and that human beings can really create something if you're willing to include them as creative beings. Unfortunately, they couldn't hear it.

Not that this matters to the people who are most important to Yokoyama and Bergquist: their team and their customers.

Leading the Way

Part of what keeps the team strong is coaching, a process that is integral to the company. At Pike Place, everyone has a coach, and everyone is a coach. Since every employee has his or her own strengths, each has something to contribute. And since everyone can be a coach, people are more receptive to it.

In order to make these principles work, a business needs a strong management team, and it's here that Pike Place excels. Each of the managers has individual strengths and is encouraged to develop those strengths. John's brother Dickey is the general manager, and is responsible for paperwork, scheduling and the general health of the business. Sammy Samson is expert at cutting fish, and coaches the team on this difficult task. Justin Hall is great with people, and helps coach the team on how to relate to customers and other workers. And Keith "Bear" Bish is a walking encyclopedia of fish knowledge.

The staff is encouraged to set their own goals as well, through daily team meetings and biweekly company dinners. Instead of formal evaluations, managers and coaches offer continuous feedback on their development.

Each day begins with what management calls a "huddle:" a brief meeting to discuss fish that need to be sold, products that need to be ordered, and other business matters. It is at this meeting that sales goals are set.

Yokoyama explains that salespeople at Pike Place set personal sales goals, but they do it as a game. Setting a goal creates a structure for you to play within, to be intentional about. But they don't want the number to get in the way of the real job, which is being great with people and making a difference. So they've gotten good at setting the goal, but not being attached to it.

The management staff has developed a sixth sense for the strength of each day's team. A look at the workstations or a listen to the team's "call and response" system of handling orders provides immediate insight into any potential problems.

At the end of the day, the team has another huddle to discuss what went well and what was missing--not what was wrong, but what happened, and how they can improve in the future.

"Creation" Meetings

Every two weeks, the entire staff gets together for dinner and a "creation meeting," at which they discuss their personal goals and create the future of the company. It was at one such meeting that an employee suggested that Pike Place Fish should become World Famous.

Jim Bergquist points out that at Pike Place they don't do evaluations. Instead, it's all about personal growth and development. Pike Place wants people to be responsible for their own development, so they ask them in meetings what they want to master. They ask how long it will take to master a task. Then they ask for a coach, someone who will volunteer to make sure the person successful. They also check up regularly to see how it's going. Once an employee's accomplished a task, he or she becomes a journeyman in that area. There's always something new to master.

Eventually, says Yokoyama, everybody learns everything. It takes a couple of years to go through the whole shop. Your coaching expands enormously along the way. You can train someone really fast, if the person is willing.

Yokoyama believes that, in order to have a powerful team, you've got to be up to something other than just surviving and creating some sort of financial results. There's not enough power in just making money. It's not inspiring for them. So Pike Place created a business model that's not just about making money. They set goals, but it's in the context of a game they're playing. The game is to sell fish, but the real commitment is to make a difference for everyone who comes within 30 feet of our shop. Every day Yokohama gets letters from people who tell me that we made their day.

And that's no fish tale.

Answer all the questions:

1. What are the four Essential Creative Principles, and how does each one contribute to the success of the Pike Place Fish Market? (3 Marks)
2. How has John Yokohama's approach to management evolved since the early days of the Fish Market? (3 Marks)
3. How does Pike Place use coaching to train employees? (3 Marks)
4. What are creation meetings and what makes them unique? (3 Marks)
5. Could you relate with similar experiences in the context of your organization and share with the group? (3 Marks)

PART – 2 (15 Marks)

Case Study - 2

SAS is the airline corporation of three nations: Denmark, Norway and Sweden. It employs around 25,000 staff in these three countries. While it operates as a commercial airline the governments of Denmark, Norway and Sweden are among the owners of the corporation. Between them the governments own some 50 per cent of the shares in the company and so there can be a significant political voice in the running of SAS. The headquarters of SAS is located in Stockholm, Sweden, while the main airport for the company's operations is in Copenhagen, Denmark.

Towards the end of the 1970s SAS found itself in financial trouble and for the first time in 17 years posted a loss of about 75m Danish kroner (approximately £7.5m) in both 1979/80 and 1980/81. Jan Carlzon was appointed managing director of SAS in 1981 and was charged with the task of heading the financial turnaround of the corporation. By 1982/83 SAS was again on the money-making track with an operating surplus of approximately 620m Danish kroner. The turnaround was achieved by taking SAS from being a technical-oriented organisation and refocusing it as a service-oriented airline and modelling itself as the businessman's airline. The second part of this strategy was later to have serious implications for the company. In 1982 its success was recognised when it received the accolade of the most punctual airline by a European flight association.

During this period Carlzon used his excellent communication skills and flair for handling the media to the benefit of SAS. Typical of Carlzon's style was a somewhat stage-managed affair when he personally

assisted in the loading of an SAS flight at Copenhagen Airport. His purpose was to demonstrate to both the media and the employees the importance of such routine tasks. The event attracted substantial publicity for the principle of SAS employees working together to help the company succeed.

A key element of Carlzon's approach was to centre attention on the frontline personnel who, in 'moments of truth' (the confrontations with the customers), were seen to be the keys to success or failure for the corporation. In order to implement this philosophy it was, therefore, of the utmost importance that these frontline personnel were given authority to make decisions in these moments of truth without recourse to senior managers, if they were to be able to give the customer the excellent service that would encourage the customer to fly SAS in the future. Carlzon, therefore, delegated decision-making power to the frontline personnel and made sure that employees were kept aware of how important they were for the success of the company. This message was reinforced through both internal SAS magazines and the mass media.

The 'new SAS' was a success with its staff of hard-working, highly motivated and committed employees. Carlzon was seen as the man who saved SAS and was regarded a very successful leader - 'The best Carlzon in the world'. At that time Carlzon was seen as a hero by employees who would, if need be, go to hell and back for him.

Today, however, SAS is no longer the success story it was in the 1980s. In the early 1990s history appears to be repeating itself, and SAS has again encountered financial difficulties. The present troubles of the SAS are partly due to the worldwide depression of the airline business following the Gulf War, partly due to the company's preparation for the European Community Internal Market which will make the competition in the airline business tougher, and finally the result of strategic decisions made by the leadership of SAS.

STRATEGIC DECISIONS

In the 1980s SAS bought a large share (40 per cent of the stock) in Intercontinental Hotels. This decision was made on the assumption that customers would welcome the opportunity to book their hotel reservation at the same time as making their flight arrangements. SAS would then take care of both passenger and their luggage from departure at the airport to arrival at the hotel. To implement this strategy, SAS targeted their promotional campaign at the businessmen themselves. This, however, failed to recognise that most flight and hotel bookings are actually made by their secretaries. In addition, businessmen tend to be conservative people and prefer hotels with which they are familiar. SAS's

campaign was unable to overcome this inertia and the failure of the strategy contributed to the loss of approximately 100 million Danish kroner in 1991. In September 1991 Curt Nicolin, chairman of SAS, commenting on the purchase of shares in Intercontinental Hotels said: 'The decision was right when it was taken, but the development we have seen since then has proved that the decision was wrong.'

Also during the 1980s SAS sought to widen its operational base and take advantage of the buoyant American airline market. Accordingly it bought shares in Continental Airlines. However, the worldwide depression in the industry and the resulting difficulties it caused led to suggestions that SAS had over stretched itself.

The losses following the share purchases in Intercontinental Hotels and Continental Airlines caused a financial crisis in SAS, which was solved by cutting its operational expenses. The focus on cost reduction meant a cutback in staff. In 1991 SAS decided to reduce staffing levels by 3,500 employees. Jobs were lost at all levels and locations throughout the company. Copenhagen Airport was the hardest hit bearing 1,900 of the redundancies and there were also significant reductions at the headquarters in Stockholm. Many of those made redundant had been with SAS for all their working lives. For them it was more than a job that was lost; SAS was a major part of their lives.

The company's involvement with Intercontinental Hotels and Continental Airlines has changed the employees' view of Carlzon. He is most certainly no longer held in the same esteem as he was during the high-flying 1980s. The employees hold Carlzon personally responsible for these mistakes and have lost their confidence in him and his abilities as a leader to the extent that voices have been raised suggesting SAS would be better off by replacing him as managing director. They believe it is unfair that Carlzon's mistakes are being paid for by some of their colleagues losing their jobs. John Vangen, spokesman for the Danish flight personnel (a Danish trade union for air cabin crew) put it this way in September 1991: 'None of Carlzon's strategies have succeeded since 1984. He has to take responsibility for that. If he cannot make the company run he should leave it. We need a management we can trust.'

SITUATION

Competition in the airline business is fierce and there are few signs that this will change in the immediate future. The major competitors for SAS in Europe are British Airways, Lufthansa (German) and Air France while competition from the developing East European airlines is increasingly significant. While competition is a threat for all in the airline business those companies in most immediate danger are the smaller operations like SAS. The generally favoured solution to this problem is therefore growth through

either mergers or acquisitions.

During a press conference on 23 February 1993, when the cooperation between the British Airways and TAT (the French airline corporation) was announced, the European head of British Airways put it this way: 'Those able to keep a cool head for the next ten years will win the battle of the air.' Faced with this competition SAS has adopted a strategy which aims to make it one of the major European airlines securing its future into the next century. Accordingly at the beginning of 1993 SAS began negotiations with three other national airline corporations: KLM (The Netherlands), Swissair and Austrian Airlines, as part of this strategy.

A merger between these four airlines seems a promising business idea. None of the airlines are able to make a major impact on their own, but together they could become a major player in the airline business. Together, the four airlines would become the largest European airline company and the second largest in the world measured by the number of passengers carried. In Europe alone the four airlines handle 25 per cent of the traffic between European countries.

For two months 16 project groups have examined the legal, commercial and operational possibilities and limits of a closer co-operation between the four airlines. The proposal resulting from these groups' report was the creation of a common management group and shared accounting systems for the four airlines. For the moment they still operate under their own masts but will, at the same time, have a common name. 'The European Airlines' has been mentioned as one possibility. In the long run it is proposed that the four airlines should become a single fully integrated corporation. The three largest partners - SAS, KLM, and Swissair - will each own 30 per cent of the new company while Austrian Airlines will own the remaining 10 per cent. The report further suggests that a common headquarters is located at either Copenhagen, Amsterdam, Zurich or Vienna. The major airports to be used by the new corporation would be in these four cities plus Stockholm, Oslo and Geneva.

If the owners of the four airlines agree to the idea of a common airline corporation the first step will be the signing of a 'memorandum of understanding'. Indications are that the airlines are in favour of the idea. Support has also been given to the proposal by the governments of Austria, Denmark, Holland, Norway, Sweden and Switzerland, who as part owners have an important voice in the decision.

PROBLEMS FACING SAS

Although it seems that in joining the new corporation 'European Airlines' SAS is on its way to accomplishing its strategy and one of its major goals, it still has some major problems on the home front. The conflict between management and employees originating in the difficulties described earlier, has reached new heights. These problems have been nourished by SAS's international developments with the other four airlines. Employees do not appear to be quite as thrilled with the idea of a new common airline as management and shareholders seem to be. They fear that the new corporation will mean further staff reductions in SAS personnel.

Employees are concerned that some of the important intercontinental flights will move from Copenhagen, where they are currently based, to the airport where the headquarters of the new corporation will be located even though the location has not yet been decided. They do not share the optimism of management who are confident that Copenhagen Airport will benefit from the creation of the new common corporation in general and especially if the headquarters are located in Copenhagen, which they see as the only 'natural' choice. SAS employees however are not convinced. They perceive the indecisiveness surrounding the decision on the location of the headquarters as a deliberate strategic move by the management of the new corporation who, they believe, want to postpone such decisions and tough choices to a time when all other major decisions have been made. It is felt, for example, that the choice of the location of headquarters could very easily create turbulence amongst the partners and make it harder for some of them to sign the 'memorandum of understanding'. This could delay the process, or even worse, put an end to it.

As a consequence of their dissatisfaction the SAS employees have sent a letter to the members of the Danish government and some large Danish companies in their words, to, 'inform them of what is going on.' The headline of the letter sent by the four unions representing SAS personnel at Copenhagen Airport reads:

What is it we risk, if we leave the decisions to a few persons in the leadership of SAS? The risks are to lose the intercontinental flights and 14,500 jobs at the airport and many more in supporting industries.

SAS management reacted strongly to the letter. They counter-attacked by pressing charges against the

four unions for disloyal behaviour. Management and employees now stand trial on this case in the Danish Court of Industrial Relations. Gerhard Dall, information officer in SAS, explains why SAS has taken this very unusual step: 'The four unions cast doubt upon the will of the leadership of SAS to fight for Copenhagen as the centre for SAS's traffic and that is disloyal. The reality is quite the opposite.'

On May 7th 1993 Jan Carlzon called the employees of SAS to a meeting in Stockholm. During this meeting Carlzon revealed a little more about the future plans of the new corporation, particularly concerning the location of intercontinental flights.

The corporation will establish three major airports for the intercontinental flights. Copenhagen will become the gateway to Asia (mainly China and Japan). Amsterdam will become the centre for flights to the South and North American continent. The gateway to Africa will be Zurich, which will also handle some of the flights to Asia and South America. The other major airports of the new corporation - Stockholm (Sweden), Oslo (Norway) and Vienna (Austria) will handle the flights between the three major cities. In addition, Vienna will handle most of the traffic to the Middle East. Carlzon attempted to calm the fears of employees by telling them that some of the intercontinental flights to the US would still be operating from Stockholm to ensure that American-based airlines will not take over these routes.

While location of the headquarters of the new corporation has still not been decided, it seems that this step of locating different parts of the international traffic at three major airports is a compromise that gives everybody a 'slice of the action'. A closer look at how the international flights are shared among the three major airports, however, indicates that Amsterdam, with the very important cross-Atlantic flights, has put itself into an advantageous position for becoming the headquarters of the new corporation.

Answer all the questions.

- 1 Explain the leadership style of Jan Carlzon. What impact does it have on the work behaviour of SAS? (5 Marks)
- 2 Highlight the bases of power that Carlzon used to influence the people? What went wrong that made him unpopular, explain. (5 Marks)

- 3 Should SAS remove Carlzon as managing director, as suggested by some of the employees, or should he remain despite the negative view held of him by his staff? Gives reasons. (5 Marks)

Part – 3 (20 Marks)

Answer all the questions. All questions carry equal marks.

1. Explain Cognitive Dissonance Theory and discuss barriers to changing attitudes.
2. "When the managers of an organization actively work to empower their people, there is little need to be concerned about individual motivation". Based on your understanding of theories of motivation support the statement by citing appropriate examples.
3. Define leadership. With the help of suitable examples discuss Managerial Grid and its implications in organizational setting.
4. Define Organizational Structure and Span of Control. Discuss the typology of structures using suitable examples.