### Chapter 1: What is organisational behaviour?

# What is organisational behaviour?

Learning Objective 1.1: Demonstrate the importance of interpersonal skills in the workplace.

Learning Objective 1.2: Define 'organisational behaviour' (OB).

Learning Objective 1.3: Show the value of systematic study to OB.

Learning Objective 1.4: Identify the major behavioural science disciplines that contribute to OB.

Learning Objective 1.5: Demonstrate why few absolutes apply in OB.

Learning Objective 1.6: Identify managers' challenges and opportunities in applying OB concepts.

Learning Objective 1.7: Compare the three levels of analysis in this book's OB model.

Learning Objective 1.8: Describe the key employability skills gained from studying OB that are applicable to other majors or future careers.

#### **Questions for Review**

1. What is the importance of interpersonal skills in the workplace?

Answer: There are several important aspects, but interpersonal skills distinguish those managers whose careers 'take off', and assist managers and organisations in being able to attract and retain high-performing employees.

2. What is organisational behaviour (OB)?

Answer: Organisational behaviour (often abbreviated to OB) is a field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge to improve an organisation's effectiveness.

3. How does systematic study contribute to our understanding of OB? Answer: The systematic approach will uncover important facts and relationships and provide a base from which to make more accurate predictions about behaviour. Underlying this systematic approach is the belief that behaviour is not random and that we can identify fundamental consistencies underlying the behaviour of all individuals and modify these to reflect individual differences.

- 4. What are the major behavioural science disciplines that contribute to OB? Answer: There are a number of disciplines involved including:
  - Psychology, which seeks to measure, explain and sometimes change the behaviour of humans and other animals. Those who have contributed and continue to add to the knowledge of OB are learning theorists, personality theorists, counselling psychologists and, most importantly, industrial and organisational psychologists.
  - Social psychology, generally considered a branch of psychology, is a discipline that blends concepts from both psychology and sociology to focus on people's influence on one another. One major study area is 'change' and how to implement it, and how to reduce barriers to its acceptance. Social psychologists also contribute to measuring, understanding and changing attitudes; identifying communication patterns; and building trust. They have also made important contributions to the study of group behaviour, power and conflict.
  - Sociology studies people in relation to their social environment or culture. Sociologists
    have contributed to OB through their study of group behaviour in organisations,
    particularly formal and complex organisations. Perhaps most importantly, sociologists
    have studied organisational culture, formal organisation theory and structure,
    organisational technology, communications, power and conflict.
  - Anthropology is the study of societies in order to learn about human beings and their
    activities. Anthropologists study cultures and environments, helping us to understand
    differences in fundamental values, attitudes and behaviour between people within different
    organisations and in different countries. Much of our current understanding of
    organisational culture, organisational environments and differences between national
    cultures is a result of the work of anthropologists or those who use their methods.
- 5. Why are there so few absolutes in OB?Answer: Human beings are complex, and there are fe

Answer: Human beings are complex, and there are few, if any, simple and universal principles that explain organisational behaviour. Because human beings are not all alike, our ability to make simple, accurate and sweeping generalisations is limited. Two people often act very differently in the same situation, and the same person's behaviour can change in different situations.

6. What are the challenges and opportunities for managers in using OB concepts? Answer: There are dramatic changes taking place in organisations. The typical employee is getting older; more women have joined the workplace; corporate downsizing and the increased use of temporary workers are severing the bonds of loyalty that tied many employees to their employers; and global competition is requiring employees to become more flexible in order to cope with rapid change. The global recession has emphasised the challenges of working with people and managing them during uncertain times.

7. What are the three levels of analysis in this book's OB model? Answer: The three levels of analysis are each constructed on the preceding level, like building blocks. As we move from the individual level to the organisation systems level, we systematically add to our understanding of behaviour in organisations. Group concepts grow out of the foundations laid at the individual level; we overlay structural constraints on the individual and group to arrive at organisational behaviour.

### **Experiential Exercise Questions**

1. What do you think are the concerns for the company regarding Tom's facial hair? Should they care about his appearance?

Answers may vary.

- 2. What was your group's consensus decision regarding the issue with Tom's facial hair? Answers may vary.
- 3. Let's say that Tom told you he considers the beard part of his personal religion. Do you think this type of announcement from Tom would change how you talk to him about the issue? Answers may vary.

# Case study 1: Confronting aged care's challenges

1. What are some of the qualities that you would look for when hiring a new aged care worker? Why do you think such qualities are important in this line of work?

Answers may vary, but may include references to people who have compassion, tolerance, flexibility, and an empathy for others.

2. Can you identify some of the positive aspects of working with older people each day? What kinds of skills would you learn?

Answers may vary, although acceptable answers can emphasise a different experience each day, a potential to learn new things, and exposure to a perception of life's experiences that others might not possess.

3. If you were a manager, how could you improve the job satisfaction of aged care workers? What kind of initiatives could you implement?

Answers may vary, but acceptable answers can include those that creatively deal with a high turnover and/or burnout rate, or might reasonably get aged care workers to add more value to the firm.\*

## Case study 2: Apple goes global

1. What are the pros and cons for local and overseas labour forces of Apple going global? What are the potential political implications for country relationships?

Answer: Pros: Going global creates cost savings by reducing labour costs. Those savings can then be funnelled back into the company to finance product development and innovation. For example, Apple's employees and shareholders benefit from the company's successful strategies. Booming business has allowed Apple to employ more call centre-based workers in the United States. This has created additional business opportunities with shipping companies and others that deal with Apple-based products in some fashion.

Overseas manufacturing may prove to be more profitable for Apple because it can expect to experience less restrictive manufacturing and labour laws, allowing the company to concentrate its resources on efficient production of products by a large and well-trained labour force. Manufacturing overseas may also reduce payroll taxes, real estate taxes and employee benefits costs.

Cons: The loss of jobs in the United States is a major downside. Many displaced workers have difficulty finding work and often feel betrayed when companies choose to move operations overseas.

The working conditions in other countries can be less than favourable to the overall health and safety of the employees. There have been high-profile cases of workers living in packed dormitories and being forced to work long hours, which contribute to a poor quality of life.

Potential political implications: Some argue that the loss of manufacturing jobs has led to an ever-decreasing size of the US middle class. Political leverage once had a strong influence over

manufacturers. However, as political leverage continues to weaken, companies will go forward with their search overseas for manufacturing opportunities.

2. Do you think Apple is justified in drawing the observations and conclusions expressed in the case study? Why or why not? Do you think it's good for or harmful to the company that its executives have voiced these opinions?

Answers may vary. Students should point out that Apple has been able to tap into a large supply of highly trained engineers and other manufacturing employees who are able to quickly produce Apple products on very short notice. This has allowed Apple to quickly produce products at competitive prices.

While these manufacturing operations are readily available, much concern has been raised regarding the quality of life for those workers, including their insufficient working conditions.

It is important for executives to encourage an open dialogue, especially when it comes to issues facing employees and issues affecting the company's success.

1.16 How could managers use increased worker flexibility and diligence to increase the competitiveness of their manufacturing sites? What would you recommend?

Answers may vary, but should include creative ways to minimise turnaround time from concept to production in some manner.

## **Educator Use: Group Activities**

1. Activity: Organisational behaviour, productivity and big data

It is good news for the future of business that researchers, the media and company leaders have identified the potential of data-driven management and decision making. While 'big data'—the extensive use of statistical compilation and analysis—has been applied to many areas of business, increasingly it is applied to making effective decisions. Online retailers may have been the first to notice and act upon information on customer preferences newly available through the Internet shopping experience, information far superior to data gathered in simple store transactions. This enabled online retailers to create more targeted marketing strategies than ever before.

The bookselling industry is a case in point: Before online selling, brick-and-mortar bookstores could collect data about book sales only to make their projections about consumer interests and trends. With the advent of Amazon, suddenly a vast array of information about consumer preferences became available for tracking: what customers bought, what they looked at, how they navigated the site and what they were influenced by (such as promotions, reviews and page presentation). The challenge for Amazon then was to identify which statistics were persistent, giving relatively constant outcomes over time, and predictive, showing steady causality between certain inputs and outcomes. The company used these statistics to develop algorithms that let it forecast which books customers would like to read next. Amazon then could base its wholesale purchase decisions on the feedback customers provided, both through these passive methods and through solicited recommendations for upcoming titles, by which Amazon could continuously perfect its algorithms.

The success of Amazon has revolutionised bookselling—and even retail industries—and has served as a model for innovative online retailers. It also illustrates what big data can do for other businesses that can capitalise on the wealth of data available through virtually any Internet connection, from Facebook posts to sensor readings to GPS signals from mobile phones.

Savvy businesses use big data to manage people as well as technology. A recent study of 330 companies found that the data-driven companies were 5% more productive and 6% more profitable than their competitors. These may seem like small percentage gains, but they represent a big impact on economic strength and measurable increases in stock market evaluations for these companies, which are in the top third of their industries. Another study of 8000 firms in 20 countries confirms that constant measuring against targets for productivity and other criteria is a hallmark of well-run companies.

The use of big data for managerial practices is a relatively new area but one that holds convincing promise. In dealing with people, leaders often rely on hunches and estimate the influence of information that they have heard most recently, that has been frequently repeated or that is of personal relevance. Obviously, this isn't always the best evidence because all managers (all people) have natural biases. A manager who uses data to define objectives, develop theories of causality and test those theories can find which employee activities are relevant to the objectives. Research conducted by Australia's Telsyte predicts that more than 70% of large Australian organisations will become data driven by 2019. Adoption to date has centred on the retail, manufacturing and government sectors.

- a) Have students form groups of five.
- b) Direct students to go online and research two online business articles about how companies use big data to manage human resources.

- c) Have students discuss their research and explain how big data can give companies a competitive advantage in human resource management.
- d) Have a member from each group present a summary of their research findings to the class.

Sources: A. McAfee and E. Brynjolfsson, 'Big data: the management revolution', *Harvard Business Review*, October 2012, pp. 59–68; N. Bloom, R. Sadun and J. Van Reenan, 'How three essential practices can address even the most complex global practices', *Harvard Business Review*, November 2012, pp. 77–82; M. J. Mauboussin, 'Most companies use the wrong metrics. Don't be one of them', *Harvard Business Review*, October 2012, pp. 46–56; and D. Bushell-Embling, 'Big data reaches tipping point in Australia', *Technology Decisions*, 22 June 2015.

### 2. Tutorial discussion: The changing workforce

This activity considers what impact changing workforce demographics has in the workplace. Divide the class into groups to represent the changing composition of the workforce.

### Groups can include:

- Older workers who have health issues and/or child caring responsibilities
- Return-to-work parents
- Young graduates who have no direct experience in the job
- Late-life workers, 55+, who are moving to retirement
- Ambitious workers and corporate climbers who are seeking their experience to gain their next best position.

#### Ask each group:

- To consider their needs, their work attitudes and work behaviours
- To determine what they would find acceptable and unacceptable in the workplace

Give the students 10 minutes to prepare. Each group will have five minutes to talk about what each group needs and how they see the workplace.

After the discussion, ask the students to write down three points that demonstrate how changing demographics in the workplace affect others.

#### 3. Brainstorm: Workplace flexibility

List the benefits of and issues with workplace flexibility. This is a brainstorming activity that asks students to think of as many benefits and issues that arise from diversity within the workplace. You can divide the class in two, or run two sessions with the whole class. Ask students to list

issues first, and then, after five minutes, ask them to list benefits. Gather the lists and conclude by showing students that for every issue, there is a benefit and these benefits must be considered, too.

4. Class discussion: Industry-related practical applications

Imagine you are the manager of an organisation with international offices. Each day your team is required to be at work for an 8 am teleconference, because this way you can talk with your international counterparts before their day concludes. The meeting has always been held at 8 am; after all, it just means an early start and occasionally the team can go home earlier. While they often grumble about it, you consider it to be a condition of working here; if they do not like it, then they can leave.

a) Considering what we have already discussed, identify what problems exist with this manager's view about holding such meetings.

Answer: They need to consider that there are other ways to have these meetings. Perhaps the workers at the international offices could stay later or come in earlier on some days; the meetings could be held at different times, meaning that not every day has to start early.

b) List what potential problems you may face in running this meeting at 8 am.

Answer: People with child-raising responsibilities may find it onerous to be there at that time; people with a disability may not be able to get to work early; and so on.