CHAPTER 1

WHAT IS ORGANISATIONAL BEHAVIOUR?

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. define organisational behaviour and explain why organisations exist
2. discuss the role of managers in organisations
3. discuss some of the key issues affecting organisations today
4. explain why managers, and organisational members generally, need a thorough understanding of organisational behaviour principles.
COMPLEXITY AND TODAY’S ORGANISATIONS

The twenty-first century is marked by significant change in global politics, turbulent economic conditions, scientific and technological dynamism, as well as fundamental social change and global population expansion. Together, these different aspects form the macro-environment and impinge dramatically upon the behaviour of modern organisations. Organisational survival depends fundamentally on the ability of organisational members to recognise and understand the implications that fluctuations, change and emerging influences represent for the organisation. From an external perspective, therefore, modern organisations are in increasing need of constant monitoring and responsiveness to a whole host of stakeholders. The complex issues presented by these stakeholders may represent economic, environmental and societal considerations for an organisation. John Elkington, in his book Cannibals with forks: The triple bottom line of 21st Century business, referred to these three organisational considerations, or ‘pillars’, as the ‘triple bottom line.’ This conception of the triple bottom line in the twenty-first century recognises the integral relationship between the sustainability of the organisations and the sustainable development of humankind. Sustaining both the enterprise, humankind and the planet is the focus of the Natural Step approach: people, profit and planet. The way people function and behave in an organisation is, therefore, of importance both to organisations and society at large.

Just as the relationship between the macro environment and today’s organisations are complex, so too are the internal environments of organisations. The role of people and complexity within organisations is increasingly being recognised by twenty-first century businesses. Many organisations now feature policies and programs that integrate the needs of a diverse range of employees. This diversity includes biographical characteristics such as age and gender, race and ethnicity, disability, religion, sexual orientation and gender identity, and disabilities. Increasingly, organisations are recognising the importance of cognitive and emotional stability and the need to promote positive attitudes and job satisfaction. In essence, the drive to understand the individual in the organisation is of utmost importance to modern organisations. This has significant ramifications for managing the workforce in a complex and dynamic world. If organisations are to survive in the twenty-first century, decision-making, group and team dynamics must be aligned with the complexities and ever-changing demands of the macro-environment.

Complexity in twenty-first century organisations is, therefore, both a feature of integrally related external and internal forces. Understanding the dynamics of organisational behaviour in the twenty-first century thus necessitates a holistic approach that identifies the systemic nature of the modern organisation. In accordance with this broader remit, the triple bottom line approach has instigated a response by organisations to manage not only their costs, but to measure their environmental and social impacts as well. This has resulted in companies, such as Tesco in the United Kingdom and Nike, scrutinising ethical practices in their supply chain across the globe and has promoted the Fairtrade movement. Problems, though, abound with aligning the values of people and planet and the attainment of money.
Introduction

Many organisations have an emphasis on trust and supporting their employees. For some organisations, depending upon the types of people and leaders they attract, this would not work. But when it does work, it reflects many of the fundamental ingredients of a successful organisation: its members are engaged; ideas are shared; its workers are supported; the organisation is delivering a product that mostly satisfies its customers; and the customers make the company profitable.

Throughout this book you will learn about the complex field of organisational behaviour — what people and groups do in organisations, and why. We will place a particular emphasis on learning the skills you will need to be an effective manager within the organisations of today and tomorrow. Organisations of all kinds depend on managers to help ensure the work experiences of others are both productive and satisfying. Managers must act and think in the right ways, and they must do so even as great changes take place in the environment. Some significant influences on organisations today are: globalisation, information and communications technology, the emergence of a knowledge-based economy, an increasingly diverse workforce, and some significant changes in how employers and employees view each other. Climate change too is increasingly becoming a prominent issue for business. Managers need to understand the climate change debate and its consequences for their strategies and operations. These types of changes require the presence of input from both managers and other organisational members who are committed to learning and practising effective organisational behaviour. We hope this book will help you along that path.

What is organisational behaviour?

Formally defined, organisational behaviour is the study of individuals and groups in organisations. It emerged as an academic discipline during the late 1940s and has been prominent as an academic subject in business schools since then.

Organisational behaviour has strong ties to the behavioural sciences such as psychology, sociology and anthropology, as well as to allied social sciences such as economics and political science. It draws on this variety of scholarly vantage points to build concepts, theories and understandings about human behaviour in organisations. Organisational behaviour is unique in its focus on applying these diverse insights to create better understanding and management of human behaviour in organisations.

Among the special characteristics of organisational behaviour are the following.

• **Applied focus.** The ultimate goals of the field are to help people and organisations achieve high performance levels, and to help ensure all organisation members achieve satisfaction from their task contributions and work experiences.5

• **Contingency orientation.** Rather than assume that there is a universal way in which to manage people and organisations, organisational behaviour scholars adopt a contingency approach.4 That is, they recognise that behaviour may vary systematically depending on the circumstances and the people involved. For example, organisational behaviour scholars recognise that ‘cultural differences’ among people may affect the way theories and concepts of management apply in different countries.5 Management practices cannot simply be transferred from one part of the world to another without considering the cultural implications of the different settings in which they are to be applied.

• **Emphasis on scientific inquiry.** Organisational behaviour uses scientific methods to develop and empirically test generalisations about behaviour in organisations.6 The three key characteristics of scientific thinking that underpin organisational behaviour research and studies are: the controlled and systematic process of data collection; the careful testing of proposed explanations; and only acceptance of explanations that can be scientifically verified.
Organisational behaviour is not a static discipline. Managers are constantly seeking new insights and ideas to improve their effectiveness. Maybe you have already heard of some of these concepts: best practice, benchmarking, the learning organisation, the virtual workplace and knowledge management, to name a few. The study of organisational behaviour is improving our understanding of old and new concepts alike; such issues as stress, emotional intelligence and instinctive drive, all of which you will learn about as you progress through this book.

The field of organisational behaviour helps managers both deal with and learn from their workplace experiences. Managers who understand organisational behaviour are better prepared to know what to look for in work situations, to understand what they find, and to take (or help others to take) the required action.

Effective managers need to understand the people that they rely on for the performance of their unit. While each person, team/group and organisation is complex and unique, an individual’s, team’s/group’s or organisation’s performance depends on their capacity to work, willingness to work and opportunity to work. This concept can be summarised by the performance equation (figure 1.1). The performance equation views performance as the result of the personal and/or group attributes, the work effort they make and the organisational support they receive.

This equation can be applied to the three different units of analysis that form the structure of this book: individual, group/team, and organisation. The multiplication signs indicate that all three factors must be present for high performance to be achieved. This means that each factor should be maximised for each unit of analysis (individual, group/team and organisation) in a work setting if the maximum level of accomplishment is to be realised. Every manager must understand how these three factors, acting either alone or in combination, can affect performance. We will use this equation as the theoretical guide for much of the material presented in this book. Part 2 looks at individual behaviour and performance. In chapter 2 we will address individual attributes required to generate performance capacity; chapters 3 and 4 deal with motivation and volition to generate a willingness to perform; and chapter 5 points at how organisations can provide individuals with the best opportunity to perform. Part 3 of the book looks at organisational performance from a group/team level and organisational level and Part 4 combines individual performance, group performance and organisational processes in the context of organisational behaviour. Even though these concepts are presented in different parts and chapters of this book, they are highly related. Remember the multiplication sign in the performance equation indicates that all three factors (attributes, work effort and organisational support) must be present to gain a high level of performance.

For practitioners, the performance equation raises the question of whether performance is predictable. It is suggested that cognitive ability, or intelligence (as measured by IQ), is a reasonable predictor of job performance. However, many human resource managers would argue that additional testing is required to ensure a good fit between capability and expected performance. Over recent decades the concept of ‘emotional intelligence’ (EI or EQ) has surfaced, sparking hopes for creating another way to predict performance.

Emotional intelligence is defined as a form of social intelligence that allows us to monitor and shape our emotions and those of others.

Daniel Goleman suggests that emotional competence is a learned capability, based on emotional intelligence, that results in outstanding work performance. In these domains, EI is considered to be a competency for performance. For example, a person with a level of emotional intelligence is competent in recognising their own strengths and weaknesses.
Reuven Bar-On developed a self-assessment instrument (emotional quotient inventory, or EQi) measuring traits and abilities related to social knowledge. The EQi is a measure of psychological wellbeing and adaptation, and can be a measure related to performance. Jack Meyer and Peter Salovey profess that EI is composed of mental abilities and skills. They see EI as a form of intelligence that processes and benefits from emotions. They believe that other measures of intelligence fail to take into account individual differences in the ability to perceive, process and manage emotions. Chapter 2 expands on the notion of emotional intelligence as one of the individual attributes as a predictor for the capacity to perform.

Why do organisations exist?

Simply stated, organisations exist because individuals are limited in their physical and mental capabilities. Organisations are mechanisms through which many people combine their efforts and work together to accomplish more than any one person could alone.

The purpose of any organisation is to produce a product or service. Large and small businesses produce a diverse array of consumer products and services such as motor vehicles, appliances, telecommunications and accommodation. Not-for-profit organisations produce services with public benefits, such as health care and rehabilitation, public education and park maintenance.

A clear statement of purpose, or ‘goal statement’, is important to guide the activities of an organisation and its members. To illustrate, the following are goals of some prominent organisations:

• ‘to help people and businesses throughout the world to realise their full potential’ (Microsoft Corporation)
• ‘to be the world’s mobile communications leader — enriching customers’ lives, helping individuals, businesses and communities be more connected in a mobile world’ (Vodafone Group)
• ‘to be Asia Pacific’s best multimedia solutions group’ (SingTel)
• ‘to maximise income and provide long-term sustainable returns to unit holders through the strategic acquisition, professional management and ongoing development of office, retail and industrial assets’ (KIWI Income and Property Trust)
• ‘to create long-term value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions’ (BHP Billiton)
• ‘to make a difference to people’s lives by making the desirable affordable and supporting New Zealand’s communities and the environment. By putting the customer first, we will succeed. Everything we do flows from this principle’ (The Warehouse).

Fast food specialisation

The division of labour and task specialisation will be quite clear in your favourite fast-food restaurant — McDonald’s, Eagle Boys, Hungry Jacks, KFC or Subway. Certain people take your order and your money, others cook the food, and still others clean after everyone else has gone home for the night. By dividing the labour and training employees to perform highly specialised tasks, these companies strive for excellence in task accomplishment. Whilst this division of labour may have benefits for consumers — as a result of task specialisation, consumers are usually served promptly in such establishments.
To achieve its purpose, any organisation depends on human effort. The **division of labour** is the process of breaking the work to be done into specialised tasks that individuals or groups can perform: it is a way of organising the efforts of many people to their best advantage. A good division of labour helps an organisation mobilise the work of many people to achieve its purpose.

A well-functioning organisation with a clear purpose and appropriate division of labour, like those of fast-food restaurants, achieves **synergy**, which is the creation of a whole that is greater than the sum of its parts. Synergy in organisations occurs when people work well together while using available resources to pursue a common purpose. In psychology this is called a ‘gestalt’.17

Within an effective organisation, this ‘gestalt’ is created by the organisation’s division of labour, task specialisation and hierarchy of authority, as well as by effective managerial behaviour. However, in recent times, this approach — which focuses on rationality, speed and efficiency — has been criticised. Some say that it has replaced the flair of creativity and design that were once essential elements in cooking, as well as diminished the importance of relationships in serving customers.18 According to George Ritzer, the so-called ‘McDonaldization’, whereby the principles behind the management of fast food franchises in North America are dominating more and more segments of society globally, has led to a homogenisation of commercial life that is increasingly making it impersonal and even dehumanising.

The ‘McDonaldization’ effect

Simon Crowe, the founder of the Australian hamburger chain Grill’d, refers to the focus on ‘the friendliest staff’ and the general focus on effective management practice, not just efficient food production.19 A more holistic manner of managing fast food outlets is also evident in the Australian outlet Spudbar, which sells baked potatoes, salads and soups. The Melbourne-based Spudbar was founded in 2000 by Clay and Laura Thompson. In 2008, there were eight Spudbars in Melbourne and a master franchisee had been signed in both Western Australia and New Zealand. The group is expanding and has three business models — a kiosk, a compact strip shop and a larger strip shop. The group’s goal is to have 20 stores up and running by the end of 2008.20

Organisations as open systems

Organisations ultimately depend for their success on the activities and collective efforts of many people. People are the essential **human resources** of an organisation — the individuals and groups whose performance contributions enable the organisation to serve a particular purpose. But organisations need more than people if they are to survive and prosper. They also need **material resources**, which are the technology, information, physical equipment and facilities, raw materials and money necessary for an organisation to produce some useful product or service.

Many organisational behaviour scholars believe that organisations can be best understood as **open systems** that transform human and material resource ‘inputs’ received from their environment into product ‘outputs’ in the form of finished goods and/or services. The outputs are then offered to the environment for consumption. If everything works, measured via feedback, the environment accepts these outputs and allows the organisation to obtain the resource inputs it needs to continue operating in the future (figure 1.2).

Of course, things can go wrong; an organisation’s survival depends on satisfying environmental demands. When the organisation’s goods and/or services are not well received by the environment, it will sooner or later have difficulty obtaining the resource inputs it needs to operate.
**BreadTalk**

One company that is responding to its environment is BreadTalk. Founded in 2000, BreadTalk has grown to become one of the most recognisable local brands in the food and beverage industry in Singapore. The BreadTalk group now includes 800 outlets and a team of 7000 employees in 15 territories, including Singapore, Hong Kong, China and the Middle East. BreadTalk today also owns ten Michelin Star restaurants, and operates 50 food courts in countries including Singapore, China, Hong Kong, Malaysia, Taiwan and Thailand.

In addition, other companies have expanded the BreadTalk concept to Australia and New Zealand. Think about how BreadTalk’s experience reflects the system in figure 1.2. By 2012, BreadTalk had launched its latest concept, Generation 4 which, according to the Chairman of BreadTalk Group Ltd, will allow the company to set up its franchises across China. The concept seeks to connect with customers’ lifestyles through the promotion of healthy eating options supported by innovative research.
Managers in organisations

Now that we share a basic understanding of organisations, we can speak more precisely about what it means to be a manager. A manager is a person in an organisation who is responsible for work that is accomplished through the performance contributions of one or more other people.

Today, the focus of both management research and practice is not so much on the manager as on the work team or unit. A work team or unit is a task-oriented group that includes a manager and his or her direct reports. Such groups are found in organisations of all types, and they can be small or large. Examples include departments in a retail store, divisions of a corporation, branches of a bank, wards in a hospital and teams in a manufacturing plant. Even a university class can be considered a work team; the lecturer is its manager and the students are team members. The study of such work teams has become a key area of organisational behaviour research.

What is an effective manager?

It is not easy to define what makes a manager an effective manager within a business context. The list of managerial competencies identified over the past few decades helps us understand more clearly the competencies required for effective management. However, such research also illustrates the difficulties in defining effective management because it is still hard to achieve expert consensus on what constitutes a basic core of competencies. It is even more difficult to find agreement on prioritised rankings of such competencies. Many of the best known writers in the management literature typically emphasise one managerial competence at the expense of all others. Tom Peters, for example, stresses that good managers are doers. (Wall Street says they ‘do deals’.) Michael Porter emphasises that they are thinkers. Zalesnick and Bennis believe good managers are really leaders, whereas, historically, Fayol and Urwick have portrayed good managers as controllers.

Fundamentally, any manager should seek two key results for a work unit or work team: task performance, which is the quality and quantity of the work produced or the services provided by the work unit; and human resource maintenance, which is the attraction and continuation of a capable workforce over time. This latter notion, while too often neglected, is extremely important. It is not enough for a work unit to achieve high performance on any given day; it must be able to achieve this level of performance every day, both now and into the future. Good human resource maintenance is a major concern of organisational behaviour. It directs a manager’s attention to matters such as job satisfaction, job involvement, organisational commitment, absenteeism and turnover, as well as performance. Wendy Lenton, Vodafone Director of People and Brand, points out that ‘The theory is that if you care for your people, your people will care for you, but if people feel unappreciated or unhappy at work, the anxiety manifests into ill health, low motivation, low productivity and absenteeism.’

This book treats high performance and good human resource maintenance as results that any manager should seek. Indeed, the two results can be seen as the criteria for an effective manager — that is, a manager whose work unit achieves high levels of task accomplishment and maintains itself as a capable workforce over time. This concept of the ‘effective manager’ offers an important framework for understanding organisational behaviour and developing personal managerial skills. A special text feature, ‘The effective manager’, is used in this and later chapters to help remind us of these applications.

Managing task performance

Recall that task performance is the quality and quantity of the work produced or the services provided. An effective manager must be concerned with the ‘productivity’ of work units and their members. Formally defined, productivity is a summary measure of the quantity and
quality of work performance achieved (task performance) that also accounts for resource use. It is not acceptable simply to ‘get a job done’; any job must be done with the best use of available resources — human and material. Productivity is a benchmark of managerial and organisational success.

The best organisations want value-added managers, whose efforts clearly enable their work units to achieve high productivity and improve ‘bottom-line’ performance. Value-added managers create high-performance systems in which individuals and groups work well together, to the benefit of the entire organisation and its clients or customers. Value-added managers are also the most likely to reap the rewards of satisfying careers. In an age of organisational restructuring and downsizing, often designed to reduce the number of management levels, value-added managers have little trouble justifying their jobs. The advice of consultant Tom Peters is worth considering: ‘Middle Managers: Act like a consultant. Make friends with the line, create projects ... Your job, salary, and esteem are all in mortal danger ... are you ready?’

In many ways, this book is about you becoming a value-added manager.

Today’s managers are confronted with a considerable dilemma. They are seeking ever-increasing added value from their stock of human capital. For example, NetApp Australia pursues this through a very open organisational system that allows employees accessibility to the managers, and enabling them to give feedback readily and responsively. On the other hand, while such approaches may improve worker productivity, they also have the potential to increase worker stress, burnout and absenteeism, and ultimately to result in a decline in worker productivity. To maximise the potential benefits of new initiatives, we must balance them against a careful consideration of quality of work life issues. One hallmark of a socially responsible organisation is its success not only in achieving high performance outcomes, but also in helping its members experience high levels of job satisfaction. The next section provides more detail on the broader issue of human resource maintenance.

**Human resource maintenance**

The need to ensure long-term and sustainable high performance helps to focus a manager’s attention on the need to ‘maintain’ all of a work unit’s resources (human and material resources alike). Just as managers should not allow a valuable machine to break down for lack of proper maintenance, they should never allow a valuable human contribution to be lost for lack of proper care.

Through their daily actions, the best managers in the new workplace will be able to create conditions in which people achieve their highest performance potential while experiencing a high quality of work life. The concept of quality of work life (QWL) gained deserved prominence in organisational behaviour study as an indicator of the overall quality of human experience in the workplace. It expresses a special way of thinking about people, their work and the organisations in which their careers are fulfilled. It establishes a clear objective that high productivity should be achieved along with job satisfaction for the people who do the required work. In particular, the following benchmarks of managerial excellence highlight true commitments to quality of work life:

- **participation** — involving people from all levels of responsibility in decision making
- **trust** — redesigning jobs, systems and structures to give people more freedom at work
- **reinforcement** — creating reward systems that are fair, relevant and contingent on work performance
- **responsiveness** — making the work setting more pleasant and able to serve individual needs.

It is important to remember that a broader social value associated with work makes any manager’s responsibilities more complex. QWL is an important component in the quality of life: negative work experiences can affect a person’s non-working life. Some of the most worrisome social ills — for example, alcoholism and drug abuse — may be linked with the adjustment problems of people who are unable to find meaning and self-respect in their work. The social importance of managers as major influences on the quality of work life
experienced by other people is well established. The study of organisational behaviour recognises that poor management can decrease overall quality of life, not just the quality of work life. It also recognises that good management can increase both.

**Emotional intelligence**

Emotional perception is a key human characteristic that enables individuals to cope with their social environment. This characteristic provides humans with an emotional intelligence by providing critical information for understanding internal experiences and negotiating social environments. Subsequently, those individuals who are open to emotional signals become more engaged with advanced information processing regarding both themselves and other people’s emotional experiences. These more emotionally in-tune individuals are also more likely to demonstrate the ability to adapt to both internal and external personal environments. This behaviour has been well researched, with studies showing that emotional intelligence is strongly associated with issues such as human wellbeing, academic accomplishment and the ability of students to manage university life positively.

Emotional intelligence is comprised of four key skill sets that shape how the individual perceives, integrates, understands and manages their emotions. The first determinant of emotional intelligence is the precision by which a person will identify and show emotions. These emotions can then help an individual to differentiate between safe and unsafe environments, and integrate emotions with a person’s cognition. This second skill set, integration, then shifts cognitive processes to open up to new perspectives, creativity and problem-solving capabilities. The third skill set, emotional understanding, concerns the understanding of emotional information and the combination of emotional information. The fourth skill set builds upon the first three skill sets to open up feelings and develop growth.

Emotional intelligence can, therefore, be defined as the ‘ability to identify, assess and manage both one’s own emotions, and emotions of others, in order to successfully achieve one’s goals’. Emotions provide vital information so that the individual is able to understand their social setting accurately and to manage it successfully.

The term ‘emotional intelligence’ was first established by David Goleman in his *Harvard Business Review* paper. This work detailed his findings from research across almost 200 global companies. He found that traditional notions of leadership success such as intelligence, determination, vision and toughness were not as important in determining business performance as the five key areas of emotional intelligence: self-awareness, self-regulation, motivation, empathy and social skills. While many people may not weigh the importance of these personal characteristics as relevant to business, David Goleman found a direct correlation between emotional intelligence and business performance.

**IQ testing in recruitment**

Classic concepts of ‘intelligence’ have traditionally been measured by the IQ test. This test assumes that personal capabilities in critical thinking, learning and environmental adaptation can be formally delineated and examined, and that these results will provide a true indication of a personal success.

Indeed, research by David Goleman shows that 75 per cent of professional success cannot be accounted for by the IQ test. He correlated test scores with individual performances and found that the maximum weight that could be attached to an IQ test was 25 per cent. Goleman’s findings suggest that the IQ test cannot be indicative of who will fail and who will succeed.

Imagine that you are a recruitment manager. Your company is now experiencing a significant number of senior managers and executive staff who are being placed on personal leave due to stress and mental health problems associated with increasing levels of change and diversity in the workplace. Many of these staff members were
hired through decades of IQ testing of applicants. Although these staff members have been able to cope in periods where change occurred relatively slowly and the diversity of the workforce was less, it is now becoming increasingly difficult for these staff members to make effective decisions.

Questions
1. How would the increase in personal leave by senior managers and executives inform future hiring arrangements?
2. What aspects of the five key elements of emotional intelligence could the recruitment team use to ensure an effective business performance by future leaders of the organisation?

The management process

Managers use the management process of planning, organising, leading and controlling the use of organisational resources to achieve high performance results in both task performance and human resource maintenance. These four functions of management are planning, organising, leading and controlling (see also figure 1.3).

1. **Planning** is the process of setting performance objectives and identifying the actions needed to accomplish these objectives.
2. **Organising** is the process of dividing up the work to be done and coordinating the results to achieve a desired purpose.
3. **Leading** is the process of directing the work efforts of other people to help them to accomplish their assigned tasks.
4. **Controlling** is the process of monitoring performance, comparing the results with the objectives and taking corrective action as necessary.

There is no doubt that the task of managing both efficiently and effectively is becoming more complex. So far we have briefly discussed foundational organisational behavioural themes. In addition to these well-established organisational behaviour principles, today's business environment requires managers to deal with emerging and fast evolving challenges. The next part of this chapter will place the key concepts of organisational behaviour into the real world environment in which the managers of today and tomorrow will work.
Contemporary themes in organisational behaviour

Among the biggest challenges that managers must deal with are: globalisation, the changing nature of the economy, the changing nature of work, the changing nature of the workforce, and the changing nature of the relationships between employers and employees. These in turn create another challenge: that of managing change itself. One approach is process re-engineering — formally defined as ‘the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed’.

The result involves a substantial shift in values, as shown in The effective manager 1.1.

Moving from traditional to re-engineered values

Traditional work values
- The boss pays our salaries; keep the boss happy.
- To keep your job, stay quiet and don’t make waves.
- When things go wrong, pass problems to others.
- The more direct reports the better; a good manager builds an empire.
- The future is predictable; past success means future success.

Re-engineered work values
- Customers pay our salaries; help keep them happy.
- All of our jobs depend on the value we create.
- Accept ownership for problems; help solve them.
- We are all part of a team; a good manager builds teams.
- The future is uncertain; constant learning is the key to future success.

Globalisation

Globalisation is not a new concept. The pros and cons — indeed the definition — of globalisation have been the topic of much debate for decades. We look at this debate in the Counterpoint later in this chapter. For our purposes we will define globalisation as the process of becoming more international in scope, influence or application. In a business context, globalisation is characterised by networks that bind countries, institutions and people in an interdependent global economy.

Success in the increasingly global business environment will depend on a new breed of ‘global manager’ with global management skills and competencies. Global management skills and competencies include a strong and detailed understanding of international business strategy, cross-cultural management, international marketing, international finance, managing e-business and the internet, risk management, managing sustainable organisations, re-engineering organisations, managing the virtual workplace, knowledge management, international economics and trade, and Asian languages. The effective manager 1.2 suggests ten important attributes of the successful global manager.

IT company NetApp has several global initiatives in place geared at fostering a stronger international presence. The company has initiated a NetApp Innovation Award that
recognises innovators from three major regions — the Americas, the Asia–Pacific and Europe/the Middle East/Africa — who are able to make IT dramatically more proactive, productive, and essential to creating business value. They have also a Global Corporate Citizenship initiative that aims to support strategic partnerships to help make our global communities better, stronger and more vibrant places in which to live, work and do business.\textsuperscript{38}

It is important for managers to study and learn about the management and organisational practices of their counterparts in other nations. What is being done well in other settings may be of great value at home, whether that ‘home’ is Australia, Singapore or anywhere else in the world. Whereas the world at large once looked to the North Americans and Europeans for management insights, today we recognise that no one culture possesses all the ‘right’ answers to our management and organisational problems.

### Ten attributes of the global manager

The global manager is able to:

1. negotiate effectively in different business environments
2. solve problems quickly and under different circumstances
3. motivate and communicate well with people from different cultures
4. understand different government and political systems
5. manage and create a sustainable environment
6. convey a positive attitude and enthusiasm when dealing with others
7. manage business in both traditional and virtual environments
8. view different economies as belonging to a single global market
9. be culturally sensitive and adaptable
10. manage the ‘triple bottom line’ — society, economy and the environment.

### Globalisation for good or evil?

Nearly twenty years ago, in referring to the technological revolution in the field of mass communication, Marshall McLuhan recognised the logical progression of human-kind towards a ‘global village’ under the auspices of electronic media. For Marshall McLuhan, contemporary global socioeconomic and political developments may be characterised by redefining all existing structures that form the ‘world village’. This means that humankind will dramatically advance ‘from the nation-state to the global structures’, thus reaching a transformation so profound that the future will belong entirely to this ‘global village’.\textsuperscript{39}

In the twenty years since Marshall McLuhan’s insights into globalisation, the impact of multinational corporations (MNCs) on their host countries almost always causes controversy. This is most noticeable in developing nations that find they are overpowered by sizeable MNCs. On many occasions, MNCs are offered lower tax rates, cheap labour and substandard working conditions in comparison to the developed nations’ standards, and local workers are generally used only for the lower-scale positions. MNCs can subsequently face a public relations nightmare when stories of child labour, physical abuse of workers and slave wages come to the surface. On the other hand, for workers who are socially and economically impoverished, the arrival of these MNCs can improve the existence and survival of their families. The issues are complex and there are no easy solutions. Globalisation is expected to continue, particularly as

\textsuperscript{(continued)}
more developing countries and formerly communist countries become further open to international trade and investment. But is this a positive or a negative development? Consider the debate surrounding what are colloquially known as sweatshops.

The BBC television program *Panorama* aired a story about a factory in Cambodia that manufactured products for companies such as The Gap and Nike. Reportedly, in this factory children under the age of 15 were working more than 12 hours a day in terrible conditions on what Westerners would consider extremely low wages. As a result of negative press, Nike and The Gap removed the production of their goods from Cambodia, costing hundreds of locals their jobs and the country millions of dollars in contracts. Similar pressures forced a German garment maker to lay off 50,000 child workers in Bangladesh. Oxfam later discovered that many of the children then became destitute and turned to prostitution and crime to sustain themselves, and some ultimately starved to death. Similarly, in Nepal, after a crackdown in the carpet industry, UNICEF reported that thousands of young girls turned to prostitution to survive. In Pakistan, after a controversy regarding sweatshop soccer balls, manufacturers including Nike and Reebok shut down their plants, costing tens of thousands of workers their jobs. This resulted in the mean family income in Pakistan falling by more than 20 per cent.

Of course MNCs have ethical duties in terms of their own actions and those of their subcontractors and suppliers. There are labour laws and standards for pay, safety and the use of coercion. However, it is difficult to determine exactly what these standards are and who sets them. The question is: Should these be ‘Western’ standards or the standards of the country in which the factory operates?

International trade has increased 3000 per cent since the 1960s and this has been accompanied by an increase in civil and political freedom worldwide. Many developing nations are increasing their overall prosperity at a higher rate than the developed nations have been capable of doing. For example, China, in the period before the global credit crunch, doubled its income per capita every 10 years, partly aided by a high prevalence of sweatshops. Compare this to Great Britain, where it took 58 years to do the same thing during the industrial revolution.

Alongside the rise of China’s global influence, Brazil, Russia and India are emerging as a critically important block of global players known as BRIC. Globalisation in these economies, as China demonstrates, not only manifests economic change, but exerts cultural tensions that will require multi-stakeholder engagement to create common norms across Asia in order to mitigate the vast magnitude of cultural conflicts.

Questions

1. Summarise the issues surrounding globalisation and the growing rise of the BRIC block.
2. From these summaries, prepare a case for globalisation and prepare a case against globalisation, integrating both BRIC and ‘Western’ perspectives.

The changing nature of work

Work itself is changing rapidly due to globalisation, advances in technology, the growth in the services sector, and especially an increasing reliance on knowledge to generate new products and services. These changes require workers with different skills to the workers of the past, including the ability to continuously learn new skills and adapt to changing needs. Managing such workers presents a number of new challenges for managers. We will look at some of the biggest changes in the following sections.
Technology

Technology has emerged as an ever-present, dominant force in our lives. Just as 100 years ago people could not have accurately predicted the technology that is commonplace now, we cannot foresee all the technological advances ahead of us. What is certain is that continuing change in information and communications technology will have massive implications for workers, managers and organisations alike.

High technology allows machines to do many routine chores more cheaply and accurately than people can; it makes available more information for planning and control to more people at all levels of organisational responsibility; and it is causing both people and organisational structures to change old habits and adopt new ways of doing things. For example, the use of email has revolutionised office communication. It is a convenient medium among billions of email users worldwide. However, email has potentially negative consequences in the workplace. The main problems are that written forms are more official, less easy to withdraw and suffer from the absence of other additional communication modes — such as body language and intonation of voice. In addition, there is a growing body of research that suggests email reduces a person’s ability to build rapport and impairs the establishment of trust. These problems are exacerbated by cultural issues when email users are in different countries. Nevertheless, email has proven to be a convenient communication medium that has changed work practices significantly.

Knowledge management

Another major driver of organisational change is the growth of the knowledge-based economy in which prosperity is built on ‘intellectual capital’ — the use of information in people’s minds — rather than on physical resources. The OECD defines a knowledge-based economy as ‘an economy in which the production, distribution and use of knowledge is the main driver of growth, wealth creation and employment across all industries — not only those industries classified as high tech or knowledge intensive’.

Recognition of knowledge and the contribution that knowledge creation, distribution and use can make towards improved levels of performance and productivity is not new; economies have always relied on knowledge expansion and application through research and development to create new products and improvements in productivity. What is new is the speed at which knowledge is being created and the pace at which it is being transformed into new goods and services.

In a knowledge-based economy, the central questions for high-performing organisations are:

• What do we know and what knowledge do we have?
• How do we organise to make best use of this knowledge?
• Who can add value to what we know?
• How quickly can we learn something new?
• How quickly can we deliver this new knowledge into the global marketplace?

Much knowledge resides within employees, including their skills, creativity and experience. It also exists in other areas such as the organisation’s systems, processes and structures, and in the relationships that organisations have with their customers, suppliers and other stakeholders. Knowledge management (KM) focuses on processes designed to improve an organisation’s ability to capture, share and diffuse knowledge in a manner that will improve business performance.

An important aspect of knowledge management is retaining people who possess the knowledge the organisation or the country needs. Workers are increasingly mobile and are taking their knowledge with them to their new workplaces across the globe. Such movement across national boundaries is commonly referred to as brain drain.
Baby boomers at work

Demographic changes in Australia and New Zealand are transforming the employment landscape. In 2011, the first of the baby boomer generation, those born between 1946 and 1964, reached the age of 65. In fact, according to the Australian Bureau of Statistics the baby boomers comprise 25 per cent of the Australian population and will have a significant impact on the Australian economy and society for many decades to come. From 2010 onwards, there will be fewer people of employable age to support the current high-level debt structure. With fewer new workers available than there are jobs, one obvious strategy to fill the skills gaps will be to actively recruit from older segments. This challenges recruiters to consider that the factors that attract younger workers are not always the same as for older workers. Can you think of some likely differences?

The changing nature of the workforce

The composition of the workforce is changing. Managers must be aware of, and able to successfully manage in the context of, the following trends.

- The size of the workforce is growing more slowly than in the past, especially as a result of the global economic slowdown.
- The average age of the workforce is rising.
- More women are entering the workforce.
- The proportion of ethnic minorities in the workforce is increasing.
- The proportion of immigrants in the workforce is increasing.
- Workforce mobility is increasing.
- ‘Labour packaging’ is growing through short-term migrant labour importation in many Asian and Middle Eastern countries.
- International careers and mobile managers are becoming commonplace.
- International experience is becoming a prerequisite for career progression to many top-level management positions.

Perhaps the most notable change in the workforce is that it is more diverse than at any time in history. The term workforce diversity refers to the presence of demographic differences among members of a given workforce. These differences include gender, race and ethnicity, culture, age and able-bodiedness.

In the next sections, we will look at the changing nature of the workforce in terms of culture, age and gender.

Culture

The workforce is becoming more multicultural as a result of migration, and as workforces increasingly span more than one country. Australia and New Zealand are among the most multicultural countries in the world. Almost one in three members of the workforce in major Australian cities such as Sydney and Melbourne was born outside Australia. About one in three people in the Auckland region of New Zealand was born overseas. Managers — whether or not they are directly involved in international business — must be able to effectively manage people from different cultures and make the most of the advantages that a diverse workforce can bring. For example, diversifying the workforce can be used as a
market strategy. A diverse workforce can provide business with a competitive advantage by capitalising on language skills, cultural knowledge, business networks and knowledge of business practices in overseas markets, and intelligence about overseas markets, including intimate knowledge of consumer tastes and preferences. Businesses can use the skills to improve productivity and innovation in the workplace, developing domestic niche markets and entering new, or increasing market share in, overseas markets. Styles of leadership, motivation and decision making, and other management roles vary among different countries, as outlined in the following examples. Styles of leadership, motivation and decision making, and other management roles vary among different countries, as outlined in the following examples.

• **Leadership.** A study of international airlines found substantial differences in leadership styles despite the fact that the technology, types of jobs, skills required and basic operations are very similar from one company to another.

• **Motivation.** Managers must avoid being parochial or ethnocentric. They cannot assume all people will be motivated by the same things and in the same ways as they are. Most of the popular theories of work motivation have been developed in the United States. These theories may help explain the behaviour of North Americans, but serious questions must be raised about how applicable they are to other cultures. While North Americans, for example, value individual rewards, Japanese people prefer group rewards.

• **Decision making.** Latin American employees may feel uncomfortable with a boss who delegates too much authority to them. In France, decisions tend to be made at the top of companies and passed down the hierarchy for implementation. In other cultures, such as the Scandinavian, employees want their managers to emphasise a participative, problem-solving approach. In Japan, many companies use the ringi system for making decisions. Ringi is a group decision approach whereby all affected company members affix their sign of approval to widely circulated written proposals. Culture may even play a role in determining whether a decision is necessary at all — that is, whether the situation should be changed. Australians and New Zealanders tend to perceive situations as problems to be solved; other cultures, such as the Thai and Indonesian, tend to accept situations as they are. Thus, an Australian is more likely to decide that a workplace problem exists and that something should be done about it.

Geert Hofstede, a Dutch scholar and consultant, has identified five dimensions of national culture — power-distance, uncertainty avoidance, individualism–collectivism, masculinity–femininity and long-term–short-term orientation — which provide one way of understanding differences across national cultures (see the International spotlight).

The dimensions of culture

Hofstede’s five dimensions of national culture can be described as follows:

1. **Power–distance** — the degree to which people in a country accept a hierarchical or unequal distribution of power in organisations. Indonesia, for example, is considered a high power–distance culture, whereas the Netherlands is considered a relatively low power–distance culture.

2. **Uncertainty avoidance** — the degree to which people in a country prefer structured rather than unstructured situations. France, for example, is considered a high uncertainty avoidance culture, whereas Hong Kong is considered a low uncertainty avoidance culture.

3. **Individualism–collectivism** — the degree to which people in a country focus on working as individuals more than on working together in groups. Germany, for example, is considered a relatively individualistic culture, whereas Sweden is considered a more collectivist culture.

4. **Masculinity–femininity** — the degree to which people in a country emphasise so-called masculine traits, such as assertiveness, independence and insensitivity to feelings, (continued)
as dominant values. Japan, for example, is considered a highly masculine culture, whereas the Netherlands is considered a more feminine culture.

5. **Long-term–short-term orientation** — the degree to which people in a country emphasise values associated with the future, such as thrift and persistence, over values that focus on the past or present, such as social obligations and tradition. China, for example, is high on long-term orientation, while the United States is more orientated towards the short term.⁵⁹

Continuing research on these cultural dimensions examines how countries can be grouped into clusters sharing generally similar cultures. Scholars are interested in such cluster maps as they try to determine how management practices can and do transfer across cultures.

One such grouping is shown in figure 1.4. ‘Anglo’ countries tend to score relatively low on the long-term–short-term dimension, whereas the Asian ‘Dragons’ — Hong Kong, Singapore, Japan, South Korea and Taiwan — score relatively high on this dimension. Hofstede and Bond argue that the long-term value and influence of Confucian dynamism may, at least in part, account for the surge of economic successes by these Asian nations.⁶⁰

![Figure 1.4: A sample of ‘country clusters’ based on Hofstede’s five dimensions of national cultures](image)


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**Age**

In Australia, almost 25 per cent of the population will be 65 years or older by 2051; almost 20 per cent may be 85 years or older.⁶¹ New Zealand also has an ageing population. By 2051 half the New Zealand population will be older than 45 years, compared with a median...
Age of 35 years in 2001. Japan will have the most rapidly ageing population of any major power, and will experience an increasing shortage of labour. The ageing of the workforce has a number of important implications for organisations. These include:

- the possibility of a labour shortage — not enough workers with the right skills for the work that needs to be done
- a loss of ‘organisational memory’ as the baby boomer generation (born between 1946 and 1964) reaches retirement (from 2006) and leaves the workforce
- an increasing representation of generations X (born after 1964) and Y (born after 1978) at senior levels within organisations as the baby boomer generation retires
- the need for new types of employment relationships to meet the needs of generations X and Y. For example, workers from generations X and Y are looking for different types of rewards for their work — they are less focused on just pay and job security. Google, for example, is one of the fastest growing companies in history and has a powerful reputation among high-performing IT workers of generation Y. Non-pay worker benefits at Google include free movie days, gourmet lunches, shuttles with built in Wi-Fi to get staff to work, and purchase grants for hybrid cars. This comes in addition to a flexible 70:20:10 workload and time formula, where 70 per cent is core company work, 20 per cent is for personal development and training that will benefit the company, and 10 per cent is for innovation and creativity time. The flexibility and lifestyle benefits of Google’s employment package have strong appeal for generation Y.
- greater workforce mobility and less loyalty to the organisation due to the different attitudes of members of generations X and Y. They expect to have a series of jobs and multiple careers over their working lives. This is in stark contrast to older generations who tended to work for one company, perhaps rising through the ranks over the years
- the much higher levels of technical competence brought to the workplace by generation X and Y employees compared with their predecessors.

**Gender**

The past 40 years has been characterised by an increasing number of women entering the workforce, a breaking down of the traditional idea that some jobs are gender-specific (for example, nurses are women, mechanics are men), and increasing numbers of women in senior positions within organisations. For example, women now comprise 30 per cent of the three most senior levels of management. However, the top tier is still predominantly male orientated, and 54 per cent of the top 200 Australian publicly listed companies do not have a female in an executive management role. As you can see in table 1.1, the Australian labour force status (2011) shows significant gender differences for both full-time and part-time workers.

<table>
<thead>
<tr>
<th></th>
<th>Participation in the workforce (%)</th>
<th>Full-time ('000s)</th>
<th>Full-time (%)</th>
<th>Part-time ('000s)</th>
<th>Part-time (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>72.9</td>
<td>5224.6</td>
<td>83.4</td>
<td>1037.7</td>
<td>16.6</td>
</tr>
<tr>
<td>Female</td>
<td>59.2</td>
<td>2815.5</td>
<td>54.3</td>
<td>2365.1</td>
<td>45.7</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>8040.1</td>
<td>70.3</td>
<td>3402.7</td>
<td>29.7</td>
</tr>
</tbody>
</table>

The rate of participation of women in the labour force continues to increase over time. More women are participating in the workforce during their peak child-bearing years (age 25–34). Back in 1980, only 59 per cent of women who were of child-bearing age were involved in the workforce. This participation rate has jumped more than 12 per cent since then, showing a substantial shift in the composition of the Australian labour force.
One of the greatest implications of increased female participation in the workforce is for organisations to learn how to manage work–family relations such as maternity leave; this will be discussed later. The increased female presence in the workforce has also influenced organisational behaviour in terms of employer–employee relations.

A 2012 Australian census of women in leadership shows that the situation did not change dramatically between 2010 and 2012, with only one more chair established in the ASX200. Helen Conway, the Director of Equal Opportunity for Women in the Workplace, claims significant systemic inequity continues to prevent talented and capable women from contributing at the highest level.

### The changing nature of employer–employee relations

The relationship between employers and employees is changing in how the organisation views its members and how people view employers. In the new workplace, employment is cut and streamlined for operational efficiency, businesses have flatter and more flexible structures, and the workforce is more diverse and dispersed.

Globalisation has significantly altered the employment relationship, creating challenges for organisations, managers and employees. Wage earners find themselves working at home for foreign employers. More senior executives are arriving at their positions with the benefit of ‘overseas experience’. And more junior executives are being asked and encouraged to take on such assignments. Consequently, today’s managers must be able to both ‘think globally’ and ‘act locally’ in pursuing their opportunities.

Human rights and social justice are increasingly pursued in the new workplace, just as they are in the world at large. All managers must deal with growing pressures for self-determination from people at work. Workers want input into major decisions that have a direct effect on their working lives. Workers want more freedom to determine how and when to do their jobs. They want the benefits of increased participation accrued through workplace initiatives such as industrial democracy, job enrichment, autonomous work groups, flexible working hours and family-friendly workplaces. All of these initiatives are changing the nature of day-to-day human resource management.

To create value-adding human capital, the twenty-first-century manager must be well prepared to deal with not only the pressures outlined but also pressures for the following.

- **Employee rights.** People expect their rights to be respected on the job as well as outside their work environment, including the rights of individual privacy, due process, free speech, free consent, freedom of conscience and freedom from sexual harassment.

- **Job security.** People expect their security to be protected, including security of their physical wellbeing (in terms of occupational safety and health matters, as well as economic livelihood), guaranteed protection against layoffs and provisions for cost-of-living wage increases.

- **Employment opportunity.** People expect — and increasingly demand — the right to employment without discrimination on the basis of age, sex, ethnic background or disabilities. Among these demands are concerns to further the modest but important gains made in recent years by women and other groups that have been marginalised in the workplace. The concept of the ‘glass ceiling’ has been introduced into management vocabulary to describe the discriminatory barriers that women may face as they seek to advance their careers in organisations. Progress will be applauded, but it will not be accepted as a substitute for true equality of opportunity.

- **Equity of earnings.** People expect to be compensated for the ‘comparable worth’ of their work contributions. The fact that certain occupations (such as nursing) have been traditionally dominated by women, whereas others (such as carpentry) have been traditionally dominated by men is no longer accepted as justifying pay inequity. Equal pay for equal work, equity of rewards involving a comparison of inputs to output, and other related issues such as money and motivation continue to be widely discussed topics.
We will now briefly examine a few of the major issues in the changing employment relationship.

**Work–life balance**

Increasingly, workers are seeking balance between their work and the other aspects of their lives. The Australian Work and Life Index (AWALI) measures how work affects the rest of life for employed Australians. It measures how often work interferes with responsibilities or activities outside work, how often it restricts time with family or friends, how often it affects connections and friendships in the local community, overall satisfaction with work–life ‘balance’, and how often people feel rushed and pressed for time. A recent AWALI report found that although the global financial crisis has resulted in an economic downturn in Australia, this has not improved the problems of work–life balance, with work–life interference staying fairly steady. The researchers conclude that, unfortunately, negative work–life interference appears to be recession-proof.

In highly competitive labour markets it is important for organisations to both be attractive to new employees and be retentive of them. This promotes increased organisational awareness and actions for the implementation and management of work–life balance (WLB) strategies. The OECD report ‘How’s life in Australia?’ investigated the quality of work–life balance in Australia, and reveals that it is the only aspect of life in Australia that is not highly ranked compared to other OECD countries (OECD Better Life Initiative). The 2014 Australian Government budget, however, brings funding cuts and cessations to key employment initiatives such as the ‘Award Modernisation Process’, Building Australia’s Future Workforce Evaluation, Career Advice for Parents, Connection and Job Seeker Workshops amongst many other employment initiatives. Key amongst these is the cessation of the government assistance to workers at Ford Australia. This is part of action by the government to cease funding of Ford Australia and in consequence the imminent ending of manufacturing of Ford cars in Australia. Although the government is, therefore, cutting investment in human capital this is being absorbed by industry. Randstad World of Work Report 2011–2012 surveyed some 3226 employees and employers across Australia, and found that 92 per cent of employers set to maintain or increase investment in human capital. Nevertheless, the report found that with the baby boomers moving into retirement, increasingly skill shortages will plague the Australian workplace. The report, therefore, reveals that the retention of employees will be an escalating issue and that work–life balance will be critical to retaining highly skilled employees.

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**Paid parental leave — whose responsibility is it?**

An International Labour Organization study has identified that over 120 nations provide paid maternity leave. The research highlighted that countries including Ethiopia, Morocco, South Africa, India, Thailand and Haiti offered superior maternity leave provisions for women than those in Australia. Recently, New Zealand started offering paid maternity leave support for women and from January 2011, Australia also started doing so; leaving the United States as the only OECD country that does not provide paid maternity leave. The issue of paid maternity leave is important because it is expected that about 80 per cent of all women in industrialised countries will work outside the home throughout their child-rearing years. A recent Australian report explained that ‘shortages of skilled labour are expected. Women’s participation in the labour force will be relied upon more heavily in the future.’ What happens to family income when women fall pregnant? There is now a growing body of evidence from around the world that the pay gap between mothers and childless women is greater than it is between men and women generally.

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One of the more vital and controversial questions in many countries is: ‘Whose responsibility is it to pay for maternity leave?’ There are three main options: the employee, the employer or the government. The most talked about option is to force employers to pay for maternity leave, like other types of leave. However, there are only two industrialised nations (Switzerland and Singapore) that require employers to bear the full costs of paid maternity leave. In other countries this cost is shared between employer, employee and government.

Australia’s birth rate has declined to 1.7 per woman. The government acknowledges some responsibility for child rearing in the form of maternity payments, immunisation payments, child-care payments, stay-at-home parental allowances and family tax benefits. Until recently, these payments did not meet the minimum standards under the United Nations’ Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), which Australia ratified in 1983. At the time of ratification, the Australian Government advised that, due to differing state and federal industrial awards, it was not in a position to implement maternity leave with pay throughout Australia, though these measures were already in place in States like New South Wales and Victoria. However, the change back to a federal Labor government in 2007 precipitated a new focus on maternity leave in Australia.

In January 2008, the then Deputy Prime Minister Julia Gillard announced the Productivity Commission Inquiry to examine the effectiveness of different models of support for parents with newborn children, their likely impact on work and family preferences and workforce participation generally. The Australian federal parliament passed into law its first universal paid parental leave scheme in January 2011 and, since then, eligible parents have received 18 weeks’ leave, paid at the federal minimum wage (at $570 a week in 2011). To qualify for the scheme, the nominated parent must work at least 330 hours in 10 of the 13 months before the child’s birth or adoption, with a maximum two-month break, and their income cannot exceed $150 000 a year. Women who need to take time off work because of difficulties during their pregnancy are eligible, if they would have otherwise met the work test. The scheme also requires employers to top it up with any program they already have in place. Despite this, there are those who feel the scheme is still insufficient.

In contrast to Julia Gillard’s scheme, Tony Abbott in his first prime ministership proposed a change in the parental leave scheme that was to allow parents to receive 100 per cent of their former salary for six months, with a ceiling of $50 000. This scheme had been scaled back from its original proposal over concerns of payments to wealthier parents. Nevertheless, women earning over $100 000 a year were to receive the payment at its upper limit. The proposed scheme was scrapped in early 2015, with Abbott announcing it would be replaced by a new, childcare-focused policy. With the end of the baby boomers and the effect of increasing skill shortages in the workplace, further development of subsidised childcare schemes across the political spectrum is likely to continue.
Transforming training for apprentices in Australia

The twenty-first century is challenging organisations to develop employee competencies that will transform their organisations and ensure that they remain competitive in turbulent and changing business environments. The Australian Printing Association, for example, is implementing a project to assist Australian printing companies to keep up with the latest developments in digital technology. Key amongst the aims of the project is the enhancement flexibility, innovation and effectiveness of training methods. Amongst the project approaches is an apprenticeship model that is relevant to the needs of the industries’ apprentices, employers and training providers. The association is collaborating with the Australian Manufacturing Workers Union and state printing industry associations throughout Australia in rolling out a training model that will be implemented across Australia in the coming 32 months.80

Woolworths are also following this competency-progression approach. The ‘Accelerated Skill Development Program’ is a project that is changing Woolworths’s approach to training across its Australian business network. The project involves Service Skills Australia — the Industry Skills Council that represents Australian service industries such as wholesale, retail and personal services, tourism and hospitality. The program uses a personalised training platform, reforming pre-apprenticeships and apprenticeships for butchers and bakers and provides mentoring for apprentice’s managers. This program will improve completion and retention rates in Woolworths’s trainee and apprenticeship programs and develop consistency across the Woolworths chain nationally.81

Outsourcing

As we have already seen, countries, cultures and peoples around the world are increasingly interconnected. One result is that it is increasingly possible to transfer jobs from one country to another. Job migration (the transfer of jobs from one country to another) and global outsourcing (the replacement of domestic jobs with contract workers in another country) are popular to countries such as India, the Philippines and Russia, especially in IT-related jobs. With increasing use of virtual workspaces enabled by communications and information technology, it is easy to contract for many types of work anywhere in the world, at the lowest price. To remain competitive, organisations and workers themselves must continually change to achieve high performance.

Outsourcing to India

India places a high value on education and many workers have one or two degrees. Through successful global marketing of its knowledge-based workforce, many companies in a variety of industries (IT, aerospace, finance, telecommunications) are now outsourcing their work to India. Often the workers are shown video footage from the country they service; they watch local television shows via cable and partake in accent reduction courses, all in an effort to ‘fit’ with the culture they are servicing. One of the largest growth areas is finance. AXA Asia Pacific has its back office functions and data entry work done in India, and part of the ANZ Bank’s IT operations are also undertaken there. Organisations like GE Capital (which runs credit card operations for Coles Myer, Shell and Buyers Edge), HSBC Bank and American Express have relocated credit card fraud departments to India. Interestingly, whenever you call these organisations, irrespective of where you are

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Casualisation of the workforce

One of the key themes from the chapter so far has been that organisations and the environments in which they operate are rapidly changing. Organisations are seeking greater flexibility and adaptability to respond to these changes. Increasingly, organisations are seeking people who can adapt to changing needs. Another method has been to change the composition of their workforce to consist of core workers and contingent workers. The contingent workers are usually employed on a casual basis.

Casual work is work where the number and schedule of work hours vary and there is little or no security of ongoing employment.

Casual work is work where the number and schedule of work hours vary and there is little or no security of ongoing employment.

in the world, your call will be answered by someone in either Delhi or Mumbai, the emerging call-centre capitals of the world. Many companies outsource labour to developing countries where skills are often high and labour costs are significantly cheaper. However, companies must carefully consider both internal (cost) and external (customer experience) factors when outsourcing services, as many customers struggle to accept call centres that are not locally based, and it could, in turn, affect a customer’s trust in and loyalty to a certain brand, company or organisation. In addition, despite mainly doing outsourced jobs in the past, companies in emerging economies like those in India have been learning and innovating so much so that they are redesigning business processes to do things better and faster than the companies that originally outsourced business to them from the developed world. Some observers have said that emerging economy firms, through ‘frugal innovation’, will unleash a wave of low-cost, disruptive innovations that will challenge the dominance of established players.

This human capital has proved a successful commodity for India. In 1995, the Indian outsourcing sector turned over about US$100 million. By 2008, it undertook 65 per cent of all IT outsourcing and 43 per cent of offshored business-process work. In 2011, Brazil, Russia and China were important players with 125 offshore locations offering both IT and BPO services, but none match India’s enormous supply of IT and engineering graduates. Although 2002 to 2016 has witnessed some 2.1 million business services being transferred from Europe and America to Brazil, Russia, China and India, we will see a slowdown of offshoring from Europe and America to these countries with an eventual halt to the practice by 2022. Various reasons underpin this changing dynamic, including the soaring costs of Indian labour and a lack of good analysts and developers in India and China. In addition, American and European companies have been disappointed by the relationship with outsourcing companies and their closeness to their operations. Such dynamics have influenced the labour turnover in outsourcing firms.
Telecommuting

The complexities of the twenty-first century also conspire to shape the trend of remote working, most commonly practised as ‘telecommuting’. Telecommuting has been promoted over the past twenty years as an alternative form of working. Benefits include reducing traffic congestion and reducing energy and pollution. Telecommuting can also reduce costly overheads, improve employee productivity, reduce office space area and ultimately improve organisational competitiveness (Myers and Hearn). While there are benefits to employees in terms of work–life balance (for example, saved travelling time and being able to work in their home environment), employees can become socially isolated and may miss out on opportunities for promotion and so on. An investigation by the New South Wales State Chamber of Commerce found that 23 per cent of survey respondents had employees who regularly worked from home or who worked via remote links. A further 24 per cent of respondents had employees who teleworked occasionally.

Workplaces of the future

Complexity in society will increasingly place pressure on future workplaces to be collaborative, adaptable and dynamic. Central to driving change in this new working environment will be the entrepreneurial culture of the younger generation. According to Dr Marie Puybaraud, Director of the Global WorkPlace Innovation (GWI) program at Johnson Controls, gaining business advantage will also require a strong grasp of collaboration and collectivism in order to manage expected future disruptions that the new complex world will bring to the workplace. Furthermore, she describes how the Johnson Controls Global Workplace Innovation Roadmap has planned for changes such as the use of big data to inform decision-making processes; the prioritising of a people-focused workplace; the fluid movement of employees; and the evolution of offices into entrepreneurial incubators. Dr Puybaraud also describes how, in a time when technology potentially may increase productivity by 20 to 25 per cent, the need for face-to-face engagement by managers will increasingly be the most valuable communication mode.

The impact on the workplace will mean a more spatially dynamic and mobile engagement with technologies, and a break away from the office desk. A more entrepreneurial approach to responding to market needs and human resource management will also be required, especially considering the findings of McKinsey, as cited by Dr Puybaraud, that in Western countries there will be a lack of 38 to 40 million highly skilled workers by 2030. Finally, she also asserts that in the future workplace there will be a need for networks that can ‘crowdsource’ products, generate new markets and sustain existing strong markets. Furthermore, there will become a stronger focus on building an organisational culture across a collaborative and mobile workplace and greater attention to the wellbeing of employees both in the workplace and at home. Overall, Dr Puybaraud points to a world where the physicality of the office workplace will become important in developing performance through innovation, social networking and collaboration.

Ethics and values

With an increasingly interconnected world, the growing representation of generation X and Y employees and employers, and a greater appreciation of the fragility of the natural environment, organisations, their members and the communities they exist within are placing more emphasis on ethical behaviour. The concepts of corporate social responsibility (that organisations have a responsibility to the societies that sustain them) and triple bottom line reporting (that organisations need to consider society and the environment, as well as
Part 1 • Introduction

Ethical behaviour is behaviour that is morally accepted as ‘good’ and ‘right’ as opposed to ‘bad’ and ‘wrong’ in a particular social context.

Formally defined, ethical behaviour is behaviour that is morally accepted as good and right, as opposed to bad or wrong, in a particular setting. Business scandals resulting in the collapse of high-profile companies such as stockbroking and asset management firm Opes Prime and telecommunications company One.Tel have highlighted the importance of ethics in managerial behaviour. Today a trend is clear: the public is demanding that government officials, managers, workers in general and the organisations they represent all act in accordance with high ethical and moral standards.

Ethical managerial behaviour is behaviour that conforms not only to the dictates of law but also to a broader moral code that is common to society as a whole. But exactly what moral code governs a person’s choices is a subject of debate.

Corporate social responsibility (CSR) refers to the notion that corporations have a responsibility to the society that sustains them. This responsibility includes such things as providing employment, caring for the environment, contributing to charities and operating in a way that meets the society’s needs. CSR is not necessarily a concept that should be regulated. The Business Council of Australia (BCA) represents the top 100 companies in Australia who contribute 219 000 staff hours annually to community groups. The BCA is strongly opposed to new regulations aimed at mandating CSR, as it is their belief that it will encourage organisations to simply comply with legislation rather than encouraging them to be truly socially responsible.90

Corporate social responsibility in South-East Asia

Until recently, promotion of corporate social responsibility (CSR) has been local in nature. For example, in 2009, the CSR Club was launched by the 27 members of Thai Listed Companies Association, with the key objective to build networking among CSR practitioners in Thailand.91 Similarly, in 2010, seven Singapore companies were awarded for the first time for their special contributions to CSR at the International Singapore Compact Summit.92 The growing recognition of the importance of CSR among organisations in the various ASEAN countries combined with the
identification that there were synergies to be gained by cooperation and also that many of the organisations had regional operations led to the formation of the new Network.

In 2011, the Association of South-East Asian Nations (ASEAN) Corporate Social Responsibility (CSR) Network was established to encourage firms and organisations in the region to increase their CSR efforts. The ASEAN CSR Network has five founding members, under the umbrella of the ASEAN Foundation: (1) Indonesia Business Links; (2) Malaysia International Chamber of Commerce; (3) Philippines League of Corporate Foundations; (4) Singapore Compact for CSR; and (5) The CSR Club of the Thai Listed Companies Association.93

In 2013, CSR Asia conducted a survey of leading stockmarket companies in Hong Kong, Malaysia, Singapore and Indonesia. The findings reveal that of 80 leading companies CSR was associated with children, health and education, and investment in non-profit organisations. Little rationale or concern for environmental impact was shown throughout these South-East Asian countries.94

An ethical dilemma occurs when a person must make a decision that requires a choice among competing sets of principles. Such a situation may arise when a member of an organisation decides whether to do something that could be considered unethical, but that benefits the person or the organisation or both. Is it ethical, for example, to pay to obtain a business contract in a foreign country? Is it ethical to allow your company to dispose of hazardous waste in an unsafe fashion? Is it ethical to withhold information in order to discourage a good worker from taking another job? Is it ethical to conduct personal business on company time? Ethical dilemmas are common in life and at work. Research suggests that managers encounter such dilemmas in their working relationships not only with superiors and employees but also with customers, competitors, suppliers and regulators. Common issues underlying the dilemmas involve honesty in communications and contracts, gifts and entertainment, kickbacks, pricing practices and employee terminations.95

**Why study organisational behaviour?**

By now you should understand why it is important for managers — and every other member of an organisation — to have a good understanding of organisational behaviour.

The success of companies like Google and NetApp, who have adopted cutting edge behavioural and attitudinal practices as a means of fostering productivity in the workplace, sends a clear message to other employers. Twenty-first-century managers will need to make appropriate behavioural changes if they want to succeed in today’s competitive marketplace.

Your learning about organisational behaviour may begin with this book and a course as part of your formal education. But it can and should continue in the future as you benefit from actual work experiences. Your most significant learning about organisational behaviour may come with time as your career progresses. But it will do so only if you prepare well and if you are diligent in taking maximum advantage of each learning opportunity that arises.

The learning and education of the future is perhaps best conceptualised by the terms ‘lifelong learning’ and ‘recurrent learning’. The essence of these propositions is that education and learning should continue over the lifespan of the individual from the full variety of actual work and life experiences. It is both a personal responsibility and a prerequisite to long-term career success. Day-to-day work experiences, conversations with colleagues and friends, counselling and advice from mentors, training seminars and workshops, professional reading and videotapes, and the information available in the popular press and mass media all provide frequent opportunities for continual learning about organisational behaviour. In progressive organisations, supportive policies and a commitment to extensive training and development are among the criteria for organisational excellence. The
opportunities for lifelong learning and recurrent education are there; you must make the commitment to take full advantage of them at all times.

**Summary**

**Organisational behaviour defined**
Organisational behaviour is the study of individuals and groups in work organisations. This body of knowledge assists managers to interact effectively with their employees and improve organisational performance. Effective managers need to understand the people that they rely on for the performance of their unit. An individual’s, team’s/group’s or organisation’s performance depends on their capacity to work, willingness to work and opportunity to work. This concept can be summarised by the performance equation, which views performance as the result of the personal and/or group attributes, the work effort they make and the organisational support they receive.

**Why organisations exist**
Organisations are collections of individuals working together to achieve a common purpose or goal. Organisations exist because individuals are limited in their physical and mental capabilities. By working together in organisations, collections of individuals are able to achieve more than any individual could by working alone. The purpose of an organisation is to produce a product or to provide a service. To produce such outputs, organisations divide work into required tasks to organise the efforts of people to their best advantage. This process is termed ‘division of labour’. Organisations can be portrayed as ‘open systems’ in that they obtain human and material inputs from their external environment, then transform these inputs into product outputs in the form of finished goods or services, which they then offer back to the external environment for consumption. If the environment values these outputs, then the organisation will continue to survive; if not, then it may fail to obtain subsequent inputs for future production and it may cease to operate.

**The role of managers**
A manager is responsible for work that is accomplished through the performance contributions of one or more other people. The management process involves planning, organising, leading and controlling. Managers should seek two key results for a work unit or work team: task performance, which is the quality and quantity of the work produced or the services provided by the work unit; and human resource maintenance, which is the attraction and continuation of a capable workforce over time. An effective manager’s work unit achieves high levels of productivity and maintains itself as a capable workforce over time by keeping the psychological contract in balance. The psychological contract is individuals’ expectations regarding what they and the organisation expect to give and receive from each other as an exchange of values. In a ‘healthy’ psychological contract, the contributions made to the organisation are believed to be in balance with the inducements received in return. The insights provided through the study of organisational behaviour can help managers help others maintain healthy psychological contracts with their employers. They can also help managers build and maintain work environments that offer their members a high quality of work life, which is marked by participation, independence, equity and responsiveness.

**Key issues affecting organisations**
Globalisation is the process of becoming increasingly international in character. A managerial career in today’s work environment will sooner or later bring contact with international issues and considerations. Managing to perform effectively in a globalised marketplace requires many new skills and competencies.

Changes to the nature of work are largely due to globalisation, advances in technology, the growth in the services sector and, especially, an increasing reliance on knowledge to generate new products and services. Increasingly, the environmental impacts associated with
the production and use of these products and services are coming under greater scrutiny by consumers. These changes to the nature of work require workers and managers with new skills and abilities.

The workforce is becoming diverse: more multicultural, older, and there are more women working than ever before. There are, however, remaining challenges for women and equity in the workplace and these issues demand change in organisational behaviour and practice. Managing such a workforce requires new approaches.

Workers are seeking greater work–life balance. They are also seeking a greater variety of incentives for their work contribution. More workers expect to have a series of jobs or careers over their lifetime. Employers should not expect the same degree of loyalty as in the past. Employers are seeking a more flexible, adaptable workforce that can keep pace with the ever-increasing speed of change in the marketplace. Outsourcing and the use of casual workers are among the ways organisations are responding to this need.

Organisations are under increasing pressure to conduct themselves in an ethical manner and to acknowledge that they have a responsibility to the society that sustains them.

**The need to understand organisational behaviour**

Learning about organisational behaviour is both a personal responsibility and a prerequisite to long-term career success. The field of organisational behaviour helps managers both deal with and learn from their workplace experiences. Managers who understand organisational behaviour are better prepared to know what to look for in work situations, to understand what they find and to take (or help others to take) the required action.
CHAPTER 1 study guide

Key terms

brain drain, p. 17
casual work, p. 26
contingency approach, p. 5
controlling, p. 13
corporate social responsibility (CSR), p. 28
division of labour, p. 8
effective manager, p. 10
emotional intelligence, p. 6
ethical behaviour, p. 28
ethical dilemma, p. 29
global management skills and competencies, p. 14
globalisation, p. 14
human resource maintenance, p. 10
human resources, p. 8
knowledge-based economy, p. 17
knowledge management (KM), p. 17
leading, p. 13
management process, p. 13
manager, p. 10
material resources, p. 8
open systems, p. 8
organisational behaviour, p. 5
organising, p. 13
performance equation, p. 6
planning, p. 13
process re-engineering, p. 14
productivity, p. 10
quality of work life, p. 11
synergy, p. 8
task performance, p. 10
value-added managers, p. 11
work team or unit, p. 10
workforce diversity, p. 18

Review questions

1. What is organisational behaviour and why do managers need to understand it?
2. What are the factors that accelerate organisational change today?
3. What is an effective manager? What are the competencies an effective global manager requires?
4. Why is it important for managers to have a global view of learning in organisations?

Application questions

1. Why is human resource maintenance important to effective management? What negative effects on business performance may result from managers’ neglect of people issues? Can managerial performance be measured using a single criterion? Explain your answer.
2. What is meant by the term ‘global management’? What distinguishes it from other types of management?
3. How have developments in information technology changed the nature of the workplace and the practice of management? How do virtual organisations differ from other organisations?
4. What is the psychological contract? Why is it important to understanding employment? What major challenges to the quality of work life are presented by the conditions and environment of today’s organisations?
5. Why is an understanding of cultural differences important to business? What are some steps that managers can take to develop greater cross-cultural awareness? How would you describe the Australian culture if you were attempting to attract foreign investment?
6. What is corporate social responsibility and how is this influencing organisational behaviour?
Research questions

1. Write a report to answer the following question:
   In this time of dramatic changes in the business environment, how will organisations be managed in ten years’ time? Give examples and suggestions.
   Your research on this question can pursue a wide variety of alternatives. At a minimum, you must support your report by readings from at least two business publications (for example, Asian Business Review, Business Review Weekly, Bulletin Magazine, World Executive Digest, Asia Inc. or Asia Week) approved by your lecturer and at least one journal (for example, Australian Journal of Management, Management (NZ), Asia Pacific Journal of Human Resources or Asian Journal of Management) approved by your lecturer.

2. Training managers and employees to make the most of a diverse workforce can be extremely useful. Visit Diversity@work (www.diversityatwork.com.au) and find out how diversity can be good for business. Use the resources available at the site to test your knowledge of diversity awareness in the workplace.

Running project

The running project appears at the end of each chapter in this book. By completing the exercises in the running project you will gain important insights into organisational behaviour and management in the new workplace. Each exercise requires you to collect and analyse information relating to the material discussed in that chapter.

The first step is to choose an organisation to study. Remember that we will be asking you for information about a broad range of management approaches and processes at your chosen organisation, so you must choose an organisation for which this information is readily available. We suggest using one of the following approaches.

1. Choose a well-known company. This option means you are likely to have access to information through newspapers, magazines, the company’s corporate website and your library’s resources.

2. Better still, choose a smaller company that you can access directly. This approach has much to offer if management will agree to talk to you at length (remember that you’ll need to talk to them regularly throughout your study of this book). For example, you might choose the company you work for. For this approach, make sure you can secure substantial cooperation and information from your chosen company. Your instructor may have some guidance for you before you make a decision.

3. Your instructor may provide suggestions on which company to study.

Your task for chapter 1 is to choose the organisation you will study and to obtain enough information about that company to carry out the following instructions and answer the questions asked.

1. Identify the purpose or goals of the organisation.
2. Draw the organisation as an ‘open system’. List the inputs, transformations and outputs.
3. What knowledge management processes does the organisation have in place to provide feedback?
4. Describe the business environment, both in terms of specific environment and general environment.

Individual activity

Global awareness

As we note in this chapter, the environment of business is becoming more global. The following assessment is designed to help you understand your readiness to respond to managing in a global context.

You will agree with some of the following statements and disagree with others. In some cases, you may find it difficult to make a decision, but you should force a choice.

Record your answers next to each statement according to the scale on the following page.

Strongly agree = 4  Somewhat disagree = 2
Somewhat agree = 3  Strongly disagree = 1

1. Some areas of Malaysia are very much like Indonesia.
2. Although aspects of behaviour such as motivation and attitudes within
organisational settings remain diverse across cultures, organisations themselves appear to be increasingly similar in terms of design and technology.

3. Spain, France, Japan, Singapore, Mexico, Brazil and Indonesia have cultures with a strong orientation towards authority.

4. Japan and Austria define male–female roles more rigidly and value qualities like forcefulness and achievement more than Norway, Sweden, Denmark and Finland.

5. Some areas of Malaysia are very much like Brunei.

6. Australia, the United Kingdom, the Netherlands, Canada and New Zealand have cultures that view people first as individuals and place a priority on their own interests and values, whereas Colombia, Pakistan, Taiwan, Peru, Singapore, Mexico, Greece and Hong Kong have cultures in which the good of the group or society is considered the priority.

7. The United States, Israel, Austria, Denmark, Ireland, Norway, Germany and New Zealand have cultures with a low orientation towards authority.

8. The same manager may behave differently in different cultural settings.

9. Denmark, Canada, Norway, Singapore, Hong Kong and Australia have cultures in which employees tolerate a high degree of uncertainty, but such levels of uncertainty are not well tolerated in Israel, Austria, Japan, Italy, Argentina, Peru, France and Belgium.

10. Some areas of Malaysia are very much like the Philippines.

For interpretation, see page 36.

Group activity

Management foundations

Objectives

1. To understand the management foundations recommended by the Association to Advance Collegiate Schools of Business (AACSB). (These are the skills and personal characteristics that should be nurtured in university students of business for success in the new workplace of the twenty-first century.)

2. To assess your abilities in the ten management foundations

3. To select areas for development through planning

4. To examine diversity within the class members’ responses

Total time: 10–20 minutes

Step 1: Self-assessment

Rate yourself by placing a number from 1–7 on the line before each of the ten management foundations to best describe how frequently you exhibit this behaviour. Be honest; you will not be asked to share your score in class.

Usually = 7 
Frequently = 6 
Often = 5 
Sometimes = 4

Infrequently = 3
Seldom = 2
Rarely = 1

1. Resistance to stress. I get the job done under stressful conditions.

2. Tolerance for uncertainty. I get the job done under ambiguous and uncertain conditions.

3. Social objectivity. I act free of racial, ethnic, gender and other prejudices or biases.

4. Inner work standards. I personally set and work to high performance standards on my own.

5. Stamina. I work long, hard hours.

6. Adaptability. I am flexible and adapt to change.

7. Self-confidence. I am consistently decisive and display my personal presence.

8. Self-objectivity. I evaluate my personal strengths and weaknesses, and understand my motives and skills relative to tasks I need to do.

9. Introspection. I learn from experience, awareness and self-study. (I do not make the same mistake twice.)

10. Entrepreneurism. I address problems and take advantage of opportunities for constructive change.

Finally, consider this question: ‘If I asked my friends and coworkers to answer these questions for me, would they select the same frequencies that I did?’ You may want to ask them to select scores for comparison.

Step 2: Best practice manager

Repeat the process of rating against the ten management foundations, but this time assess how frequently you consider a ‘best practice’ manager should exhibit these behaviours.
Step 3: Gap analysis
Compare your self-assessment ratings with those for the best practice manager. Identify any significant differences (greater than one point) in the two sets of ratings. Select the three management foundations in which the greatest gaps were evident when you compared the ratings.

Step 4: Self-development
Review the three management foundations with the greatest gaps (identified in step 3). Develop some suggestions for self-improvement in each of these three areas.

Procedure for group discussion
1. The lecturer should determine the number of students who are most in need of improvement for each of the ten management foundations.
2. Discuss whether there is diversity, or whether all students elected the same foundations.
3. Beginning with those identified by the largest number of students, discuss how to improve performance against the management foundations.
4. Continue to discuss the foundations in priority order (from highest to lowest numbers identifies) until all ten are discussed, or the time runs out for the exercise.

Case study: Resene Paints Ltd

‘Cast a glance down any New Zealand street. Chances are, every building will have been touched by Resene.’ The manufacture of paints is a chemical-intensive process, and it is unlikely that firms in this industry are seen as path-breakers in terms of sustainability. However, innovation in paint-making has been the key to Resene Paints, a New Zealand family-run paint company. Its efforts in promoting sustainable innovation in the paint industry have seen it recently recognised as the Sustainable Business of the Year at the NZI National Sustainable Business Network Awards.

In 1946, Eastbourne builder Ted Nightingale was looking for an alkali-resistant paint to cover his concrete buildings. However, as there was nothing available at that time, he applied his own blend of Kiwi innovativeness and developed his own paint — in a cement mixer in his garage. The innovations continued with the development of the first waterborne paint in New Zealand under the brand Resene (a name derived from the main ingredient of paint — resin). Initially, the market responded slowly to the new paint technology, as there was disbelief that waterborne paint would not wash off walls with water, but Resene won them over with demonstrations run in shop windows. A series of innovations followed that saw Resene leading the way in colour paints development and the production of coatings for residential, commercial and industrial needs.

Resene has a long-established focus on sustainability, and has been an early adopter and innovator. In the late 1960s, it removed lead from decorative paints well ahead of other manufacturers. In 1996, Resene joined the Environmental Choice program, an independent eco-label scheme which makes it easier for consumers to select paints that are more environmentally friendly. Other sustainable initiatives include the development of New Zealand’s first volatile organic compound (VOC)-free interior wall paint, as well as paints that have a high renewable content and formulations that reflect more of the sun’s energy. The company has also started a paint recovery and recycling program, Resene PaintWise. Resene has also been awarded $1 million of research and development services as winner of the What’s Your Problem New Zealand? competition, set up by the Crown Research Institute Industrial Research to create a world-first water-borne paint based on sustainable ingredients. This innovation will provide a true alternative to the paint industry’s history of reliance on the oil and gas sector for high-performance paints. Today, the company has three main considerations:

• to manufacture paints in a manner that has the least impact on the environment
to market and promote paints and paint systems that are environmentally friendly
• to maintain a strong focus on recycling and reuse.

This sees a strong commitment to the local environment, where environmentally conscious products are produced and supported by a long-term vision of waste reduction.

The company has grown — with three generations of the Nightingale family now involved in the business — to over 50 company-owned ColorShops and 20 franchisee outlets with around 500 staff in New Zealand with another 150 employees in sites and outlets in Australia and Fiji. Its paint and colour technology is exported to many countries around the world, and its chemists are internationally respected for their development of high-quality products.

The company is not only focused on itself and its customers, but also on its other stakeholders, including its employees, the professional painters who use its products and the community. New employees at its New Zealand ColorShops are given full training, including the nationally recognised NZQA Certificate in Retail from the Retail Institute. The judges of the Sustainable Business of the Year Awards have been especially impressed by Resene’s EcoDecorator program, which, despite its challenging audience of professional painters, has made significant inroads in encouraging the adoption of sustainable practices across the painting industry.

As Nick Nightingale, Resene’s Managing Director, notes, ‘Resene’s major competitors are big players with plenty of resources behind them. But the edge we have is our flexible, innovative approach. It’s something we will always be able to rely on’.

Questions

1. Identify the three main categories that ought to be covered in a triple bottom line report, and outline the main issues under each that Resene Paints has highlighted.

2. Using the information in this chapter, what comments can you make about the nature of the employee–employer relationship at Resene?

3. Predict the overall organisational performance using the performance equation in figure 1.1.

Interpretation of individual activity

All of the statements are true. Thus, your score should be close to 40. The closer your score is to 40, the more you understand the global context of organisational environments. The closer your score is to 10, the less you understand the global context. For developmental purposes, you should note any particular items for which you had a low score and concentrate on improving your knowledge of those areas.

End notes

4. Ibid.
20. L White, ‘Spudbar signs on master franchises’, Australasian Business Intelligence (22 May 2008).


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96. www.resene.co.nz.