

# Instructor's Manual to Accompany **ORGANISATIONAL BEHAVIOUR**

**EMERGING KNOWLEDGE. GLOBAL INSIGHTS. 4E**

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## Part 1 Case Studies

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# PAYOLA SCANDAL AT SONY MUSIC

## Suggested Answers to Discussion Questions

1. **Explain why DJs are such important stakeholders in the music industry. Why it is crucial to have closely knit relationships with them?**

When answering this question it is important to keep in mind that according to the *open-systems perspective* organisations are 'complex organisms that live within an external environment'. The open systems perspective explicitly recognises that the boundaries of the organisation are porous and that organisations are in constant interaction with their environment. The *stakeholder perspective* also recognises the importance of the environment, but personalises the open system perspective as it makes the relationships that the organisation has with the environment concrete. In fact, the viability of an organisation directly depends on how well the organisation is able to maintain the relationships it has with the stakeholders in its environment. According to the stakeholder perspective, the organisation is the nexus between the inputs it buys *from* and the products it sells *to* the relevant stakeholders in its environment. In other words, organisations are transforming inputs into outputs. While this process seems straightforward, it is not always clear to an organisation what the consumers want or how it could effectively influence the way that their products are received by the consumers. One aspect highlighted by the Payola case is that DJs are gatekeepers in the sense that a song needs their endorsement, that is get airplay on the radio, in order to establish economic worth. Not having access to the DJs effectively means not having access to the consumers. Therefore organisations like Sony will go to great lengths in order to secure favourable consideration by the DJs, who constitute a key stakeholder of Sony and other record companies.

2. **Payola is illegal; why was it particularly crucial for the record companies to settle the lawsuit swiftly (i.e. why could Sony not afford a legitimacy crisis of this scale in the eyes of its relevant stakeholders)? Give reasons why particular stakeholders would be displeased by the unfolding of events.**

Remember that the stakeholder perspective emphasises that the livelihood of organisations depends on how much they are able to embed themselves in the environment in which they operate by fostering mutually beneficial relationships with their stakeholders. An organisation's stakeholders make up the key component of this environment. Yet one of the difficulties in managing these relationships with the stakeholders is that their interests vary greatly and this will often result in conflicting demands being made. Thus the organisation needs to carefully consider who are its most important stakeholders and at least minimally meet the inducements for all stakeholders or risk losing their support. The payola scandal revealed a particularly delicate situation in which the record companies were found to engage in illegitimate behaviour by bribing DJs, while on the other hand claimed the moral high ground when suing teenagers for downloading a limited number of songs illegally. Of course, this all happened under the watchful eye of the government, another key stakeholder of the major record companies. If the major record companies did not quickly satisfy the interests of the government by reaching a settlement for their illegal payola practices, it would risk losing the support of the government in their battle against illegal downloading, which was something that they could not afford to do.

3. **What steps would you take to avert further reputational damage, in terms of corporate social responsibility, after the payola scandal unfolded? Explain your answer.**

Remember that under the stakeholder perspective it is of vital importance that you don't fall out with your key stakeholders as this will directly impinge on the bottom-line of your company. When the major record companies were being prosecuted for their involvement in the illegal practice of payola they were eager to settle outside of court since otherwise they would risk having to admit guilt publicly. This would also have led the public to find out in great detail the extent to which the major record companies were not being genuine business leaders and would disregard ethics and even the law in their pursuit of profit. Now, while it is indeed important to manage stakeholders' relationships effectively, it is often not

practical nor efficient to be constantly tailoring to the stakeholders' every need. In fact, such a reactionary stance may come across as if the company has no moral compass of its own. Therefore it is important that every organisation develops its own ethics charter and effectively communicates this with the internal and external stakeholders. Such an ethics charter is likely to be enhanced through the good deeds that a company can do for society at under its corporate social responsibility program. Only after pursuing such a combination between ethical guidelines and CSR actions can companies with a tarnished reputation hope to rehabilitate themselves in the public mind.



## CASE STUDY 1.1: PIXAR MAGIC

### Case Synopsis

This case study describes some of the organisational behaviour practices that seem to have contributed to the success of Pixar Animation Studios. The case begins by describing how Walt Disney Co. acquired Pixar for its effective development of feature animated films. The case describes several OB practices and topics that apparently support Pixar's success.

### Suggested Answers to Discussion Questions

1. **Explain Pixar's effectiveness as an organisation, using any two perspectives of organisational effectiveness.**

Students should be able to see two or possibly three organisational effectiveness perspectives apparent in this case study. The high-performance work practices perspective is mentioned in terms of having talented people, keeping them for the long term, emphasising teamwork and nurturing a high-involvement culture. The organisational learning perspective is noted in terms of how long term employment keeps knowledge that has been acquired in past projects, such as working together. The open systems perspective is identified with regard to inputs (hiring talented people) and transformation processes (collaboration, critiquing ideas). The stakeholder perspective seems to receive the least attention in this case.

2. **Scanning through the chapter titles of this book, which topics seem to dominate Pixar's organisational practices? Why would these practices be emphasised in this type of organisation?**

This case study refers to several organisational behaviour topics that apparently support Pixar's success. These include collaboration, emphasis on talent (human capital as competitive advantage). Long-term employment relationships (including its advantage in terms of team development and organisational learning), teamwork, communication, organisational culture, constructive conflict and leadership.