

MHR 405 – Jan 19, 2016

## Intro to the Field of Organizational Behaviour

### Organizational behaviours and Organizations

- Organizational study: study of what people think, feel, and do in and around organizations
- Organizations: group of people who work interdependently towards a purpose
  - Collective entities – needs communication, coordination and collaboration to achieve organizational objectives
  - Collective sense of purpose – not always well defined or agreed upon
    - Without it, there is no direction or unifying force
    - Steve Jobs “a company is a abstract construct, one of humanity’s amazing inventions”

### Why Study Organizational Behaviour?

- Satisfy the need to understand and predict the world that we live in
- Helps us test personal theories (our beliefs and assumptions)
  - Adopt more evidence based models of workplace behaviours
- Influence behaviours – get things done
- OB improves organizational financial health
  - Study found that higher the engagement = higher sales and profits
  - Specific OB behaviour (leadership, employee attitudes, performance based rewards, development) important positive screens for select company with the highest and consistent long term gain
- OB is everyone (must understand and apply topics, not only for managers and effective management)
- Employee performance + well being influenced by employee attitudes, formal tam dynamics, informal groups, supervisor style
  - Opposite of what was dominate view (improve work efficiency by change work conditions, job duties (Mayo’s approach which laid OB foundation))
- Everyone is a ‘manager’ now expected to be self-motivated, work well with others without management intervention

### Organizational Effectiveness

- Ultimate dependent variable in OB – OB theory implicit and explicit objective is making organization more effective, other variables have indirect/direct effect on effectiveness
- Old approach – achievement of stated goals
- Problem with goal attainment
  - Could set easy goals
  - Company might achieve wrong goals .

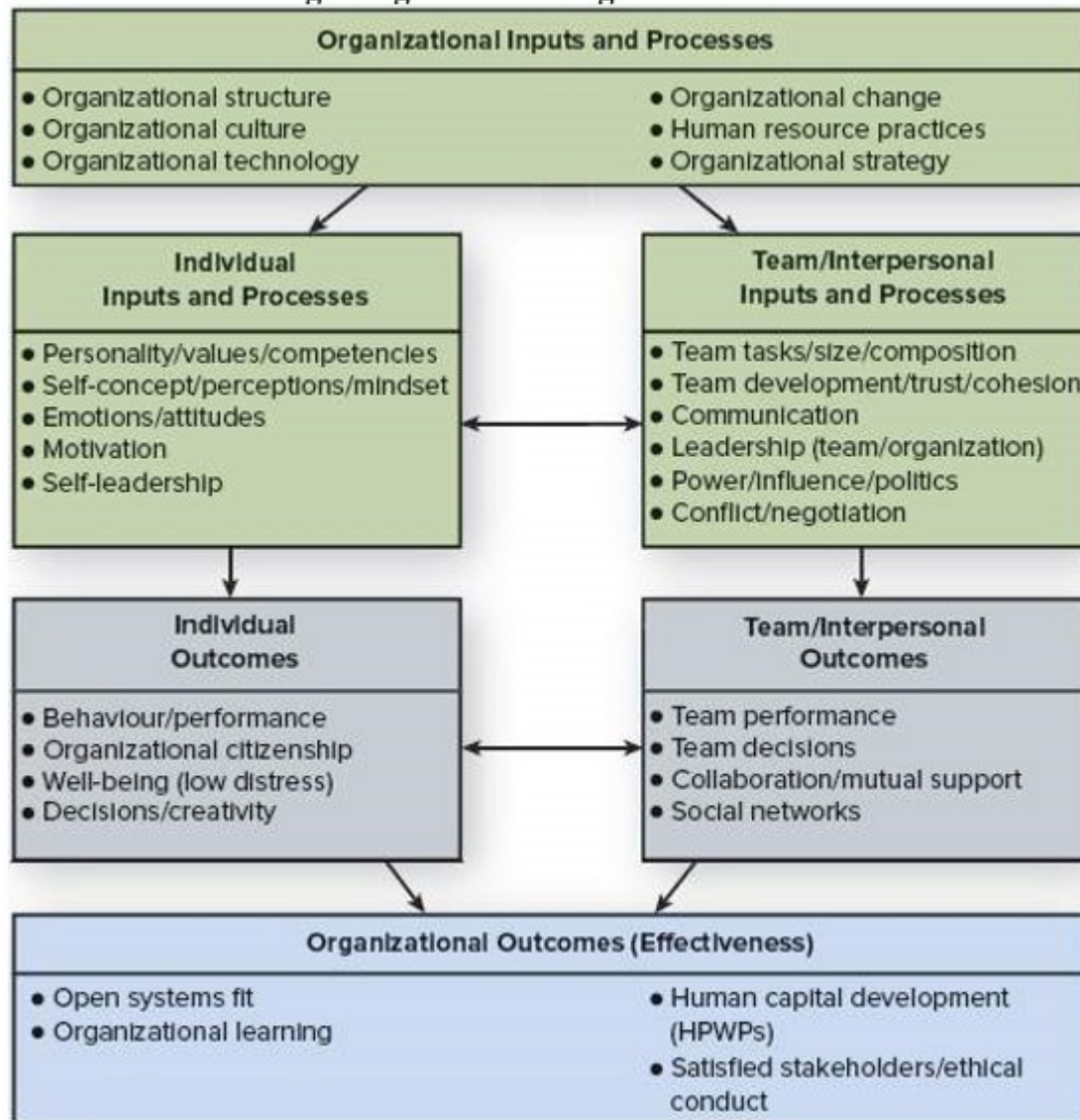
#### Four Perspectives of Organizational Effectiveness

- Open systems perspectives
- Organizational learning perspectives
- High-performance workplace perspectives
- Stakeholder perspectives

#### Open Systems Perspective

- Open – represents permeable relationship, closed system opposite
- Organizations are complex systems that live within and depend on external environment
- Open systems traditionally focused on physical resources that enter organization and are processed into physical goods (outputs) in industrial economy
- External environment places demand on how organizations should operate – raw materials, job applicants, financial resources, info, equipment
  - Also includes rules and expectations (law and cultural norms)
  - Some resources like job applicants and equipment, become subsystem in transformation process
- Effective organizations – how well internally transforms inputs into outputs
  - Organization effective when they have good fit with external environment, are learning environments, efficient and adaptive internal subsystem (high performance work practice) and satisfy all stakeholders
  - Ways include – maintain good fit with changing conditions and transforms inputs to outputs efficiently and flexibility
    - 1. Change products/services and how output is produced
    - 2. Actively manage environment (marketing – increase demand, buy exclusive rights – restricts competitors, divides access to it, lobbying for legislation that strengthen position in market place and delay legislation to delay business activities)

- Change business market or location – too challenging environment then move to a new one (ex. IBM says growth in tech service would be better than selling computers which was true)
- indicator of effectiveness = efficiency (productivity) ratio input : outputs
- Effective organizations internal subsystem coordinate well with each other
- Bigger = more complex – info can be lose, resources hoarded , messages misinterpreted, rewards unfair
- Small change in subsystem can ripple through organization and effect effectiveness of other subsystem
- Need to maintain efficient and adaptable transform process through work procedures, informal communication, coordinating methods

**EXHIBIT 1.4 An Integrating Model of Organizational Behaviour**

- Individual inputs and processes influences individuals outcomes and have a effect on organization effectiveness (ex. How organization transform input to outputs and satisfy key stakeholders depend on how well employee do their job bad make logical + creative decisions)
- Personality and values ( 2 most individual characteristics) and individual processes (self-concept, perceptions, emotions, attitudes, motivation, self-leadership)
- Team dynamics (team composition, size and other team characteristics) influence team processes (team development, cohesion) which then affect team performance and other outcomes

- Interpersonal and team processes include communication, power and influence, conflict, and leadership which all affect individual processes and outcomes (person well being is affected by mutual support they get from team members)
- Individual processes affect team and interpersonal dynamics in a organization (self-concept among individual team members influence team cohesion)
- Organizational-level variables include organizational structure, culture , and organizational change
- HR, info systems and organizational-level variables affect individual, interpersonal and team dynamics

### **Global Connections: Zara's open systems thinking for fast fashion**

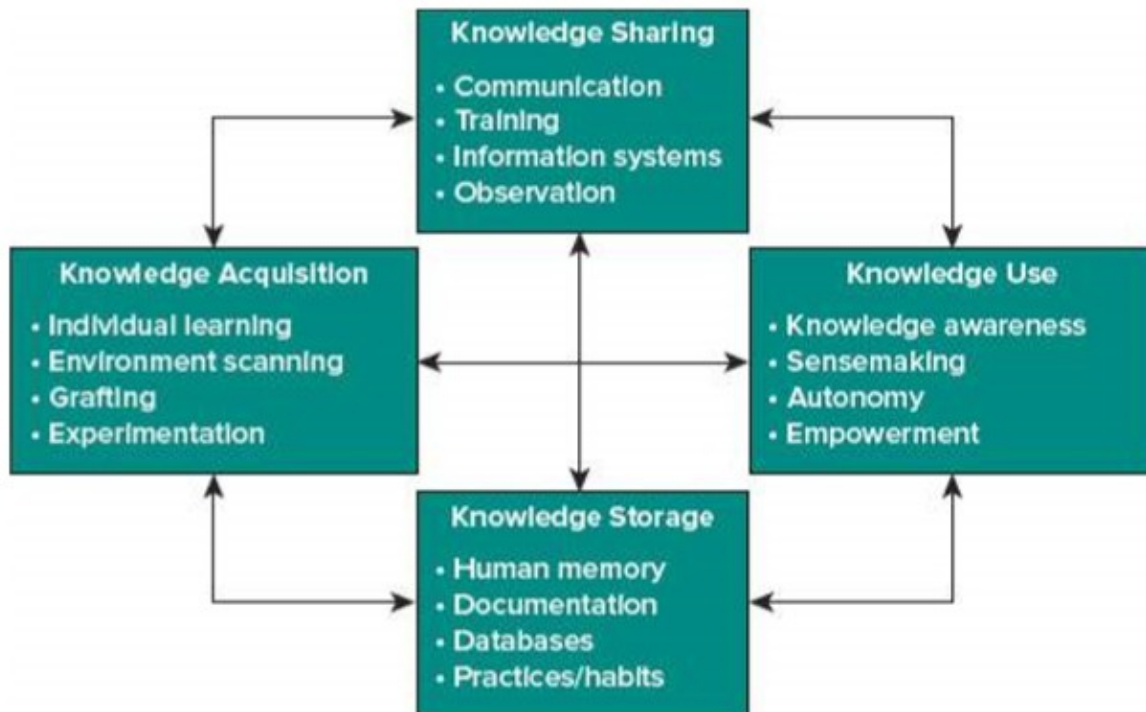
- Apply open system thinking by having close fit with environment and experiment with lots of new styles
  - They get immediate and continuous feedback about which are popular and learn adjustments that make styles more appealing and producing and delivering new/revised style to fit demand
- Invented 'fast fashion' – company responds quickly to customer preferences and fashion trends
  - Opposite from other people who produce limited styles (2-3 batches a year) and then need 6 months for designs to show up in stores
- Sales staff are trained to ask customers why bought something or how can it be designed to their preferences
  - Comments are then reported back to headquarters and they immediately start to produce or alter it
- Produce limited stock of lots of designs
  - Company have wider market preferences while minimize problem of too much inventory
  - Knowing their products are frequently changing attracts customers to the store more
- Have quick response to feedback
  - Most retailers have independent manufacturers in distant countries who need months to make a garment
  - Zara use low-cost manufactures, half of it is made in proximity from nearby Spanish companies and in Portugal, Morocco and Turkey
  - Near manufacturing cost more but take less than 3 weeks for a new design to arrive in stores (which get new stock twice each week)

## Organizational Learning Perspectives

- Organization capacity to acquire, share, use, and store valuable knowledge
- Need to consider both stock and flow of knowledge \*\*
  - Stock: intellectual capital
  - Flow: organizational learning process of acquisition, sharing and use
- Knowledge acquisition – learning, scanning, crafting, experimenting
  - Extract info and ideas from external environment and insights
  - Grafting: buy entire companies
  - Strategies
    - Knowledge by experimentation – new product by creative discovery and testing
    - Environment scanning strategy – monitor customer trends and competitor activity
    - Individual learning – formal training outside the organization
- Knowledge sharing – communication, training, info system, observation
  - Distribution of knowledge throughout organization
  - Mainly through communication with and learning from coworkers (training, observation)
  - Company encourage informal communication through organization structure, physical work space, corporate culture, social activity)
  - Common intranets and digital repository support knowledge sharing
- Knowledge use – awareness, sense making, autonomy, empowerment
  - Competitive advantage of knowledge come from ways that it adds value to organization and stakeholders
  - By
    - Employee must be aware that knowledge exist
    - Be able to locate it
    - Have freedom to apply it
      - Need culture that encourages it, open communication and belief that mistakes are a part of the process
- Knowledge storage – human memory, documentation, practice/habits, databases
  - Process of holding knowledge for later retrieval
  - Stored knowledge (organizational memory) includes knowledge that employees recall and knowledge embedded in organization systems and structures
  - Strategies to retain organization memory
    - Have employee stay within the company (can have more appealing work practices – developmental coaching, pleasant work environments, job that have more autonomy
    - Systematically transfer knowledge to other employees – newcomer apprentice with skilled employees so they get knowledge that is not documented
    - Document knowledge that was previously hidden in minds of individual employees – ex Reliance Industries (India largest business enterprise) encourage

employees to write about their successes and failures through special intranet knowledge portal (reports would then give info that later prevented a costly plan shutdown)

- Winnipeg based Duha Group role model for OB
  - Practice knowledge acquisition by learning from other companies, encourage staff to discover better production methods and allow customers to communicate directly with the employees worldwide using social network tech
  - Social network tech supports knowledge sharing within the company and in-house training, employee led lunch and learn sessions, and informal mentoring



### Intellectual Capital

- Human capital: knowledge that people possess and generate
  - Can be considered a competitive advantage – difficult to imitate, no substitutes so high risk, remove valuable knowledge tech when they leave
- Structural capital: knowledge captured in systems and structures + finished products (can do reverse engineering)
- Relationship capital: value derived from satisfied customers, suppliers
  - Includes goodwill, brand image, combo of relationships

### **Organizational memory**

- The storage and preservation of intellectual capital
- Retain by
  - Keep knowledgeable workers
  - Transferring knowledge to others
  - Transforming human capital to structural capital
- Successful companies can also unlearn
  - Unlearn removes knowledge that doesn't add value or undermines the organizations effectiveness
  - Forms of unlearning
    - Replace dysfunctional policies, procedures and routines
    - Erase attitudes, beliefs and assumptions
      - Blackberry had strong beliefs and assumptions with physical keypads so they were slow to jump on the smartphone and tablet touchscreen technology

### **PLC high performance practise**

- PLC family of company (largest construction) retain value by human capital by investing heavily in employee learning and career development

### **High Performance Work Practices (HPWP)**

- HPWP exist because open system perspective does not offer guidance about specific subsystem characteristics of organizational practices that make the transformation process more effective (generate specific wats)

- HPWP enable companies to transform inputs into outputs through human capital thus it is founded on the belief that human capital is an important source of competitive advantage
- Important 4 include employee involvement, job autonomy, competency development, rewards for performance (stronger when all are present)
- Employee involvement + job autonomy
  - Both strengthen employee motivation and improve decisions, organization responsiveness and commitment to change
  - Ex. Self directed teams
- Employee competency development
  - recruiting, selecting, training so employees equipped with necessary skills knowledge, other personal characteristics
- Rewards for performance
  - Links performance and skill development to forms of financial and non financial rewards valued by employees
- Improves effectiveness by
  - Develop employee skills and knowledge (human capital)
    - As a result improves work performance
  - Superior human capital adapt better to rapidly changing environments
    - Employees with deep and broad skill set can do diverse tasks and have more confidence to handle unfamiliar situations
- HPWP strengthen employee motivation and positive attitudes toward employer
- HPWP represents the company's investment in its workforce which motivates employees to reciprocate
- Theory has been criticized for focusing on shareholder and customer needs at the expense of employee well being

### Stakeholder Perspective

- personalizes the open systems perspective identifies specific people and social entities in the external environment and within the organization (internal environment)
- Need leaders and employers to understand, manage and satisfy the interest of their stakeholders
- stakeholder relations dynamic – can be negotiated and managed (not fixed)
- organization more effective when consider the needs and expectations of those affected by objectives and actions

### Organizational stakeholders

- Evidence that corporate leaders rely on their personal values to prioritize stakeholders
- Another contributor is how much each stakeholder has over the organization – powerful stakeholders present the greatest threat and opportunity to company's survival
  - Can't ignore less powerful ones since might violate the norms and standards of society (undermine relation with community, government, other powerful stakeholders)

### Stakeholder perspective

- One of key strengths of stakeholder perspectives since it brings those into the organizational effectiveness equation
- Stakeholder perspective states that to manage interest of diverse stakeholders, leaders have to rely on personal and organizational value for guidance
  - Values are stable, beliefs guide our preferences for outcomes and actions in situations
- Tend to have shared values to the team, department, organization, profession or entire society
- Challenges with stakeholders perspective
  - Stakeholders have conflicting interests
  - Firms have limited resources
- Many company adopted value-driven organization model where employee decision and behaviour are guided by company values rather than command and control management (top down decision with close supervision of employees)
  - Vancity Savings (Canada largest cooperative financial institute) are country top ranked corporate citizen since they have a clear set of dominate goals

### Values, Ethics and Corporate Social Responsibility +

- Ethics: morals/principals that determine whether actions are right/wrong and outcomes are good or bad
- CSP includes organizational activities that intend to benefit society and the environment beyond the firm's immediate financial interests or legal obligations
- Interest of shareholders should be secondary to other stakeholders
- Organization's contract to society

- Company adopt a triple bottom line philosophy – they try to support to earn positive returns in economic, social and environmental spheres or sustainability
  - Those that have this aim to survive and be profitable in the market place (economic) and intend to maintain/improve conditions for society and physical environment
- Ways include, being greener, recycling waste in the production process, using goats to mow the lawn (Google)
- MTN group is largest mobile cell telecommunication company in Africa and leader in CRS
  - '21 days of y'ello care program employees volunteer for specific CSR events over 3 weeks a year
  - Better CSR reputation have better financial performance, more loyal employees (stronger organizational identification) and better relations, job applicants and other stakeholders

### Globalization

- Economic, social, cultural connectivity with people in other parts of the world
- Actively participate in other countries and cultures
- Improved communication and transportation systems have increase globalization (connectivity and interdependence)
- Effects of globalization on organizations
  - Cost, innovation, knowledge
  - Increasing diversity
  - Increasing competitive pressure, intensification
  - Reduce job security and work life balance in developed countries
- Debate if globalization benefits developing nations
- Most important issue in OB is how corporate leaders and employees can lead and work effectively in this emerging reality
- Need additional knowledge and skills (emotional intelligence, global market, nonverbal communication and conflict handling)

### Increasing workforce diversity

- Surface level (observable demographic and other overt difference among members – ex. Age, ethnicity, gender, physical capabilities) vs deep level diversity (differences in psychological characteristics of employees, includes personalities, beliefs, and attitudes)
- Implications
  - Better knowledge, decisions, representation, financial returns
  - Manages challenge of diversity (ex. Team conflicts)
  - Ethical imperative of diversity

- 3 generations – baby boomers (1946 – 1964), Gen X (1965 – 1980) , Millennials (after 1980)
  - Millennials expect more rapid career advancement
    - They are more self-confident, self-focused, have less work centrality (work is less of a central life interest)

### Consequences of diversity

- Advantages
  - Broader range of knowledge
  - Some form diversity (occupational diversity) make better decision on complex problems than team have similar backgrounds
  - Diversity award winning companies have higher financial returns in short run
  - Diverse workforce improve customer service and creativity
- Disadvantages
  - Experience lots of communication problems and create faultlines in informal group dynamics
  - Can reduce information sharing and morale
  - Fairness good sign of employee satisfaction

### Emerging employment relationships

- Work/life balance
  - minimize conflict between work and non work demand, number 1 indicator of career success
- Virtual work
  - Use tech to perform job away from traditional workplace
  - Telecommuting (teleworking) from home do work – issue of social isolation, emphasis on facetime, employee self-leadership

## Organizational Behaviours Anchors

- Multidisciplinary anchor
  - Many OB concepts adopted from other disciplines
  - Contributions from
    - Sociology
    - Communications
    - Marketing
    - Info systems
  - Concerns with borrowing from other disciplines
    - Trade deficit (import far more knowledge from other disciplines than is exported to other disciplines)
    - Rely on theories, OB knowledge lags rather than leads in knowledge production
    - Ob-bred theory let researcher concentrate on quality and usefulness of theory
    - OB vulnerable to lack of common identity – filed can be place for researchers who raised in and mainly identify with other disciplines rather than OB (lack of identification as OB scholar = less ability to develop its own theory and weaken focus on practical relevance)
  
- Systematic research anchor
  - OB knowledge built on systematic research – forming research question, systematically collect data, test hypothesis
  - Evidence based management (EBM) – acting on research knowledge rather than facts, hype, untested assumptions
    - Produce more valid theories to guide management decisions
    - Diagnostic tools (surveys and checklists) to apply principals in workplace
    - Concern about interpretation of good evidence is too narrow – limit evidence to empirical research and qualitative info is anecdotal
    - Set high standards for studies with uncontaminated, quantifiable measure in environment that control for other factors – even though managers don't operate in those conditions
    - One indicator of research – practice gap is that organizational studies are correlation surveys where manager need knowledge of behavioural interventions
    - Some say its systematic elements of organizational research studies (sample size, measurement reliability, advanced data analysis methods) mask serious faults – different results, make assumptions/generalizations
    - Fault also is that it is biased as not ALL the information is included

- Organizational leader accept fad and other knowledge that lack evidence because consultants and popular book writers are rewarded for marketing concepts and theories NOT testing to see if they actually work
- Einstein 'not everything that can be counted counts, not everything that counts can be counted'
- Hard to apply most of time because bombarded with so many ideas from newspaper, books, consultant report, and can't tell which one is based on good evidence
- When using this keep in mind
  - Be skeptical of hype – most management ideas are adaptations, evolutionary and never proven (science and disprove but never prove, just find evidence to support a practice)
  - Company embrace collective expertise rather than rely on charismatic starts and management gurus
  - Stories can be preliminary evidence of a useful practice but never should they be main foundation to support management action – instead use systematic investigation with larger sample
  - Take critical and neutral approach to popular trends and ideologies
  
- Contingency anchor
  - Particular action may gave different consequence in different situations (no single solution is best at a time0)
  - Need to diagnose the situation and select the best strategy under those conditions
  - OB topics usually relevant at all three levels of analysis

**End**

- 3 distinct group – individual level, team-level (interpersonal relations) and organizational level variables (some go under multiple ones)