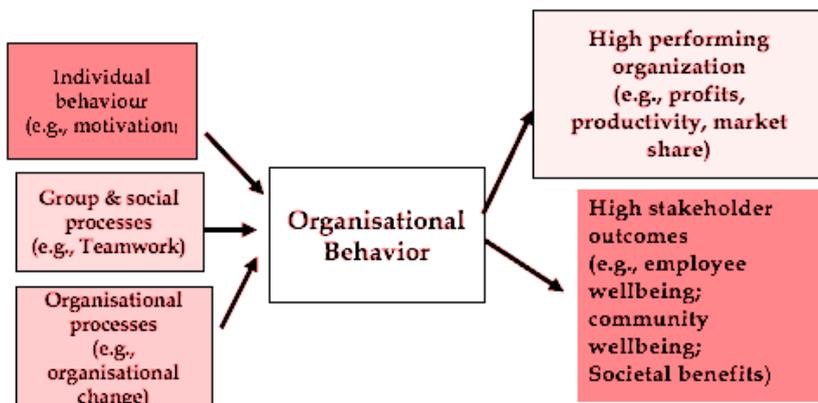


# Lecture 1 - Introduction to Organisational Behaviour

## Learning Objectives

- ★ Define organisational behaviour.
- ★ Discuss the impact of globalisation on organisational behaviour, with particular reference to:
  - Developing a global perspective;
  - Bridging the gap between scholarship and application; and
  - Promoting sustainable organisational values and ethics
- ★ Describe historical origins of organisational behaviour, and specify the major contributions of social science disciplines to organisational behaviour
- ★ Identify the challenges facing organisations in the twenty-first century, including the running of;
  - High-performance organisations;
  - Knowledge management;
  - Work environment and employee wellbeing;
  - Corporate social responsibility; and
  - Ethical management practices
- ★ Discuss the importance of evidence-based management in improving management practice and advancing new knowledge in organisational behaviour

## What is organisational behaviour (OB)?



- The systematic study of **individuals, groups and organisations** to create **high-performing organisations** that engender **high levels of outcomes** for all organisational stakeholders, including employees, shareholders and the community.
- Based on the premise that people are the most important asset of the organisation
- The systematic study of **individual processes** (e.g. motivation), **group and social processes** (e.g. teamwork) and **organisational processes** (e.g. organisational culture) contribute to the knowledge of organisational behaviour that helps to unlock **employee motivation, creativity and innovation**.
- The systematic application of this knowledge **results in the creation of high-performing organisations** that produce **high outcomes** (e.g. high profits, productivity, employee wellbeing, community wellbeing and so on) for all stakeholders, including employees, shareholders and the community.
- In the past 50 years, organisational behaviour researchers have developed numerous theories to inform managers of approaches to **maximise individual and organisational performance**.
- There is accumulating evidence from research in organisational psychology, organisational behaviour and related disciplines that **sustaining higher levels of employee and organisational performance over time without addressing individual (e.g. work-family**

balance), community (e.g. water recycling) and societal (e.g. reducing adverse environment impact) issues could be counterproductive, inducing higher levels of stress and reduced productivity (Cooper, Drewe, & O'Driscoll, 2011; Shani & Docherty, 2003).

- There has been increasing recognition in recent years that **fostering a work culture that respects the interests of multiple stakeholders, including the individual, the organisation and the community, will be sustainable** in the long run.
- *How can organisations engender the highest levels of employee and organisational performance while simultaneously promoting employee, organisation and societal wellbeing?* There are a number of forces driving this paradigm shift ↓

## Globalisation

- The International Monetary Fund (IMF) defines globalisation as 'the **growing economic interdependence of countries worldwide** through the **increasing volume and variety of cross-border transactions in goods and services and of international capital flows**, and also through the **more rapid and widespread diffusion of technology**' (IMF, 1999, p.45).
- There are 3 channels or mechanisms through which globalisation promotes productivity and increasing living standards around the world.
  - The first is through **better resource allocation**;
    - The outsourcing phenomenon that is boosting trade between nations is a good illustration of this.
    - Software companies in India are able to sell their software services to overseas clients at very competitive prices because of the **availability of a large pool of highly skilled low-cost labour**.
  - Second, globalisation **exposes industries to the world's best practices, which in turn increases productivity**.
    - The work of Nobel laureate in economics Robert Solow showed that the more a given industry is exposed to the world's best-practice high-productivity leaders, the higher the increase in that industry's productivity (Baily & Sollow, 2001).
  - Third, with globalisation, **savings by the world's households, firms and governments can be deployed to productive investment opportunities** anywhere around the globe (Aldonas, Lawrence & Slaughter 2007).
    - Global FDI in 2012 amounted to US\$1.4 trillion, led by China (US\$253 billion, or 18% of the total), followed by the United States (US\$175 billion), Brazil (US\$65 billion), the UK (US\$63 billion) and France (US\$62 billion) (OECD, 2013).
    - These figures reflect the increasing economic connectivity between nations driven by globalisation.
- The beneficial effects of globalisation are **not limited to the large global economies**.
  - The **Fonterra Co-operative Group**, a dairy products exporter based in New Zealand, presents a success story in globalisation.
  - Since its formation as a global company in 2001, Fonterra has grown rapidly to become the world's top exporter of dairy products, responsible for more than one-third of the international dairy trade.
  - Fonterra's success was built on a strategy that harnessed its core strengths as a high-volume supplier of quality commodity ingredients and its ability to form long-term, secure supply relationships with the world's leading food manufacturers.
  - These global partnerships gave Fonterra market access without major capital investments and financial risks.

- Although globalisation clearly paved the way to Fonterra's present pre-eminent position in the international dairy products industry, it must be asked, however, **is globalisation good for all countries?** What are some positive and negative effects of globalisation?

( + )	( - )
<ul style="list-style-type: none"> <li>- Increased wages for the well educated &amp; technologically skilled</li> <li>- Improved economic conditions in countries &amp; regions that successfully compete in the global economy</li> <li>- Increased access to more goods at reduced prices</li> </ul>	<ul style="list-style-type: none"> <li>- Reduce wages for the poorly educated &amp; technologically unskilled</li> <li>- Job replacement in affected businesses</li> <li>- Worsened economic conditions in countries that cannot engage in the global economy</li> <li>- Decreased power of unions</li> </ul>

- Whichever side of the debate you find yourself on, **2 things** can be said with some level of certainty:
  - First, **globalisation is here to stay**, and its powerful influence on world economies is only likely to increase in the years to come; and;
  - Second, **globalisation is still evolving** and it is difficult to predict what shape it will take in the next stage of its evolution.
- The 2 countries holding the greatest stakes in globalisation = **China & India**.
  - *According to a White Paper titled 'Australia in the Asian Century', released by the Australian Government in October 2012, China and India have almost tripled their share of the global economy and increased their absolute economic size almost six times over in the past 20 years.*
  - *By 2025, Asia as a whole will account for almost half the world's output. Many millions of people will have been lifted out of poverty. They will live longer and be better connected to the world. Asia's ability to capitalise on open global markets for goods and services has been crucial to its economic transformation.*

### Globalisation and organisational behaviour

- The economic downturn that occurred in 2008-9 showed that far-reaching impact of globalisation on world economies as it uncovered the **close interconnectedness of global financial institutions** (Roubini 2008).
  - o *Leaders of the Group of Twenty (G20) nations meeting in Washington, DC in November 2008 committed themselves to implementing policies that will reinforce international cooperation to restore global growth and achieve reforms in the world's financial systems. Nobel laureate Dr Rajendra K. Pachauri has summed up the choice facing humanity as a result of the dual impact of climate change and globalisation in five words: "We sink or swim together" (Pachauri, 2007; 2008).*
- There are several **implications for organisational behaviour research and practice** from the increasing impact of globalisation and climate change.
- We discuss **3 impacts** that are likely to shape the future of organisations in the next 10-15 years:
  - o **the need for adopting a global perspective;**

- **the need to bridge scholarship and practice; and**
- **the need to promote sustainable organisational values and ethics.**

### **Global organisational behaviour perspective**

- Organisational behaviour as a field was developed in Western societies in the early 1900s. Its theories and the samples on which these theories were developed reflected Western assumptions and values.
- However, we have seen that increases in international trade, foreign direct investment, capital flows, migration and the spread of technology have integrated national economies within the global economic system (Bhagwati, 2004).
- In a review of the future of organisational psychology, Gelfand, Leslie, and Fehr (2008) came to the conclusion that 'If organisational psychology as a field seeks to become truly global, it **must extricate itself from its Western roots and begin to ask questions that reflect the values, realities and needs of the non-Western world**' (p.495). These scholars proposed that a global perspective can be developed by **paying more attention to the influence of national culture on organisational phenomena and by undertaking research that has global relevance.**

### **Scholarship and application**

- Some scholars have called the **increasing gap between academic and practitioner communities** a 'crisis in the field of organisational science'.
- A study done in 2007 found the **gap between the research-based recommendations and management practices** advocated in practitioner journals to have increased (Rynes, Giluk & Brown 2007).
- The need for bridging this gap has grown more urgent with the increasing pace of globalisation.
- Cascio (2008) identified **five OB research topics relevant to globalisation** that practitioners are either unaware of or choose not to consult, including:
  - recruiting and developing global leaders;
  - global organisational learning;
  - cross-cultural communication;
  - global performance management; and
  - managing global careers and transitions.

### **Values and ethics**

- The preamble of the ethical code of the American Psychological Association commits to using the scientific and professional knowledge produced by its members to 'improve the condition of individuals, organisations and society'
- It follows that organisational behaviour knowledge ought to promote outcomes that benefit not only the shareholders (e.g. producing profits for shareholders) but the wider community of stakeholders including employees, the local and national communities, and the environment. The definition of OB presented in this chapter captures this wider mission of the discipline..
- Lefkowitz (2008) has advocated more frequent use of the question 'Is it the right thing to do?' when solving organisational problems. We have identified corporate **values and ethics as two great challenges facing organisations** in the twenty-first century.

## Historical origins of organisational behaviour

- Systematic study of organisational behaviour can be traced to efforts made by experimental psychologists to apply their methods to organisational problems in the early 1900s.
  - **Hugo Munsterberg**, an experimental psychologist from Germany who later joined the staff of Harvard University, is commonly thought of as the first organisational psychologist. He wrote the first organisational psychology text, *Psychology and Industrial Efficiency*, in 1913 and is attributed with the development of early occupational tests and even the concept of test validation.
  - Another prominent organisational psychologist of the early 1900s was **Walter Dill Scott**, who studied salespeople and advertising.
- As the title of Munsterberg's text implies, in the early twentieth century psychology as applied to organisations was **focused on helping organisations become more efficient through improved staff selection, training and job design**.
- The field at that time was referred to as **'industrial psychology'**.
- Attention to improving organisational efficiency probably stemmed from the work of **Fredrick Winslow Taylor**, an American efficiency engineer who used **time and motion studies** in order to find ways to **reduce the time it took for workers to complete particular job tasks**. Taylor's work became the foundation of an approach termed **scientific management**, and was highly regarded because of the substantial gains he was able to make in worker efficiency.
- Until 1930s, industrial psychology comprised **two** primary streams: **engineering psychology** and what is now known as **personnel psychology** (e.g. personnel selection, training and performance appraisal).
- An influential set of studies conducted in the early 1930s, however, resulted in a third stream. This research is now referred to as the **'Hawthorne Studies'**, named after the location of the Western Electric manufacturing plant in which the research was conducted.
- While researcher Elton Mayo and his colleagues set out initially to study the effects of changes in the physical work environment (e.g. lighting levels and length of work breaks) on productivity, they soon concluded that subtle social aspects of the work environment seemed to affect productivity, such as the knowledge that one was being observed and the expectation that changes to one's work environment should change productivity.
- While serious research design flaws were later identified in the Hawthorne Studies (Landsberger, 1958), and some of the original conclusions challenged, the studies resulted in the widely cited concept of the **Hawthorne effect**, in which **changes in performance or other behaviour result from people knowing they are the subject of study**.
- Furthermore, these studies led to the development of a fourth stream of organisational psychology, the study of social factors in the work environment, including interpersonal relations between workers and between workers and their supervisors, worker morale and leadership.
- The Hawthorne Studies acted as a stimulus for the human relations movement and the emergence in subsequent years of organisational behaviour and related fields of study such as human resource management (HRM).

## Hawthorne effect

- The changes in performance or other behaviors that result from people knowing that they are the subject of study

## Contribution of social sciences to organisational behaviour

<b>1. Psychology</b>	<ul style="list-style-type: none"><li>→ Largest contributor</li><li>→ 'The science that seeks to measure and explain human behaviour'</li><li>→ Focused on understanding individual behaviour in organisations, its impact on work motivation and attitudes, and the consequential impact on outcomes such as work performance and job satisfaction</li><li>→ Topics closely aligned with the field of psychology: organisational psychology, job analysis, selection, individual differences, work motivation &amp; work attitudes</li></ul>
<b>2. Sociology</b>	<ul style="list-style-type: none"><li>→ 'The study of the social interactions of human beings, groups and societies'</li><li>→ Areas where sociologists have contributed to OB:<ul style="list-style-type: none"><li>◆ Understanding of group dynamics;</li><li>◆ Organisational culture &amp; climate;</li><li>◆ Design of work and work-teams;</li><li>◆ Organisational structure; and</li><li>◆ Communication and conflict</li></ul></li></ul>
<b>3. Social psychology</b>	<ul style="list-style-type: none"><li>→ 'A discipline at the intersection of psychology and sociology that studies individual beliefs, attitudes &amp; behaviours in settings where other people are present'</li><li>→ Areas contributed:<ul style="list-style-type: none"><li>◆ Better understanding of organisational change &amp; the phenomena of resistance to change, work attitudes, beliefs &amp; behaviours, communication processes and team decision making process</li></ul></li></ul>
<b>4. Anthropology</b>	<ul style="list-style-type: none"><li>→ 'The study of behaviour and beliefs of different cultures'</li><li>→ A great deal of our present <u>understanding of organisational culture and differences across national cultures, and its impact on organisational behaviour</u>, is sourced in the research done by anthropologists.</li></ul>
<b>5. Political science</b>	<ul style="list-style-type: none"><li>→ 'The systematic study of political institutions &amp; behaviour'</li><li>→ OB has <u>benefited from the insights into the use and abuse of power within organisations and the modalities for conflict resolution and negotiation.</u></li></ul>

★ In the present text, we draw on all these contributions and present 16 chapters that cover 95% of mainstream topics in organisational behaviour and organisational psychology grouped under **three subheadings:**

- 1) individual behaviour in organisations;
- 2) group and social processes; and
- 3) organisational processes.