CHAPTER 1
What is Organizational Behaviour?

learning objectives
After studying this chapter you should be able to:
• understand the nature and scope of organizational behaviour (OB) as a subject area
• discuss the relevance of OB as an aid to fostering effective performance within work organizations
• identify contemporary themes in OB linked to ‘megatrends’ affecting the world of work.

A GREAT PLACE TO WORK?
In 2013, the London-based Sunday Times produced its annual list of the ‘100 best companies to work for’. Each year since 2001 the newspaper has published the results of a large-scale survey highlighting examples of organizational policies and practices which, it claims, contribute to high levels of satisfaction among employees.

The key premise that underlies the survey, and resulting list of great places to work, is that employee satisfaction (at least in their working lives) is linked to specific areas. These are listed below and are, we propose, key to the effective management of people.

The Sunday Times survey’s methodology seeks to unravel workers’ perceptions of eight factors (or key areas). Work organizations score strongly, and hence feature in the upper echelons of the list of best places to work, if employees ‘exhibit strength’ in the following broad topic areas:

• leadership – under this heading workers are asked to give their views on the company head, senior managers and the quality of leadership provided by these individuals;
• well-being – this factor encompasses workers’ perceived stress levels and in particular their work–home life balance;
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- *my manager* – recognizing that senior managers may have little or no day-to-day contact with workers, this category records people’s feelings about their immediate supervisor(s) or manager(s);
- *my team* – this aspect explores employees’ feelings concerning close work colleagues at a similar level in terms of role and seniority;
- *fair deal* – here workers express their feelings on their pay and other benefits within the broad area of remuneration and reward;
- *giving something back* – workers are asked to comment on how much they believe their company puts back into society and, more specifically, the local community in which they are based;
- *my company* – the questioning in this case centres on feelings towards the employing organization, as opposed to co-workers;
- *personal growth* – employees record their views on the extent to which they feel challenged by their own job, whether their skills and other attributes are fully used and on their perceived scope for advancement.

The casual dining restaurant chain T.G.I. Friday’s scored highly in the 2013 *Sunday Times* ‘best companies’ survey, coming third in the mid-sized category. The organization was formed in 1965 by a perfume salesman, Alan Stillman, in New York, who saw opening a bar as a good way to meet women. Major expansion followed, and in 2013 the T.G.I. chain had 920 restaurants worldwide, spanning 59 countries and territories. The T.G.I. brand forms part of Carlson and T.G.I. Friday’s UK comprised 55 restaurants employing 4114 people at the time of the survey.

T.G.I. Friday’s success casts an interesting light on the factors that people perceive as making an organization a good employer. It scored particularly highly in the ‘my team’ heading, with 85% of respondents rating T.G.I. Friday’s highly in this regard (the second highest in the category). Respondents reported a strong sense of family within their team and there was a widespread buzz linked to working in teams. Other very high scores were in the ‘leadership’ (83%) and ‘my manager’ (82%) areas. In terms of pay and benefits, 74% of T.G.I. Friday’s employees felt fairly treated, which was the second-highest score in the mid-sized category. Many researchers in OB have highlighted the importance of perceived fairness in pay and benefits – a theme we return to in subsequent chapters.

A closer look at the headings listed here reveals further interesting findings. Managers’ leadership was rated highly by 86% of respondents – the highest of the mid-sized companies. Managers were seen as excellent role models (81%), while 84% agreed that T.G.I. Friday’s managers took an interest in their well-being. Overall, 81% felt motivated – again the top score within the category.

Such positive evaluations do not, of course, just happen. T.G.I. Friday’s UK Managing Director Karen Forrester has laid great stress on the contribution of workers, attributing success to staff efforts and noting that ‘happy and well-engaged people do a great job’. Forrester’s appointment in 2007 was followed by comprehensive staff re-training, with a special focus on achievement. Team challenges now take place between restaurants with rewards ranging from trips abroad to pins which are worn as ‘badges of honour’.

It should be noted, finally, that our use of the terms ‘staff’ and ‘workers’ is generic since T.G.I. Friday’s does not refer to its employees as such – using the term ‘family’ instead.
The Nature and Scope of OB

Defining OB

Although there is broad agreement on the subject matter covered by OB, there are some illuminating differences in actual definitions or conceptions of the term. Consider, for example, the varying nuances of meaning contained in two statements taken from leading OB textbooks. The first is this: ‘Organizational behaviour is concerned with the study of people within an organizational setting. It involves the understanding, prediction and control of human behaviour.’2 Contrast this with the statement that OB should be viewed: ‘first and foremost as practices of organizing and meaning-making, involving thinking, feeling and acting that are not so dissimilar to everyday life’.3 The differences can be related to the philosophical stances taken by the authors. The first statement is explicitly managerial; the words ‘prediction’ and ‘control’ emphasize the performance dimension, while the second seems to highlight the subjective experience of organizational actors on their own terms as a worthwhile area for study.

For our purposes organizational behaviour is defined as the study of individuals and groups in organizations. This is a stripped-down definition that identifies the core elements of the subject while allowing readers to take insights and evidence from the OB knowledge bank and to use these in a variety of contexts and from eclectic perspectives. While the overall tone of this book is moderately managerial (we welcome situations where the goals of employers and employees coincide and happy workers contribute to legitimate organizational success), we also acknowledge alternative critical perspectives. The experiences of many workers are in reality often repugnant and we will refer to negative occurrences, possibly caused by unethical business conduct, within our ‘Counterpoint’ features.

Which Subject Disciplines Make Up OB?

OB is a composite subject – often regarded as multidisciplinary – which draws on individual subject disciplines such as psychology, sociology and anthropology. There are also links to

Questions

1. Look again at the eight factors or key areas listed in the Sunday Times survey. Which are the three most important to you and why?
2. Identify organizations that in your experience are not ‘great places to work’. Give reasons for your conclusions.

These questions are intended to generate thought and discussion prior to commencing your study of OB. We will refer to issues raised in greater detail throughout the book.
other social sciences, such as economics and political science. Often the subjects are interrelated and it is necessary to draw on this variety of scholarly vantage points to build concepts, theories and understanding about human behaviour in organizations. **Psychology** is the study of mental life, with a particular focus on the individual's thought processes and behaviour. **Sociology** is the study of social structures and patterns, both in whole societies and subgroups. **Anthropology** is the comparative study of different societies or tribes.

These three subject disciplines, while distinctive, are intertwined in the field of OB. Consider, for example, the phenomenon of migrant workers and the implications for managing people. One example can be found in top-level English football, as in 2014 a clear majority of English Premier League (EPL) players originated from outside the UK.

To take one example, Manchester City, the EPL champions in 2013/14, exhibited several characteristics of a truly global organization. The club’s owner is from Abu Dhabi, the Chief Executive from Spain and the manager is Chilean, while the 26 players making up the first team squad include six English players, plus twelve other nationalities. The group of overseas players includes eight who are from outside the European Union.

In academic terms the phenomenon of expatriates working in football can be approached and understood from a variety of vantage points within OB, thereby supporting our conception of its eclectic and multidisciplinary nature.

First, the issue is amenable to analysis from a psychological perspective, focusing, for example, on the perceptions of hosts and incoming workers and possible feelings of culture shock experienced by the players. There is also the question of how to motivate talented workers on relatively short-term contracts, who have a powerful position in the labour market and the ever-present topic of understanding their psychological contracts (we will look at this term later in the chapter). However, one could also approach the topic from a sociological viewpoint. Sociology takes as its focus for study societies and wider social groupings. Elements of the new migration pattern that could be studied from this viewpoint include globalization and technological advance, resulting in football becoming accessible across the globe and new patterns of football consumption. We could also consider power issues associated with management and governance, both at the micro-organizational and at the macro-social level (we cover the topic of power in Chapter 10) and organizational change issues – covered in Chapter 12. The multicultural nature of top-level English football finally lends itself to anthropological study: how do cultural differences manifest themselves in a team sport … and how can such differences best be managed to the benefit of the team, club and supporters?

### Are OB Insights and Findings Universally Applicable?

OB is unique in its focus on applying diverse insights to create better understanding and management of human behaviour in organizations. Among the special characteristics of OB are its:

- **Applied focus.** The ultimate goals of the field are to help people and organizations achieve high performance levels and to help ensure that all members of organizations achieve satisfaction from their task contributions and work experiences. A concern to locate OB material within a practical orientation pervades this book. Nonetheless, the effects of using OB with management interventions are by no means easy to quantify. We hope that the material presented in this book will be capable of being applied, though we recognize some issues of credibility in this respect. Note, for example, the reaction of a manager who had commissioned a knowledge services project from the authors’ own university. In acknowledging the success of the project in ‘bottom-line’ terms, he recorded that he ‘imagined they’d be a bunch of theorists who couldn’t run a hamburger...’
stall, but the work they’ve done for us has given a major boost to our productivity. The authors are academics – although one of us has run a candyfloss stall. However, we are concerned to show the potential of OB in business terms and in how it can demonstrate actual benefits.

- **Contingency orientation.** Rather than assume that there is a universal way in which to manage people and organizations, OB scholars have, from the 1960s onwards, tended to adopt a **contingency approach**. That is, they recognize that behaviour may vary systematically depending on the circumstances and the people involved. Situations should therefore be understood and managed in ways that appropriately respond to their unique characteristics or circumstances.

For example, writers in the OB field increasingly recognize that cultural differences among people may affect the way theories and concepts of management apply in different countries. 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.

### How Can We Study People at Work?

OB is highly relevant to all of us and is an accessible subject in that we have our own preformed views – not necessarily based on experience – on such questions as how workers can be effectively motivated or how to assess other people’s personalities. This very relevance, which enhances many students’ enjoyment of the subject, contains certain dangers. There is, for example, a tendency to regard the study of people in work organizations as akin to common sense. The implication here is that knowledge in this area of study is obvious and unambiguous. Academics studying and researching in OB areas have felt a particular responsibility therefore to conduct their work in a rigorous and systematic way. So-called common-sense thinking is, of course, frequently flawed and based on misperceptions or even disinformation. For example, research on leadership and human resource management more generally in Germany has revealed that the system of co-determination (or joint decision making) endemic within that country has led to a typically consultative style being adopted when managing people. This may be far removed from the preconceptions that many people may have concerning preferred German leadership styles, particularly if these views have been influenced by hostile and prejudiced media reporting. At any rate it is incumbent on researchers in OB to conduct open-minded studies that capture the reality of working life as opposed to relying on possibly inaccurate, stereotypical and outdated viewpoints as drivers of their work. As students of OB you are entitled to expect that knowledge in the field has been obtained via sound methods resulting from fair-minded inquiry.

There is a tradition within OB which uses – and believes one can legitimately use – natural scientific methods (as found in physics or chemistry) to develop and empirically test generalizations about behaviour in organizations. This idea is often referred to as **positivism.** The three key characteristics of positivist OB research and study are: the controlled and systematic process of data collection, careful testing of the proposed explanations and acceptance only of explanations that can be scientifically verified. More generally, positivism is the view that social sciences such as OB can, and should, be studied in the same way as natural sciences like physics, using similar methods with a view to predicting and controlling behaviour and performance.

One example of how this philosophical approach can work in reality is found in the work of Hendrick. Hendrick conducted experimental-style research that compared samples of
experienced and inexperienced aircraft pilots when normal control stick conditions were reversed. In other words, when pilots would normally move the stick forward to ascend and back to descend, these controls were reversed from the norm and a similar change was made to the left/right turn instruments. The experiment was (prudently) carried out in a flight simulator and revealed clear statistically relevant differences in performance. More experienced pilots made significantly more errors than their inexperienced counterparts. This finding was the result of entrenched learning and habit formation, which made experienced pilots less able on average to adapt to new conditions. The experiment can be firmly located within the positivist tradition. The research was predicated on a hypothesis – itself based on actual events (in this case air crashes). The hypothesis was tested using experimental conditions and the researchers were mindful of other variables (such as age of the pilots) confounding the results. Results were tested and verified through replication of the study. There is also a clear practical benefit to the study, for example in the design of training programmes when new aircraft types are introduced. The data also contribute to knowledge in OB – here in the topic of learning, which we address in Chapter 3.

It should be acknowledged, though, that positivist-style research such as that illustrated above is comparatively rare in OB. More common are qualitative methods that do not seek to lead to general theories or even laws but instead attempt to capture the meanings that individuals give to their actions and experiences. This approach is known as the ‘interpretivist school of thought’. It has a long tradition within the social sciences and is particularly associated with the work of Max Weber (1864–1920). Weber used the term Verstehen – translated from the German as ‘intrinsic understanding’ – and believed that research into people’s behaviour should address the subjects’ understanding of both their own behaviour and that of other people and should also address the meaning(s) that they attach to actions. This tradition necessarily promotes methods of study that do not attempt to emulate the natural sciences. Instead, we find observation, participant observation and, most recently, focus groups.

**Participant observation** is a method of study which involves the researcher becoming a member of the group – either overtly or via ‘undercover’ involvement – that they are studying. **Focus groups** are a form of qualitative research method in which a group of people are asked about their attitudes towards particular items or issues.

Proponents of these methods claim that they are well placed to capture a deep understanding of behaviour and, indeed, people’s inner lives – those thoughts and feelings that do not demonstrably result in particular patterns of behaviour or indeed actions per se.

In 2006, Ward and Winstanley conducted a study exploring the experiences of sexual minorities in a unit and specific shifts, or ‘watches’, within the UK fire service. The chief method employed in the study involved the formation of focus groups of workers from that organization. The focus groups were invited to discuss work-related stories and experiences presented by gay men and lesbians. In this way the study identified habitual ways of working in the fire service via an unravelling of the everyday vocabulary, signs and symbols – what social scientists term **discourse** – used in those workplaces, which determined, or ‘framed’, reality there. Such language and symbols affected the experiences of gay men and lesbians within the fire service. As sexual orientation is seen as invisible, unlike other areas of diversity, some gay workers had experienced feelings of isolation in a work setting that stressed and promoted a strong subculture at workplace or watch level. It is unlikely that the insightful and illuminating data that emerged from this study – which could plausibly inform management actions in future – would have been obtained via more quantitative or impersonal methods; the subject matter here is inherently linked to the methods used in the research study.
The Relevance of OB

It has been argued that increasingly all types of organization have come to view workers as resources whose outputs add value. A survey published in 2012 concluded that it was critically important to manage workers’ performance irrespective of whether the organization was in the private or public sector. In the current economic and political climate, not-for-profit organizations are also immensely budget conscious owing to their funding (public or donor) and also their high staffing costs – in many cases at least 50% of their budget. As such they are very much concerned with worker performance, including voluntary staff. In summary, OB is not just interesting and topical but also a potential link to bottom-line performance.

Partly as a result of an ongoing need to speak to managers and enhance their effectiveness, OB 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 – the learning organization, the virtual workplace and knowledge management, to name just a few. The study of OB is improving our understanding of old and new concepts alike, including such issues as stress, emotional intelligence and instinctive drive. You will learn about these as you progress through this book.

OB should help managers both deal with and learn from their workplace experiences. Managers who understand OB 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 they rely on for the performance of their unit. However, predicting behaviour is difficult as each person, team/group and organization is complex and unique. Take, for example, the question of what can motivate a group of workers. Process theories of motivation (covered in Chapter 4) state that people will only be motivated to work if they perceive that greater effort on their part will result in improved performance, that their improved performance is, furthermore, linked to a reward and, finally, if they value the reward on offer. This logic suggests that individuals could differ significantly; for example, one person may respond more positively to a monetary bonus than a co-worker. In an ideal

OB IN ACTION 1.1

STUDYING AUSTERITY IN GREECE

The severe economic problems experienced by Greece during the debt crisis which began in 2009, followed by an economic programme of austerity, have created strains in Greek society with some robust opposition to economic measures introduced there and their consequences. In July 2013, labour unions held the fourth general strike of that year and organized a demonstration march in Athens to coincide with the strike. The day of action on 16 July 2013 was joined by people from a variety of occupations, and there were especial concerns expressed by workers from particular jobs who were due to join a mobility scheme that some feared would result in lower pay and measures which would make it easier to lay them off.

1. Design a positivist-style research programme to show correlations between the propensity to take part in the Greek general strike and political voting behaviour. How would you construct such research and how would you isolate voting behaviour as a variable?
2. Design an interpretivist-style research study intended to ascertain the views of people in Athens on the austerity programme and what it has meant to them and their families or friends. Defend your research against the criticism that one cannot generalize from the research findings so rendering the research useless.
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world we would devise individual reward programmes for each worker as an individual; however, this could be difficult in reality, particularly in a large organization with standardized ways of managing people.

The Performance Equation

However, we can reduce the above-mentioned complexity by adhering to an underlying principle, namely that the performance of an individual, team, group or organization is always a function of: capacity to work, willingness to work and opportunity to work. This concept can be summarized by the **performance equation** (Figure 1.1). The performance equation views performance as a combination of personal and/or group attributes, the effort people put in at work and the organizational 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 organization. The multiplication signs indicate that all three factors must be present for high performance to be achieved. This means that each factor should be maximized for each of the three units of analysis in work settings if the maximum level of accomplishment is to be realized. Every manager should be capable of understanding how these three factors, acting either alone or in combination, 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 the topics of learning and motivation and engagement, showing how positive aspects of these topics can generate a willingness to perform. In Part 3 of the book, entitled *Managing the Organization*, we point to how organizations can provide individuals with the best opportunity to perform through innovative job design (Chapter 5), and go on to consider features of organizations that affect people working there, namely organizational structure and design (Chapter 6) and organizational culture (Chapter 7). Part 4 of the book begins by examining the issue of organizational performance from a group/team perspective in Chapter 8. We then go on to explore a number of other very important organizational processes via an examination of the diverse topics of leadership, power, communication and change (Chapters 9–12). Even though these concepts are presented in different parts and chapters of this book, they are highly related. Remember that the multiplication sign in the performance equation indicates that all three factors (attributes, work effort and organizational support) must be present to gain a high level of performance.

Performance and Emotional Intelligence

For practitioners, the performance equation raises the question of whether performance is predictable. It is suggested that **cognitive ability**, or intelligence, 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 the past

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**Figure 1.1** The performance equation.
two decades the concept of emotional intelligence (EI or EQ) has surfaced, and this concept is now widely viewed as ‘a key aspect of managing people effectively’. Emotional intelligence is a form of social intelligence that allows us to monitor and shape our emotions and those of others. Daniel Goleman, closely associated with the concept, suggests that ‘emotional competence’ is a learned capability, based on emotional intelligence, which is associated with outstanding work performance. In these domains EI is considered a competency for performance. For example, people with a high level of emotional intelligence would be competent in recognizing their own strengths and weaknesses.

When we seek to apply EI to our own situation, practical guidance is available including a self-assessment instrument (emotional quotient inventory, or EQi), which aims to measure traits and abilities related to social knowledge. The EQi is a measure of psychological well-being and adaptation and can be related to performance. Proponents of EI conclude that it is composed of mental abilities and skills. They see EI as a form of intelligence that processes and benefits from emotions and believe that other measures of intelligence fail to take into account individual differences in the ability to perceive, process and manage emotions. In Chapter 2 we expand on the notion of emotional intelligence as one of the individual attributes predicting capacity to perform at a high level.

EI is a timely concept. In this chapter we locate the trend for ‘flatter’ organizations in which hierarchical position is no longer the sole ground for exercising authority (see also Chapter 6). Operating successfully within such organizational structures will increasingly depend on building successful relationships, and EI provides one way to consider our personal style and effectiveness. EI can also help us deal with clients and customers; it could, for example, be a valuable tool in coping with anger and aggression when we encounter it.

The Importance of Being Positive

Emotional intelligence has been located within an emerging school of ‘positive organizational behaviour’. The concept of EI enables us to recognize emotions of all kinds and to channel these to positive effect. We see a link here to the work of Seligman, who proposed that psychology should be used to highlight positive events and improve people’s well-being rather than focus on negative or pathological topics and examples. In the field of OB a stress on positivity mirrors a situation whereby organizational success is conditional on continuous improvement and building on strengths. It is, however, suggested that positive OB should involve a balanced perspective which also looks at weakness and failure, and their links with success via learning. One example of this balanced approach can be found in the case study at the end of this chapter, which looks at the human factors underlying an air disaster and, crucially, the steps one could take to minimize a similar occurrence.

Relevance If We Are Not Managers?

The performance equation may be a useful model for managers to appreciate the intricacies of employee performance and ways to improve it, and an awareness of emotional competencies, as outlined earlier, can help managers to monitor and shape emotions with a view to enhancing performance. There are many other OB concepts – see, for example, Chapter 4 on motivation and engagement – which can aid managers in carrying out their varied jobs effectively through an understanding of people’s attitudes and behaviour. OB is also of interest, however, to the bulk of the population who are not currently in managerial roles and may not necessarily aspire to occupy such positions. It provides us with an opportunity to reflect on our own experiences
of work organizations and can lead to us becoming more self-aware. We can also gain a fuller understanding of events affecting us. For example, theories on sources of power within organizations (covered in Chapter 10) could help us become reconciled to losing out on a promotion if we can see clearly the games a successful rival colleague has played to manoeuvre themselves into a winning position. It may even be the case that OB awareness is of benefit to those whose sympathies are not with managers and other members of an organization’s dominant coalition but rather with so-called underdogs. For example, it is illuminating to read qualitative research documenting service sector workers’ attempts to ‘manage’ difficult customers.\(^{19}\) In an important sense OB can illuminate the realities of working life focusing on what does, as well as what should, routinely happen. A critical tradition within OB questions whether the subject should take as its primary focus managing people for performance and often adopts a stance which questions the dominant role of managers, both in actual and philosophical terms. Nonetheless, as many of our readers are studying OB as part of business and management courses, we will adopt a largely managerial approach throughout this book – albeit a quizzical one in places.

### Organizing for Effective Performance

Simply stated, organizations exist because individuals are limited in their physical abilities and mental capabilities. Organizations are mechanisms through which many people combine their efforts and work together to accomplish more than any one person could alone. The emergence of large organizations has been associated with the industrialization of societies. Industrialization occurred first in Europe and North America and it is argued that other regions, particularly parts of Asia, have only recently experienced this phase of development. The German sociologist Max Weber recorded the emergence of work organizations in the mid- to late 19th century, concluding that their most distinctive feature was that they were underpinned by rational processes and legal authority (as opposed to authority based on either personal charisma or tradition). Throughout much of the 20th century – at least in the Western world – there was a trend for increasing the size of organizations, accompanied by greater formality and complexity – see Chapter 6 for a full treatment of the topic of organizational structure. However, as successful organizations cannot be static and must evolve and adapt to external trends and pressures, so the pattern of organizations is continually changing. In the early 21st century, for example, we can discern a trend for organizations to minimize their core activities and to outsource work or otherwise enter inter-organizational networking arrangements. Consider, for instance, the Ford Motor Company, which for much of the 20th century sought to bring its operations in-house, at one point buying up railway companies and forests in order to control supply and distribution infrastructure. In the 21st century, Ford contrastingly operates an elaborate system of outsourcing and supplier-production-dealer networks. **Outsourcing** involves organizations obtaining aspects of their work, for example production systems, from external suppliers for reasons of cost and/or quality rather than carrying out the work themselves. **Interorganizational networking** encompasses cooperative ventures including sharing of resources with a view to maintaining independence, while **collaboration** involves sharing of aspects of organizations’ competence, including intellectual property. The proliferation of such arrangements has led to a renewed interest in trust and a concern among senior managers to avoid betrayal through opportunistic behaviour by prospective or actual partners. It should be recognized, however, that despite the undoubted impact of outsourcing and widespread job reduction, resulting in many smaller ‘core workforces’, many people still routinely come into contact with, and have their lives shaped by, large organizations.
Organizations, finally, are potentially long lasting (see our earlier example of Manchester City FC, which was founded in 1880). In an important sense they exist over and above the individuals and groups who inhabit them at any one time. However, one cannot overstate the need for organizations to adapt in order to survive. Think of an organization once familiar in your own country which no longer exists … we predict that it will not be difficult to find one.

**Division of Labour and Synergy**

However an organization is set up, the people who own and run it depend on human effort to secure its success. Two underlying principles of work organization – both deriving from OB – are the division of labour and synergy.

The **division of labour** is the process of breaking the work to be done into specialized tasks that individuals or groups can perform: it is a way of organizing the efforts of many people to the best advantage of that employing organization and ideally the workers themselves.

The division of labour and task specialization will be quite clear in a typical fast-food restaurant; McDonald’s, with outlets across large parts of the planet, will provide an evocative example for many readers. Certain people take your order and your money, others cook the food and still others clean up after everyone else has gone home for the night. By dividing the labour and training of employees, orienting them to perform highly specialized tasks, such an organization strives for excellence in task accomplishment. In the fast-food sector, excellence is partly denoted by standardization.

The aim of effective division of labour is to help managers of organizations to mobilize the work of many people in order to achieve that organization’s purpose.

A well-functioning organization with a clear purpose and appropriate division of labour, like those of fast-food restaurants, also achieves **synergy**, which is the creation of a whole that is greater than the sum of its parts. Synergy in organizations occurs when people work well together while using available resources to pursue a common purpose. In psychology this is called a **gestalt**. Within an effective organization, this gestalt is created by the organization’s division of labour, task specialization and hierarchy of authority, as well as by effective managerial behaviour.

The aforementioned summary of organizational design involving coordination of the efforts of others is an essentially managerial analysis. Other writers taking a critical stance, most influentially Braverman, have stressed the de-skilling of work and its negative impact on workers. **De-skilling** refers to a diminution of the attributes and proficiency required to perform work tasks. In Braverman’s view, de-skilling is a deliberate strategy by owners and managers of organizations to reassert control over work.

The examples of fast-food restaurants and the contemporary phenomenon of call centres with their routinized work and scripted customer encounters lend themselves relatively easily to explanations within a critical de-skilling perspective … should one wish to. It is also the case that the experience of work will vary enormously in different organizational settings, with some employees working within a framework of multi-skilling whereby they have to use a wide range of skills to fulfil their work roles. Other organizations employ terms like **empowerment**, the process by which managers delegate power to employees who therefore have an enhanced view of their work and role within the organization. In the spirit of empowerment, they put structures and working practices in place that enable employees who are low down in the hierarchy to feel a sense of freedom or autonomy in their day-to-day working lives. The aim of effective division of labour is to mobilize the work of many people in order to achieve that organization’s purpose – see OB in Action 1.2.
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Now that we have examined some fundamental features of organizations, we can speak more precisely about what it means to be a manager. A manager is a person in an organization who is responsible for work that is accomplished through the performance contributions of one or more other people. In many organizations 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 subordinates. Such groups are found in organizations of all types, whether 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 university classes can be considered a work team: lecturers are their managers (they may prefer to use the term ‘facilitators’) and the students are team members. The study of such work teams has become a key area of OB research.

We have attempted to locate the areas that an effective manager should focus on when dealing with people (see the Sunday Times best companies example); however, 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

OB IN ACTION 1.2

A MATTER OF LIFE AND DEATH

Our story here is of a patient who was admitted to a hospital for transplant surgery. The hospital was located in the UK but it could have been in Hong Kong or Copenhagen or Lisbon … the themes here are universal. The surgical procedure in this case was to be life-saving. In this setting people’s work is truly a matter of life and death. (How many of us can say that?) The 10-hour procedure was successful but conditional on a lengthy recovery period. The first stage of recovery involved the patient simply lying in his hospital bed.

While for most of us an enforced rest period like this would offer an opportunity for deep reflection on our past life and future, our patient was a professor of sociology, and his reflections came to encompass both his professional training and his deeply personal concerns. In short, he did not take the workings of the hospital for granted and began to question how the organization which had saved his life functioned. He could see ‘social acts of great learned skill and scientific knowledge, myriad social acts of humane and loving care, multiple social acts of practical activity – cleaning the floors, pushing trolleys with patients, providing food, keeping the plumbing going, welcoming the outpatients, organizing beds, orchestrating a million little daily routines’.

In the course of its daily work, the hospital relied on so many roles: nurses, doctors, porters, ambulance drivers, social workers, phlebotomists, physiotherapists, transplant coordinators, administrators and ward managers. There are of course many more. Thousands of workers were organized through structure and job design in a massive division of labour in order to save people’s lives.

Topics such as organization structure are sometimes perceived as abstract, dry and uninteresting. They should not be. In some cases they are of the most profound importance.

Source: Adapted from Plummer (2010).

Managing People for Performance

Now that we have examined some fundamental features of organizations, we can speak more precisely about what it means to be a manager. A manager is a person in an organization who is responsible for work that is accomplished through the performance contributions of one or more other people.

In many organizations 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 subordinates. Such groups are found in organizations of all types, whether 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 university classes can be considered a work team: lecturers are their managers (they may prefer to use the term ‘facilitators’) and the students are team members. The study of such work teams has become a key area of OB research.

We have attempted to locate the areas that an effective manager should focus on when dealing with people (see the Sunday Times best companies example); however, 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 prioritized rankings of such competencies. Many of the best-known writers in the management literature typically emphasize one managerial competence at the expense of all others. Fayol and Urwick have portrayed good managers as controllers. This is a typical conclusion from the classical school of management in its assumption that managers should direct the work of others, in this case through formal mechanisms of control. The manager remains clearly in control while designing and monitoring structures within which employees carry out tasks and systems of work which are operated by workers. Later approaches to management (although the human relations school dates back as far as the 1930s) emphasize the important role of managing relationships.

Mintzberg in a classical study drew up a multifaceted concept of managers’ work, identifying interpersonal, informational and decisional roles within the overall umbrella heading of the term ‘manager’ (Figure 1.2). Note that all 10 roles set out by Mintzberg involve dealing with other people, even those that are not designated as interpersonal roles.

Fundamentally, any manager should seek two key results for a work unit or work team: task performance, which is defined by the quality and quantity of the work produced, or the services provided by the work unit, and human resource performance, which involves 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 input and outcome every day, both now and into the future. Good human resource performance is a major concern of OB. It directs a manager’s attention to matters such as job satisfaction, job involvement, organizational commitment, absenteeism and turnover, as well as performance.

In this book we will examine the impact of cultural differences at work … what is effective when managing people in Denmark may be less successful in Taiwan, for example. However, it is also proposed that there are enduring principles which apply to all people. Consider the words of an Australian manager, Wendy Lenton, who when Vodafone Director of People and Brand pointed 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’. We propose that Lenton’s formula for success makes up good people management which in its basic humanity can be applied anywhere.

Figure 1.2 Ten roles of effective managers.

This book treats high task and human resource performance as results that any manager should seek. Indeed, the two results can be seen as twin 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 OB 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.

**Sustaining Quality of Work–Life**

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 resources 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 21st century workplaces will be able to create conditions in which people achieve their highest performance potential while experiencing a high quality of work–life. Quality of work–life (QWL) refers to the overall quality of human experience in the workplace. The QWL concept gained deserved prominence in OB 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 organizations 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. There could be various benefits in taking such as stance. To take one example, Vodafone says that ‘supporting employees’ physical and mental well-being improves their performance and reduces absence rates'.

Quality of work–life activities represent special applications of the many OB concepts and theories discussed throughout this book. 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. Quality of work–life is an important component in the quality of life: negative work experiences can affect a person’s nonworking life. Some common social problems, for example 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 OB recognizes that poor management can decrease overall quality of life, not just the quality of work–life. It also recognizes that good management can increase both.

**Managing People in Good and Bad Times**

While there are underlying principles which lead to effective people management in all settings, managing human resource performance in an adverse economic climate can result in a renewed concentration on key issues. For example, one contribution to the literature, in evaluating the
impact of the 2008–2013 economic recession on managing people, stressed the importance of engagement. It was argued that managers have to continue to engage with employees because they are (hopefully) going to be with an organization when a recession ends. Engagement here is defined as an exchange of mutual value: one party does something for another and vice versa.

David Fairhurst, senior vice president at McDonald’s Northern Europe, claims that engagement could take a different form in a recession, with possible greater stress on so-called paternal concerns on the part of managers, for example making sure other employees do not dip out of pension schemes or become too short term in their outlook. Fairhurst also draws attention to the need to approach staff reductions in a way that is regarded as fair and compassionate. He counsels against managers themselves losing their focus on people, noting that ‘it’s too easy to stop doing all these things like engagement, creativity and experimentation, and go right to the other end and say, now is the time to make sure that people have a desk and you don’t bark at them – that’s very short-sighted. If the [human resource management] profession as a whole can really hold together and focus and help them keep their nerve and remain creative in difficult times, then I think some good can be done in times of recession.’

One can argue that the test of good and effective management of people is how managers adapt to tough circumstances. We hope that insights contained within this book are valid both in times of prosperity and hardship. The importance of maintaining human resource performance through worker engagement gives a particular impetus to understand human behaviour through analysis of OB concepts and practice.

The Psychological Contract

You are probably familiar with the word ‘contract’ as it pertains to formal, written agreements such as a workplace agreement or an agreement between a union and an employer. Another, less formal contract deals with the ‘relationship’ between employees and their organization. We call this the psychological contract – specifically, what an individual and the organization expect to give to and receive from each other in the course of their working relationship. This contract represents the expected exchange of values that encourages the individual to work for the organization and motivates the organization to employ that person. When the individual is being recruited by the organization, this exchange is an anticipated one; later, during actual employment, expectations are either confirmed or denied. Part of the manager’s job is to ensure that both the individual and the organization continue to receive a fair exchange of values under the psychological contract.

Figure 1.3 depicts an exchange of values between the individual and the organization, as expressed in the psychological contract. The individual offers ‘contributions’, or work inputs of value, to the organization. These contributions – such as effort, skills, surrender of autonomy, loyalty and creativity – are extremely significant within the life of the individual worker, while one important measure of any organization’s success is its ability to attract and maintain a high-quality workforce. The psychological contract is therefore a truly reciprocal exchange. In return for the worker’s perceived inputs the organization gives the individual ‘inducements’ – such as pay, benefits, status and job security – to encourage participation. These inducements are of value to the individual as ways of satisfying one or more important needs or expectations – see Chapter 4 for more detail on motivation theories.

When the exchange of values in the psychological contract is felt to be fair, a balance exists between inducements and contributions. This ideal condition creates a healthy psychological contract – one that fosters job satisfaction by allowing individuals to feel good about their work and relationship with the organization. When the exchange of values is
perceived to be unfair, the psychological contract is unhealthy. Consequently, the individual may develop negative attitudes and lose the desire to work hard. These feelings correlate with absenteeism and job turnover rates, as otherwise good workers seek jobs elsewhere. As we will see in later chapters, the work of Adams is also relevant in this respect because it propounds the belief that our perceived inputs and outcomes are compared with those of others. Feelings of equity or inequity with others therefore also inform our psychological contract.

The notion of the psychological contract was originally developed by American and Australian writers. As we will see later in the chapter there are strong arguments that people's attitudes and values differ across cultures. Both Australia and the US are strongly individualistic societies and the concept of an individual's psychological contract reflects a culture in which both an individual's interests and notions of fairness are stressed. More group-oriented societies, such as those found in Asia, will stress group interests more and we find different, and stronger, conceptions of loyalty in such cultures. We could therefore legitimately question the universal applicability of the psychological contract model, or at least how strong feelings of inequity are among those raised in collectivist cultures, for example China.

As we have already indicated, pressures in today's economic and business environment can make the management of psychological contracts a difficult task. Think about the sense of betrayed loyalty experienced by people who lose their jobs or who see others lose their jobs when an organization is downsized or restructured to increase productivity.

**Realigning the Psychological Contract**

If employees feel that their psychological contracts have been violated in some way, they may take action. Misunderstandings are often ignored. However, when a violation takes a serious form, such as a breach of promise and trust, feelings of betrayal can surface. There are four

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**Figure 1.3** A healthy psychological contract means that inducements and contributions are in balance.
main courses of action an individual may take in response to a perceived violation of a psycho-
logical contract:33

• **Voice** is a constructive effort to change and focus on restoring trust by discussing issues of
concern with a manager or other appropriate colleague/supervisor.
• **Silence** reflects a willingness to accept unfavourable circumstances in the hope that they
may improve.
• **Destruction/neglect** is most common when voice channels do not exist or if there is a
history of conflict. This often causes counterproductive behaviour, including theft, slowing
or stopping work and intentions to destroy relationships.
• **Exit** is often the last resort when dealing with contract violations and refers to voluntary
termination of the relationship.

One of the challenges faced by many managers is how to keep aligning psychological con-
tracts in a rapidly changing business environment. Change is almost always accompanied by
increasingly complex systems and increased performance pressures on individual staff mem-
bers. Managers need to be aware that increased performance pressures in formerly less complex
organizations can be seen as a psychological contract violation for longer-tenured employees.

There is no doubt that the task of managing both efficiently and effectively is becoming
more complex. So far we have briefly discussed core and established OB themes. In addition to
these well-established OB principles, today’s business environment requires managers – and, of
course, all other workers – to deal with emerging and fast-evolving challenges. The next part of
this chapter will place the key concepts of OB into the real-world environment in which we are
likely to work in future.

Contemporary Themes in OB: Megatrends

In 2013, CIPD (Chartered Institute of Personnel and Development), the UK professional body
for HR professionals, published a report entitled *Megatrends*.34 The intention was to spotlight a
series of deep underlying issues, potentially long lasting, which are linked to profound changes
within societies and have the capacity to impact upon work organizations and managing people
within them. We have already touched on some of these trends, for example the increasing
demands for flexible working and work–life balance. The full list of megatrends is set out
below:

• **Macro-economic variation.** The international recession from 2008 led to a focus on
managing people in tough times, held to be more challenging than when an organization
is flourishing. Economic growth, for example in the period after 2013, would bring its
own challenges, though, and the important point is to recognize the impact of the
macro-economy in general terms.

• **Globalization.** Increased labour mobility and the trend for powerful corporations to move
work to cheaper locations has opened up new aspects to many people’s working lives.
Within organizations this increased mobility adds to workforce diversity.

• **Flexible and virtual organizational arrangements.** Workers are increasingly no longer
clustered in a single location. Networked organizations can instead enable people to work
together even if they are thousands of miles part – or in cyberspace. Such arrangements
bring the task of managing people into a new era.

• **Innovation and customer service.** We have already referred to the spread of a focus upon
customers and managing performance to public and third-sector organizations.
Increasingly, policies under the ‘managing people’ heading are required to show results, and the use of metrics is spreading.35

- **Work–Life Balance.** Technological advance means that workers can in many cases operate at home or remotely via an Internet connection. Coupled with longer working hours, workers can suffer work–life conflicts impinging on their personal lives. Managers should be sensitive to this issue and devise ways of addressing potential conflicts.

- **Business Ethics.** Demographic changes mean that more and more workers – and customers – demand that organizations act in a socially responsible way.36 This very much applies to how workers are treated (as well as wider corporate social responsibility), and managers are increasingly required to think and act in accordance with ethical principles.

The changes listed here are examples of macro-level trends and, in OB terms, fall within the realm of sociology. An awareness of the broader context impacting on work organizations is needed in order to comprehend them. These types of changes also require managers and other organizational members who are committed to learning about both classical and emerging themes in OB and who can then put them into effect.

Among the biggest challenges that managers must deal with are globalization, 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: managing change itself. One approach is **business process re-engineering** – 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’.37 The result can involve a substantial shift in values. To take one example, it may be thought that past events provide a reliable indicator of predicting future success. A contrary view – that the future is uncertain and therefore constant re-learning is the key to success – comprises a wholly different perspective and necessitates a radically different way of thinking. However, that new thinking can only result in improved practices and performance if the underlying mindset of continuous and unpredictable change is internalized.

We will now go on to discuss some of the main contemporary issues in OB, already mentioned earlier in the chapter. We will revisit these themes throughout the book as your knowledge of OB builds.

**Globalization**

Globalization is not a new concept. The advantages and disadvantages – indeed, the definition – of globalization have been the topic of much controversy for decades. We look at this debate in the ‘Counterpoint’ section later in this chapter. For our purposes we will define **globalization** as the process of becoming more international in scope, influence or application, a process which brings a greater sense of interconnectedness between people from diverse cultures. In a business context, globalization is characterized by networks that bind countries, institutions and people in an interdependent global economy. In terms of relevance for OB, one specific aspect of globalization that stands out is the need to recognize cultural difference and to manage people from diverse groups in order to maximize synergy. Globalization takes effect at different levels, both in ever more frequent travel to new countries as a routine part of many job roles and via exposure to people from other cultures working within *any one* workplace – consider, for example, the inherently
multicultural makeup of London’s 21st-century workforce. In both cases globalization can affect individuals’ work patterns and roles and the nature of relationships within organizations.38

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 and cross-cultural management, including sensitivity to the existence and importance of cultural difference and an ability to manage a diverse workforce. The Effective Manager 1.1 section suggests 10 important attributes of the successful global manager.

It is important for managers to study and learn about the management and organizational 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 Britain, Sweden, India or anywhere else in the world. So there could be important lessons from abroad. In addition, whereas the world at large once looked mainly to North America, Japan and Germany for management insights, today we recognize that no one culture possesses all of the ‘right’ answers to our management and organizational problems. It is also the case that cultural differences manifested at work can act as a brake on a manager’s effectiveness: what works well in one culture may be ineffective elsewhere, owing to the values held by a local workforce or the institutional arrangements in place in another country.39

At this point we should re-emphasize that, owing to global labour migration, we do not have to travel abroad to come into contact with people from other cultures. While one could argue that people should adapt to the work environment of their new country, following the maxim of ‘when in Rome do as the Romans do’, the reality is that workers will be influenced to some degree by their cultural upbringing. One good example of multicultural working can be found in Elizabeth Garrett Anderson School for girls in London, which was visited by the US First Lady Michelle Obama in April 2009. Pupils at the school speak 55 different languages and 20% are the daughters of refugees or asylum-seekers. This school can be viewed as a test-bed for cross-cultural management and teachers there are charged with fostering integration, even though the school only operates in one country.40

The global manager is able to:
- be culturally sensitive and adaptable;
- solve problems quickly under new and different circumstances;
- motivate and communicate well with people from different cultures;
- understand different government and political systems;
- manage and create a sustainable environment;
- convey a positive attitude and enthusiasm when dealing with others;
- manage business in both traditional and virtual environments;
- view different economies as belonging to a single global market;
- negotiate effectively in different business environments;
- manage the ‘triple bottom line’: society, economy and the environment.
GLOBALIZATION FOR GOOD OR EVIL?

In the 21st century, globalization has resulted in many world cities becoming highly diverse and multicultural. Global cosmopolitan cities filled with high earning creative knowledge workers are attractive places for many of us. However, global migration has less positive aspects. An article in the British magazine *Time Out*, published in 2007, highlighted the downside of global migration patterns, in particular the ‘churn’ of people into and out of the UK, focusing on the experience of incoming workers who find themselves on the lowest rungs of the labour market. The article notes that ‘we eat the food they have picked and wear the clothes they have sewn; they clean our homes and offices and even wipe our children’s noses. Many things Londoners take for granted – fresh fruit and veg in the supermarket, cheap designer fashions and affordable childcare – rely on the work of foreign migrants who are employed here, legally and illegally, often in poorly paid and dangerous jobs.’ The words of ‘Ana’, 34, from Brazil provide an eloquent case in point:

I get up at 4.30 a.m. to go to work at two cleaning jobs. The first begins at 6.30 and is in a college in Westminster. I get there by bus from my flat. I clean for two hours a day for £34 a week. Then I take a bus to Docklands, where I work in a business hotel cleaning rooms until 5 p.m. I’m paid £1.47 a room and we are expected to clean 18 rooms a day. On average I clean around 13 rooms as it’s such hard work. We have to clean everything including the carpet, make the bed and clean the bathroom. There is no break and I usually don’t eat as it would take up too much time. Occasionally I put some lunch in a bag and eat as I go along. There are about 15 cleaners but none of us say a word to each other during the day – we just don’t have time.

Sometimes the rooms are in a really bad state and everything is destroyed. People come here to take drugs and I often find syringes, condoms, blood and vomit in the rooms. When I’ve finished I feel pretty depressed.

I arrived in London a year ago. I used to sell slimming products in Sao Paulo and I earned good money, but the company closed and I couldn’t find another job. I also came here to send money home to my family. Sometimes I send as much as £50 a month. But usually it’s difficult as it is so expensive to live here. I’m not happy, working so hard for so little money, and I’m looking for another job. Despite that my life is probably better here than it was in Brazil.

Questions

1. Summarize the issues surrounding globalization as presented above, identifying both positive and negative aspects.
2. How would you characterize ‘Ana’s’ psychological contract. How could her current employers improve her working experience?


The Changing Nature of Work

Work itself is changing rapidly owing to globalization, 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, so we
cannot foresee all the technological advances ahead of us. Our predictions of the future are bounded by what we know to be real right now: it is difficult to 'think the unthinkable'. What is almost certain is that continuing change in information and communications technology will have massive implications for workers, managers and organizations 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 organizational responsibility and it is driving change in organizational structures and ways of working. For example, the use of e-mail has revolutionized office communication. It is a convenient medium allowing worldwide communication. However, e-mail has potentially negative consequences in the workplace. The main problems are that written forms of communication 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 e-mail reduces a person’s ability to build rapport and impairs the establishment of trust. These problems are exacerbated by cultural issues when e-mail users are in different countries. Nevertheless, e-mail has proven to be a convenient communication medium that has changed work practices significantly. How many of us currently involved in white collar work begin our day by checking e-mails, either in the office, at home or even while travelling abroad?

E-mail has also contributed to work intensification. Not responding to e-mails can mean an employee very quickly falling behind with their work. The authors of this book have continued to check e-mails while on holiday in 2013 (voluntarily since their employer does not require them to log on 24/7) in order to avoid huge backlogs of e-mail traffic on their return to work. As with any other factor within the study of OB, technological advance is neither inherently positive nor inherently negative – a better analogy sees it as akin to the coin that has two sides.

Knowledge Management Another major driver of organizational 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 organizations are:

- What do we know and what is the currency of the knowledge we have?
- How do we organize 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 organization’s systems, processes and structures, and in
the relationships that organizations have with their customers, suppliers and other stakeholders. Knowledge management (KM) focuses on processes designed to improve an organization’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 that the organization or the country needs. Such 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’.

A study by professional service firm Harvey Nash and the Centre for Economic and Business Research indicates that the UK is heavily dependent on the contribution of migrant workers in the professional and managerial spheres. The journal Personnel Today, reporting the results of this study, indicates that in Britain many organizations such as the National Health Service (NHS) would not be able to function effectively without their migrant workforces. In the case of the NHS, one striking statistic is that more than 30% of all nursing roles were taken by recent migrants to the UK during the period in question.

The brain drain phenomenon is not confined to Western economies; rather it should be seen as an ongoing process endemic to a globalized economy. In 2012, for example, there were 1.7 million recorded migrant workers in Singapore – approximately one-third of the work-age population. Singapore has many foreign workers in its financial services sector. Just under 30% of Singapore’s construction workforce were foreign with a significant proportion of these from Bangladesh and China. In a different segment of the labour market, there were significant numbers of foreign domestic workers, with many well-qualified people migrating from the Philippines. From the Philippines’ perspective, loss of workers to Singapore and other locations could be termed brain drain; however, the saved wages of such workers can also return in part to the Philippines economy. Patterns of work migration are complex therefore and continue to develop in the 21st-century global economy.

The Changing Nature of the Workforce

The composition of the workforce is changing and poses potentially important challenges. In the US, for example, one report concluded that managers must be aware of, and respond to, the following trends:

• the size of the workforce is growing more slowly than in the past;
• the average age of the workforce is rising: a trend accelerated by changes in legislation (e.g. the abolition of a default retirement age in the UK and other countries);
• 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 different demographic
characteristics among members of a given workforce. These differences include gender, sexual orientation, race and ethnicity, culture, age and able-bodiedness.

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

**Culture** The workforce is becoming more multicultural, primarily because of migration. To take two examples, Australia and New Zealand are among the more 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 manage people from different cultures effectively and make the most of the advantages that a diverse workforce can bring. For example, diversifying the workforce can be used as a strategic advantage. A diverse workforce can provide business with a competitive advantage by capitalizing 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 their skills to improve productivity and innovation in the workplace, developing domestic niche markets and entering new, or increasing market share in, overseas markets.48

Research has shown that styles of leadership, motivation and decision making and other management roles vary among different countries.49 For example:

- **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.50
- **Motivation.** Managers must avoid being parochial (where they fail to perceive difference due to limited horizons) or ethnocentric (in which case they believe that ‘their way is best’). 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 US. These theories may help explain the behaviour of North Americans, but serious questions must be asked about how applicable they are to other cultures. While North Americans, for example, value individual rewards, Japanese people prefer group rewards.51
- **Decision making.** Latin American employees may feel uncomfortable with a boss who delegates too much authority to them. In France, research indicates that decisions tend to be made at the top of companies and passed down the hierarchy for implementation.52 In other cultures, such as the Scandinavian countries, contrastingly, employees prefer their managers to emphasize 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 in whether the situation should be changed. Australians and New Zealanders tend to perceive situations as problems to be solved; others, such as Thai and Indonesian cultures, 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.

**The Dimensions of Culture** Geert Hofstede, a Dutch scholar and consultant, proposed that all societies could be compared by referring to certain ‘dimensions’ of national culture.
What is Organizational Behaviour?

Differences located along these dimensions formed the basis for understanding differences between societies. This approach to understanding culture suggests that there are major differences between cultures; the US and China, for example, differ markedly in many respects if we accept Hofstede’s analysis of culture.

Hofstede originally identified four dimensions of national culture: power–distance, uncertainty avoidance, individualism–collectivism and masculinity–femininity. These are described as follows:

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

- **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.

- **Individualism–collectivism** – the degree to which people in a country focus on working as individuals more than on working together in groups, and the extent to which they are bonded into and identify with groups. The US, for example, is identified as one of the most strongly individualistic cultures, whereas China is considered a far more collectivist culture.

- **Masculinity–femininity** – the degree to which people in a country emphasize so-called masculine traits, such as assertiveness, independence and insensitivity to feelings, as dominant values (note the possibly stereotypical assumptions here). Japan, for example, is characterized as a highly masculine culture, whereas Denmark is considered a more feminine culture. The Netherlands and the Scandinavian countries are, for Hofstede, the only societies that can be regarded as ‘feminine’.

- A further so-called fifth dimension or ‘long-term–short-term orientation’ was later developed by Hofstede in conjunction with Michael Bond. Prompted by the success of many Asian economies from the 1980s onwards, this dimension identified a number of values including thrift and persistence, social obligations and tradition which together made up a long-term orientation. China, for example, is high on long-term orientation, whereas the US is, within this framework, more orientated towards the short term.

- Hofstede’s broad approach of comparing dimensions has continued to evolve and more recent work has identified a sixth cultural dimension whereby societies can be compared according to **indulgence and restraint**. Countries scoring highly on indulgence allow for free gratification of desires, and citizens there stress enjoyment of life and fun, whereas a high score on restraint means that a country’s people have their desires suppressed and we find strict social norms. Regions of the world associated with indulgence are North and South America, Western Europe and areas of sub-Saharan Africa. Restraint, contrastingly, is stressed in Eastern Europe, Asia and the Muslim world.

It is important to remember that Hofstede’s approach to understanding culture focuses on comparison – he has stated that any one country’s scores on a dimension are meaningless unless they are compared to another country. We now have many such comparisons available with one 2007 study extending Hofstede’s values survey to 93 countries. Continuing research on these cultural dimensions examines how countries can be further
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 culture cluster is shown in Figure 1.4. ‘Anglo’ countries tend to score quite low on the long-term–short-term dimension, whereas the Asian ‘tigers’ – Hong Kong, Singapore, South Korea and Taiwan – score quite 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. It is suggested that cultural factors should also be considered when analysing economically difficult periods, for example the characteristic ways in which Asian societies respond to economic recession.58

Hofstede’s work has been subject to some criticism in terms of whether his employee sample (based in large part on the IBM company) was nationally representative and also on his questionnaire-based research methodology.59 We can usefully also bear in mind the regional cultural differences that can be found within nation states. However, his findings have formed the basis for an understanding of the role of culture in affecting workplace attitudes and behaviour and Hofstede’s classifications remain a very useful guideline to the ways in which cultural differences play out in work organizations.

After reading the preceding sections on culture, to what extent do you think people from different cultures may differ meaningfully in their attitudes and behaviour at work? Give reasons for your response.

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**Figure 1.4** A sample of ‘country clusters’ based on Hofstede’s five dimensions of national cultures.
**Age and Future Workforces**  
There are dramatic demographic shifts occurring across the world. United Nations estimates are for Europe’s population to drop from 740m to 736m in the period between 2010 and 2030 with Europe’s share of world population reducing from 10.7% to 8.3% over the same 20-year time-span. The same source also predicts a rise in Asia’s population from 4.2 billion to 4.9 billion; however, this would result in the Asian proportion of the world population falling from 60.2% to 58%. The predicted trends in the case of Africa are for both an absolute rise in population (from 1bn to 1.6bn) and an increase in its proportion of world population (from 14.9 to 19.4%). The figures open up interesting possibilities for global employment patterns, especially with increases in context-free work, that is work which can be carried out online or in a physical workplace that need not be tied to any one location. Such possibilities will, of course, be affected by sociopolitical events in all of these regions.

Poland has a fertility rate of 1.2 children per parent, which is amongst the lowest in the world (1.9/1.95 in a 2009 UN survey). The country has also experienced a high outflow of staff to Western Europe in recent years. The same survey locates fertility rates of 2.8 in India and 7.1 in Afghanistan. We cannot know for sure how these demographic trends will play out in the global labour market but they will undoubtedly affect world employment, possibly in unpredictable ways. Trends also indicate the increasing age of many populations. There are significant statistics on ageing with the percentage of over-65s anticipated to rise from 15.4% of the EU population in 1995 to 22.4% by 2025. Meanwhile, 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 organizations. 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 ‘organizational memory’ as the baby boomer generation (born between 1946 and 1955) and the so-called shadow boomers (born between 1956 and 1964) reach retirement age and leave the workforce.
- An increasing representation of generations X (born after 1964) and Y (born after 1978) at senior levels within organizations as the baby boomer generation retires. The modernization thesis put forward by Ingelhart and Baker suggests that the needs and preoccupations of these generations may move beyond a concern with material values to increasing ‘quality of life’ issues, coupled with a desire to engage with new forms of spirituality (in North America and Western Europe), while in Eastern Europe and other parts of the world we see a resurgence of traditional religious values.
- 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. Vodafone, for example, meets this need by offering incentives such as giving workers the day off on their birthdays, allowing casual dress and giving them access to a health and well-being programme that includes such services as free massages.
- Greater workforce mobility and less loyalty to the organization because of 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 period since 1970 has been characterized 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 and mechanics are men) and increasing – although for some still disappointing – numbers of women in senior positions within organizations. For example, research conducted by Grant Thornton in 2009 found that less than a quarter of senior management posts in privately held businesses globally were occupied by women. The picture varied considerably across the world, with 42% of women holding such roles in Russia and 13% in Denmark. The picture is very obviously imbalanced. Some implications of increased female participation in the workforce are for organizations to learn how to manage work–family relations, such as parental leave (including paternity leave); reconsider what are deemed gender-specific roles; and consider how work–life balance can be managed. This will be discussed later. We will consider gender as a factor influencing aspects of OB at various points throughout this book. Is it true, for example, that in the area of power and influence within organizations (Chapter 10) there are ‘dimensions of political skill and behaviour where women may have considerable competitive advantage’.

OB IN ACTION 1.3

DIFFERENT GENERATIONS IN YOUR CLASSROOM?

In the UK, the leading occupational journal for university lecturers is the Times Higher Education (THE). It covers news, trends and issues affecting universities worldwide. A 2013 issue of THE includes an article summarizing changes in the world of work since 1945. The author, Ursula Huws, suggests that in Western societies an era in which ‘work involve[d] performing some kind of meaningful activity under a permanent contract of employment with benefits attached’ had largely ended. The result was that current students and graduates in those societies already worked, or faced future employment, in an atomized labour market and Huws expresses surprise that there were not more zero-hours contracts (an arrangement where workers agree to work when required and receive payment only for the actual hours worked).

The author of this chapter was born in 1956 and is therefore classified as a ‘shadow baby boomer’. He is among the two or three generations who Huws claimed ‘never had it so good’ in work terms. OB developed as a discipline during the baby boomer years. Many of its preoccupations, for example psychologically fulfilling work and loyalty, could be seen as stemming from a particular epoch. The challenge for baby boomer lecturers and tutors is to stress the current relevance of OB. Consider, for example, the topic of motivation (Chapters 4 and 5). We aim to tailor content to the current world of work where:

- There are jobs that can be performed anywhere across the globe at vastly different cost to organizations.
- Jobs can be taken by qualified hard-working migrants who are used to lower rates of pay.
- Specialist technology results in standardization with less dependence on unusual skills or attributes.
- Socialism has largely died out as a political force, with trade unions’ influence having declined, so there is less political pressure to keep workers happy.

If you are significantly younger than your OB tutor, you will have grown up in a very different working environment and labour market. Work together to take the best of OB knowledge, which is applicable over decades, and keep a historical perspective in mind. It is important to understand the context in which theories and concepts emerge.
The Changing Nature of Employer–Employee Relations

As we saw in OB in Action 1.3, the relationship between employers and employees is changing. There are changes in the ways that organizations view their members and in how people view employers. In many ‘new’ workplaces, employment is often cut and streamlined for operational efficiency, businesses have flatter and more flexible structures and the workforce is more diverse and dispersed. This is especially true of countries coming under the Anglo-Saxon model of capitalism.68

Globalization has significantly altered the employment relationship, creating challenges for organizations, 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 may increasingly want input into major decisions that have a direct effect on their working lives.69 Many 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 input into workplace decisions, 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 21st-century manager must be well prepared to deal not only with the pressures outlined above but also the pressures for:

• **Employee rights.** People in most cultural contexts 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, consent, freedom of conscience and freedom from sexual harassment.

• **Job security.** People expect their security to be protected in relative terms, including security of their physical well-being (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 marginalized in the workplace. The concept of the ‘glass ceiling’ has been introduced into management vocabulary to describe the invisible discriminatory barriers that women may face as they seek to advance their careers in organizations (such as those arising from an organization’s culture). Progress may be applauded, but it will not be accepted as a substitute for true equality of opportunity.

• **Equity of earnings.** People expect to be compensated to the same extent 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 input 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. Progressive organizations recognize the need to support their workforce to minimize stress levels and burnout, and to maximize work performance. Many companies recognize the increased pressures experienced in dual-income households, where both partners try to manage work and family commitments. Many companies are introducing initiatives to create a ‘family-friendly workplace’ to help employees better balance work and family commitments.

Workplace initiatives include work options such as job sharing, permanent part-time work and telecommuting, new leave provisions such as paid maternity and paid paternity leave, as well as supported childcare facilities. The website ‘Where Women Want to Work’ (www.wherewomenwanttowork.com) identifies a number of specific initiatives that have been taken by business organizations in promoting work–life balance by focusing on parental responsibilities. The financial services provider HSBC offers its UK employees workplace nursery places and childcare vouchers for children up to 16 years old. This scheme is equivalent to a 6.5% pay increase for a typical clerical staff member and more for higher-rate taxpayers. These vouchers can also be used to buy nursery care, nannies, au pairs, childminders and for after-school schemes and school nursery cover. Around half of the 57,000-strong HSBC UK workforce has children under the age of 16 years. Staff can choose nursery places, childcare vouchers or both instead of salary. The company suggests that this improves employees’ work–life balance, which benefits HSBC as well as the individual staff members.

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) has been an important phenomenon in recent years, with a significant outflow of jobs 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, organizations and workers must continually change to achieve high performance. However, tragic events such as the Rana Plaza factory complex collapse in 2013 show how the outsourcing phenomenon has a negative side (we cover the Rana Plaza tragedy more fully in our Ethics and Values section later in this chapter.)

One of the largest growth areas in outsourcing has been finance. AXA Asia Pacific has its backoffice functions and data entry work done in India, and part of the ANZ Bank’s IT operations are also undertaken there. Organizations 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. This influx of new call-centre jobs has proved to be very significant for India: in 1995, the Indian outsourcing sector turned over about US$100 million; by 2011, that figure had increased to US$100 billion. 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.

In the UK, there has been a degree of negative publicity concerning call-centre operations in the Indian subcontinent and by 2010 there was some evidence that the peak of the trend had been reached. Powergen and Esure returned their call centres to British locations, while a NatWest bank advertising campaign stressed that their call centres were in the UK. Some customers failed to accept call centres that are not locally based (it is hoped this relates to actual quality of experience rather than xenophobic views), which in turn affected their trust in, and loyalty to, a certain brand, company or organization.
Casualization of the Workforce  One of the key themes from the chapter so far has been that organizations and the environments in which they operate are rapidly changing. Organizations are seeking greater flexibility and adaptability to respond to these changes. Increasingly, organizations are seeking people who can adapt to changing needs. Another method of achieving this aim has been to change the composition of their workforce to consist of core workers and contingent (or peripheral) 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 ongoing security of employment. Employing casual staff gives managers the ability to quickly increase or decrease the number of workers to meet demand, but there are significant downsides for both employer and employees. For example, employees suffer a loss of job security and predictability of income; they may have less loyalty to their employer and they may be less likely to invest in new skills or knowledge that could benefit the employer. They may also not be well protected by health and safety measures. On 21 February 2004, 21 Chinese cockle pickers were drowned after being caught by the tide in Morecambe Bay in the north of England. Anyone who read transcripts of the mobile phone calls and text messages sent by some of these casual workers as they awaited their death cannot but be deeply moved and keen to avoid similar tragedies in future, in so far as anyone can realistically interfere with the workings of this part of the labour market.

Teleworking  Teleworking means working from a location other than the organization’s offices. It often refers to working from home. Teleworking has become increasingly feasible thanks to technology (for example mobile phones and e-mail) that allows easy communication with the office and co-workers. It became an increasingly widespread practice with figures from 2013 showing that in Finland, over 14% of the population were classified as teleworkers – one of the highest proportions in the EU. 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), but such employees can become socially isolated and may miss out on opportunities for promotion and workplace interaction more generally – see Chapter 4 for a discussion of workers’ ‘social needs’.

Since the terrorist attack on the World Trade Center towers in New York on 11 September 2001, many companies have been reluctant to place all or most of their employees at one location. By having operations spread across different geographic locations – or even just different buildings – the risk of losing a large proportion of human, physical or intellectual resources in a terrorist attack or disaster such as an earthquake or fire is greatly reduced.

The Importance of 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, organizations, their members and the communities they exist within are placing more emphasis on ethical behaviour. The concepts of corporate social responsibility (that organizations have a responsibility to the societies that sustain them) and triple bottom-line reporting (that organizations need to consider society and the environment as well as their economic performance) are among the most prominent organizational responses to the increased emphasis placed on ethics and values.

Ethical behaviour is behaviour that is morally accepted as good and right, as opposed to that which is unethical (bad or wrong), in a particular setting. Business scandals resulting in the collapse of high-profile companies such as Enron and WorldCom highlighted the importance of ethics in managerial behaviour. Today a trend is clear: there are increasing demands that
government officials, managers, workers in general and the organizations they represent all act in accordance with high ethical and moral standards.

Ethical managerial behaviour is behaviour that conforms not only to legal requirements but also to broader social moral codes. Exactly what moral code governs a person’s choices is a subject of debate.

Corporate social responsibility includes such things as providing employment, caring for the environment, contributing to charities and operating in a way that meets society’s needs. For some, corporate social responsibility should remain the responsibility of individual companies, embedded in their own context, and not be subject to regulation. The UK Confederation of British Industry (CBI), for example, states that corporate social responsibility should remain voluntary and market driven.76

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 organization decides whether to do something that could be considered unethical but that benefits the person or the organization, 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, outright bribery, pricing practices and ending workers’ employment, either individually or collectively.77

People’s approaches to ethics are influenced by the stance they adopt when confronting an ethical dilemma.

• Deontological approaches view ethical behaviour in terms of the inherent goodness or badness of an act. So they might decide that they would never kill another human being, steal or lie.

• Consequential approaches focus instead primarily on the consequences of an act; would it, for example, have been justifiable with hindsight to assassinate various political dictators?

• Character virtue links good behaviour with particular qualities residing in people. To take an extreme example, a Mafia member may threaten another person in order to demonstrate courage and their loyalty to the wider group.

Consider, for example, the following scenario. You are running late for a meeting in which staff redundancies are being discussed and you wish to protect your own department from this threat. The only car-parking space available near the meeting location is reserved for disabled access (you do not have a disabled sticker). Confronted with this dilemma, what would you do? Explain your thought process with reference to all three of the approaches to ethics listed above.

OB topics are interconnected. In this chapter we have considered both outsourcing and ethical aspects of work and organizations. In 2013, these two areas were tragically fused in the Rana Plaza tragedy when factory blocks in Dhaka, Bangladesh collapsed, killing 1129 people and injuring another 2500. The factories produced goods for well-known clothing brands and provided an example of 21st-century global outsourcing, as described in this chapter. However, it was reported that only six out of more than 20000 new premises built since 2008 have received final safety clearance certificates, as required by law.78 Should we wear clothes that are produced in settings where basic health and safety procedures are flouted? Should organizations outsource their work to workplaces like this? Who has the ultimate responsibility for disasters in networked and outsourced types of organizations?
The increasingly topical area of ethics (was the credit crunch fuelled in part by unethical behaviour in the financial services sector?) will be addressed throughout our book and, in particular, emphasized in 'counterpoint' features within individual chapters.

**Conclusion**

Organizational behaviour is relevant, topical and we trust will therefore be of interest to all readers. It should be possible to relate material from subsequent chapters to our own lives and our work experiences in particular. Knowledge within the field is drawn from a number of academic disciplines, and researchers are very concerned to create a body of knowledge that is based on rigorous foundations, thereby rising above the common-sense level. By now you should also have an indication of why it is important for managers – and every other member of an organization – to have a good understanding of OB.

There is much evidence indicating that the successful 21st-century manager will have to make the behavioural and attitudinal adjustments necessary to succeed in dynamic times.

Tomorrow's managers can come from any country or culture and may experience many placements and sample multiple locations in a wide-ranging career. They will also increasingly be highly educated – possibly to postgraduate level – with a global focus, able to manage in both regulated and deregulated economies and in an environment typified by rapid change. They will be surprised by anything more than a limited-term, high-pressure appointment and their position will be results driven.

One important point to highlight at this stage is the inherent difficulty of managing people who are able to engage in high-level reasoning and to adapt situations for their own advantage. This has led to the notion of **unintended consequences**, where managers attempt to direct or mould behaviour. This concept is not new. When considering the effect of bureaucratic organizational structures which stress clear job descriptions and allocation of duties, some writers have noted the unintended consequence of over-adherence to these with a resultant 'jobsworth' mentality – or 'that's not my job' approach – which can have negative consequences.79

In 2005, a popular economics book pointed to unintended consequences of incentives.80 In one example, schoolteachers faced with targets based on pupils’ examination results were statistically proven to have tampered with scripts before they were dispatched to the public examination board for marking. In another, staff at a crèche became tired of parents arriving late to pick up their children. In response they imposed a charge for late pick-ups. However, some parents regarded the charge as a fee for a service provided and lateness increased accordingly – precisely the opposite outcome of what was intended!

Unintended consequences are not inevitable. However, we counsel you against believing that people at work will behave in a predictable way if only you adopt particular policies and practices. Humans’ ability to interpret cues in different ways, and in some cases to behave opportunistically, makes managing people more difficult but also more challenging and fun.

Your learning about OB may begin with this book and a module in 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 OB may come with time as your career progresses but it will do so only if you prepare well and if you are ready to take maximum advantage of each learning opportunity that arises.

The terms 'lifelong learning' and 'recurrent learning' perhaps best conceptualize the learning and education of the future. The essence of these propositions is that education and learning should continue over the lifespan of the individual and should form part of actual work and life experiences. It is both a personal responsibility and a prerequisite for 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 podcasts and the information available in the quality press and television (also the Internet used selectively and with caution) all provide frequent opportunities for continual learning about OB. In progressive organizations, supportive policies and a commitment to extensive training and development are among the criteria for organizational 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**

**Learning Objective 1**

*The nature and scope of OB*

OB is the study of individuals and groups in work organizations. This body of knowledge can assist managers to interact effectively with their employees and help improve organizational performance. Effective managers need to understand the people on whom they rely for the performance of their unit. However, people can behave unpredictably and unintended consequences are possible if and when we try to change their behaviour. The complexity of this area can be illuminated by the performance equation, which views performance as the result of the personal and/or group attributes, the work effort they make and the organizational support they receive.

Even if you are not in a managerial role and/or have no desire to be in one, insights gleaned from OB – and we hope from reading this book – will help you to understand your own experiences of working in, and otherwise dealing with, organizations. It is virtually impossible to avoid organizations!

**Learning Objective 2**

*The relevance of OB in terms of fostering effective performance*

Organizations are collections of individuals working together to achieve a common purpose or goal. But not all people will work towards organizational goals as they may have their own agendas, such as their career development. Organizations exist because individuals are limited in their physical and mental capabilities. By working together in organizations, collections of individuals are able to achieve more than any individual could by working alone – this is termed ‘synergy’. The purpose of an organization is to produce a product or to provide a service. To produce such outputs, organizations divide work into required tasks to organize the efforts of people to their best advantage. This process is termed ‘division of labour’.

A manager is responsible for work that is accomplished through the performance contributions of one or more other people. 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 performance, which is engendered through the attraction, retention and development 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 based on individuals’ expectations regarding what they and the organization expect to give and receive from each other as an exchange of values. In a ‘healthy’ psychological contract, the contributions made to the organization are believed to be in balance with the inducements received in return. The insights provided through the study of OB 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 working life, which is marked by participation, independence, equity and responsiveness.

Learning Objective 3

**Key themes (megatrends) affecting organizations**

Globalization is the process of becoming increasingly international in perspective and interconnected with others worldwide. A managerial career in today’s work environment is highly likely to bring managers into contact with international issues and considerations (even when managers remain in their home countries). Managing to perform effectively in a globalized marketplace requires many new skills and competencies.

Changes to the nature of work are largely due to globalization, advances in technology, the growth in the services sector and, especially, an increasing reliance on knowledge to generate new products and services. These changes to the nature of work require workers and managers with new skills and abilities.

The workforce is becoming increasingly diverse: more multicultural, older (in some but not all societies) and there are more women working than ever before. Managing such a workforce requires new approaches.

Workers in the developed economies 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 cannot and 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 organizations are responding to these needs. These are not ethically neutral trends.

Organizations are under increasing pressure to conduct themselves ethically and to acknowledge that they have a responsibility to the society that sustains them.

**SUMMARY OF ONLINE RESOURCES FOR CHAPTER 1**

Go to the website at [www.wiley.com/college/french](http://www.wiley.com/college/french) for the following additional resources for this chapter:

- Chapter Study Guide
- Self-Test Quiz
- Skills Assessments
  - Emotional intelligence
  - Ethical reasoning inventory
  - Global awareness
  - Global readiness index
  - Managerial assumptions
  - Interactive module: Managerial functions, roles and skills
- Journal Article Links
- Glossary Flashcards
Suggested Reading

Thompson, P. & McHugh, D. (2009) Work Organizations, 4th edn, Palgrave Macmillan: Basingstoke. The authors provide an in-depth critical perspective on OB recommended for readers wishing to extend their study at advanced level.

Watson, T. J. (2006) Organising and Managing Work, 2nd edn, FT Prentice Hall: Harlow. The author’s approach is to focus on task and practice at work and to use concepts and theories from OB and other academic areas in order to help make sense of them.
CASE STUDY

Is He Not Clear Then? (The World’s Worst Aircraft Accident)

On 27 March 1977 the world’s worst aircraft accident to date occurred in Tenerife. By supreme irony, and as if to mock those who fear flying, the accident took place on the ground, with two Boeing 747 jumbo jets colliding on the runway at the Canary Island’s airport. The disaster killed 583 people.

The crash took place when a KLM Royal Dutch Airlines plane taking off, in the captain’s mistaken belief that he had clearance to depart, crashed into a Pan American plane taxiing on the same runway. The accident took place in thick fog and the Pan American crew missed its correct turn-off from the runway, leaving them in the direct path of the other flight.

There were several technical reasons for the crash, including the obscuring of a simultaneous radio call from both planes through mutual interference on the radio frequency. If either message had been heard, it should have alerted the other crew to the true sequence of events and offered an escape route from the impending collision. However, the underlying reasons for the crash were human and rooted in the work environment, attitudes and behaviour.

The KLM captain, Jacob van Zanten, was returning to route flying after six months of training duties on a simulator and was possibly still attuned to training conditions. He may also have been keen to take off quickly to keep within crew duty hours. At any rate he perceived an air traffic controller’s (ATC) instructions on departure route and what to do when airborne as actual clearance to take off. There was an element of miscommunication when the KLM crew gave an ambiguous message which crash investigators subsequently heard as either ‘we are at take-off’ or ‘we are uh taking off’ (they were unable to decipher which). The ATC responded to this message with a terse ‘OK’ (a nonstandard term in this context). His follow-up message – ‘Stand by for take-off; I will call you’ – was never heard because of radio interference caused by a transmission from Pan Am at that precise second.

And yet there was still one final chance to avoid the crash. The flight engineer on the KLM plane heard the Pan Am crew’s radio message that they would report when they had cleared the runway. He was heard on the cockpit voice recorder querying his captain’s decision to take off, asking, ‘Is he not clear, then?’ On receiving the response ‘What did you say?’ from the captain, the flight engineer asked again, ‘Is he not clear, that Pan American?’ However, Captain van Zanten responded decisively, ‘Oh yes!’ and the flight engineer did not persist with his question as the plane continued to accelerate down the runway. Captain van Zanten was one of the airline’s most experienced pilots; he appeared on a magazine advertisement for the company and it was reported that when news of this disaster broke KLM attempted to contact him to give public statements before learning that, tragically, he was the captain of the crashed plane.

The subsequent inquiry into the crash made several conclusions that reflected the human factors underlying the disaster. A new phrase ‘line up and wait’ was introduced for planes ready to take off but not yet cleared. Key instructions would henceforth have to be read back, not merely acknowledged with a phrase like ‘OK’. Interestingly, the report also focused on hierarchical relations among air crew with a greater emphasis proposed for mutual agreement on decision making.

**Question**

1. What OB topics do you consider relevant to an explanation of the events surrounding this real-life disaster? Refer to the chapter headings in the table of contents of this book when formulating your response.

**Source:** This case study is adapted from a number of sources. Transcripts of cockpit voice recordings were taken from Stewart, S. (1986), *Air Disasters*, Shepperton: Ian Allan.