

OXFORD IB STUDY GUIDES

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Business management

FOR THE IB DIPLOMA

OXFORD

Setting the scene

Go back to the Gary Hamel clip on the future of management (introduced in concept 2: Change, page 6). Watch the clip again before starting units 2.2, 2.3 and 2.4 to see some ideas about the evolving role of management and change within an organization. We will make reference to this rich learning resource as we proceed.



QUESTION FOR REFLECTION

Why does Gary Hamel feel that organizations have to **change** in order to be “fit for human beings” in the 21st century?

Introduction to workforce planning (A01)

In previous units we have highlighted the fact that businesses face an increasing number of pressures forced on them by changes in the external environment, the growing onset of globalization and the impact of sectoral change. An area of the organization directly affected by these developments is the recruitment planning and management of HR. Firms have had to rethink their workforce planning requirements because of:

- slowing birth rates in the developed world
- the increased ageing of the working population
- the trend towards migration of workers
- the trend towards the new “24/7 economy” (especially in the retail and service sectors).

In this context, **workforce planning** is defined as follows:

the business process for ensuring that an organization has suitable access to talent (potential candidates that have the ability to undertake required activities including decision making) to ensure future business success.

This unit will discuss these external factors and the implications for recruitment, training and appraisal. We will also need to look at internal factors driving workforce planning and the increasing trend towards outsourcing the HR function as part of an overall strategic move.

Demographic changes in the developed world (A03)

Influence on workforce planning (A03)

Demographic changes in the developed world influence workforce planning in various ways:

- The tertiary sector represents the biggest employer and the biggest contribution to overall output and will soon be rivalled by the quaternary sector.
- Male participation in full-time work has decreased relative to female participation.
- According to OECD figures, the number of hours worked by full-time employees has fallen by one third but the number of workers participating in the workforce has risen by one third. This is a good indicator of the growing importance of part-time work.
- There has been a fall in domestic birth rates leading to an ageing or “greying” population.
- Immigration is increasingly important to provide workers to cover both short-term and long-term gaps in human resources outlined above.
- Some businesses are simply unable to recruit workers in some primary or secondary sector roles due to de-industrialization.

Conclusion

The impact of these changes has required the development of a number of new strategies designed to prepare for future shortages of human resources:

- Online recruitment of workers from other countries has increased.
- The use of overseas employment agencies and recruitment consultants to find key highly skilled workers has increased.
- With the lower cost of operating in overseas countries, a number of firms have taken the decision to outsource some or all of their operations.

Impact on recruitment

One effect of these changes is that many businesses now recruit or search for new workers almost constantly.

The traditional model of recruitment demanded that an employer carried out a job analysis to see what new work was required. A job description was then devised and the job was advertised in job centres or in the local media to encourage people to apply.

Many employers now encourage potential applicants to apply or send in their curriculum vitae (CV) or résumé with a covering letter, even if a job does not exist. These potential applicants can then be added to the organization’s database or if recruitment managers are suitably impressed by an applicant’s skills they may consider creating a role for the individual. The Internet, social media and other communication technologies have made this process easier with the result that many large businesses recruit globally rather than locally especially for highly technical job opportunities.

Impact of changes in work patterns and practices (A02)

In response to changing external demographic factors, social factors and new communication technologies, we can note that traditional working practices are also changing. There are various impacts on employers and employees, for example as follows:

- Extended opening hours in the retail sector including weekend shopping has led to job-sharing and the creation of additional part-time opportunities.
- A culture of the 24/7-service sector has been established, with online retailing growing in importance.
- The 9am to 5pm convention of the “normal working day” has ended.
- The growth of childcare services allows both parents of young children to participate in the workplace. Some governments, such as in the UK and New Zealand, are actively promoting early childhood education and offering “vouchers” to people who are keen to return to the workplace after having children.

Internal factors affecting workforce planning

Faced with rising overhead costs, seasonal and fluctuating demand for goods and services and the increasing use of remote Internet connections, employers have also contributed to the paradigm shift in working patterns by:

- allowing employees to undertake flexi-time arrangements outside the normal 9am to 5pm regime
- enabling employees to work from home via technology such as remote Internet access
- replacing permanent positions with contract workers to release temporary workers if there is insufficient demand at certain periods in the financial year.

Conclusion

There has been a fundamental shift in perception as to what constitutes the trading and working day. Employers are trying to make more effective use of human resources, given the enormous changes in demographic and social factors outlined above, signalled by the term “flexible working” which has created opportunities and threats for all employees. HR planning has never been so important. Within this area of business organization we will look at recruitment, training, appraisal, dismissal and redundancy.

Labour turnover (A02)

In most organizations the pool of available human resources should be regarded as a flow concept, ever changing and responding to the aims and objectives of the organization. It is a dynamic part of a business. The days when employees could expect to have a job for life with one company are now effectively over. Some commentators are arguing that young workers may have 4 or 5 changes in career by the time they are 40 years old.

Labour turnover can be defined as the rate at which employees leave an organization and is usually expressed as a percentage per annum. For example, a labour turnover of 10% per annum would infer that 10% of an organization’s employees will leave each year.

Employees leave organizations for a number of personal and professional reasons. Economists would argue that employees moving into more productive jobs or seeking new opportunities is a positive move for the economy. Labour turnover is inevitable and necessary.

However, if too many employees leave an organization then stakeholders such as customers, investors and employees in other rival organizations will start to take greater interest. If the labour turnover in a business is higher than the industry’s average it may be a symptom of difficult working conditions, a poorly managed organizational culture or outright management failure. Moreover, a CEO of a large organization should be concerned if key managers or recently trained employees are leaving for other opportunities elsewhere.

At the other extreme, a low rate of labour turnover could signal a stable labour force. A lower than average industry rate has certain merit. Consistency and certainty in an ever-changing business landscape could be considered a positive aspect by some stakeholders such as suppliers or current and potential investors.

However, if we look from the perspective of younger newly recruited workers into an organization, a low rate of labour turnover may act as a signal that the opportunities for advancement and growth in terms of increased responsibility are few. Unfortunately, newly recruited workers may only discover this aspect of an organization after they have joined. (It is unlikely that a business would reveal its labour turnover rates during the course of an interview.) As we shall see in unit 2.4 on motivation, “generation Y” workers (or “gen Y” to give them their media name) can quickly sense frustration if their enthusiasm and abilities are not recognized and quickly by the organization which is clearly lucky to have employed them.

IB Learner Profile

Inquirers and knowledgeable ?

A visual and thought-provoking way to see some of the demographic changes outlined above (and perhaps some of future challenges for students as well as organizations) is to view the latest version of “SHIFT-HAPPENS” on YouTube.

Again, the Gary Hamel YouTube clip “The Future of Management” is an excellent source of information. Of course, as it was made in 2011, it could conceivably be considered out of date by the time you read this.

Recruitment, training, dismissal and redundancy (A02)

Common steps in the recruitment process

The process of recruitment of human resources has become increasingly important in the new competitive global environment. Mistakes made in the recruitment of line managers or senior managers, for example, can create significant opportunity costs for a firm; as time passes these “inappropriate appointments” can turn into significant financial and HR problems. The objective of recruitment is to employ the right employee at the right time for the right job and allow him or her to be productive. This is not an easy task.

IB Learner Profile

Knowledgeable

Recruitment methods are changing. The traditional job advertisement and interview are now often supported by the innovations outlined below. It is also critical to consider that in recruitment processes the legal obligations of the employer and the responses by the employee vary significantly between countries. You are encouraged to check the recruitment processes operating in the country in which you are studying.

Jobs are advertised on the Internet or through social media once a job analysis has been carried out and a job description drawn up. If there are labour shortages locally, specialized global recruitment agencies are able to locate highly skilled workers who are in short supply; however, this service can be expensive and time-consuming.

Psychological profiling and psychometric testing of potential candidates who have been identified from the job search may be undertaken. Employers are also increasingly checking social media sites as a way of judging a potential employee’s character. (This action of course has significant ethical considerations.)

Interview processes are now being developed which may stretch over a number of days rather than hours. Some of these interviews may be carried out over the Internet via Skype in the case of overseas appointments.

IB Learner Profile

Risk-taking

Suggested book and movie resource

In his excellent book *Are You Smart Enough to Work at Google?*, William Poundstone (2012) recounts some difficult questions that Google has asked to test the innovative and creative abilities of potential recruits. Google receives over 1 million applications yearly. Consequently, the organization has had to come up with some additional methods of recruitment to see whether, in addition to their academic qualifications and skills, potential employees have the right fit for the Google culture.

Here are two famous interview questions asked by Google to potential employees. The second was featured in the recent movie starring Vince Vaughn and Owen Wilson called “The Internship” which although it is a fairly average Hollywood comedy does provide some interesting insights into the Google recruitment process and organizational culture.

1 What number comes next in the series?

10, 9, 60, 90, 70, 66

2 You are shrunk to the height of a penny and thrown into a blender. Your mass is reduced so that your density is the same as usual. The blades will start moving in 60 seconds. What do you do?

The “answers” are given on page 130. Note that Google is not looking for the right answer in each case, just the answer that fits best with the evidence presented. All IB students would be wise to follow this type of thinking as demanded by the IB learner profile.

Training (A02)

Traditionally, training has been categorized in one of three areas:

- induction
- on the job
- off the job.

There are benefits and drawbacks to all three, as summarized in Table 2.1.1. The disadvantages of off-the-job training will look very similar to the advantages of on-the-job training.

In addition to these more traditional forms of training, two other types have been developed to reflect the growing demands made on employees in the 21st century.

Cognitive training (A02)

Increasingly, employers are looking to develop both the physical skill base of their workers through on-the-job training and their mental capabilities through the use of cognitive exercises as part of **cognitive training**. We saw earlier that the recruitment and selection processes of some organizations are now being driven by psychological testing or the ability to think creatively and quickly (see the Google example.) Research in neurology has found that mental and problem-solving capabilities in employees can be enhanced by a form of “brain training” or cognitive training.

Lumosity is an example of one type of online training system designed to boost “brain power” and improve important skills such as speed and flexibility of thought, attention and problem-solving.

For more information on the science behind the Lumosity training programme and a free sample exercise, visit www.lumosity.com

Behavioural training

Ultimately, the purpose of training is to develop and allow employees to grow their skill base so that they can be more productive for an organization. As we shall see in the unit 2.4, Herzberg’s theory of motivation relies heavily on the role of training undertaken. Herzberg believes that “the more somebody

can do, the more they can be motivated to do” and that training is the best weapon in a manager’s armoury.

Behavioural training is really the summary or final outcome of all the types of training so far explained. The objective behind behavioural training is to initiate training to change employees’ behaviour at work. Whether the training is carried out by external providers, internally or through cognitive approaches, the intention is the development and nurturing of current and future employees so that they are ready for the challenges that await them. Many of these challenges are of course unknown so behavioural training needs to be flexible in nature.

Appraisal (A02)

Many workers fear appraisal as they assume that it is merely a way of judging performance at work – and assume the views expressed will be negative. This is a narrow view. If appraisal is carried out effectively, it can become a very motivating process for both the employee **and** the employer and can improve work relations.

When appraisal is carried out efficiently it will have the following positive consequences:

- The employer has the opportunity to restate objectives and vision for the company. (This is especially important for senior managers.)
- The employer can praise high-performing workers and reaffirm their role in the future of the organization, thus aiding the retention of key workers.
- The employee may get a chance to voice concerns about the organization’s direction, giving him or her an opportunity to channel frustration. Managers will then hear about “grass-roots” problems quickly and will be able to pre-empt future conflict. Frustration can be turned into a productive experience.

Many companies leave the appraisal process to the end of the financial year. Some companies take a more flexible view and encourage employees to discuss issues with managers more regularly. How appraisal is carried out will depend a great deal on the **culture** of the organization.

Types of appraisal

Formative

Formative appraisal occurs when employees are being monitored to see whether they have acquired a particular skill as their job is proceeding. You could argue that a formative appraisal

Type of training	Benefits to employer	Benefits to employee	Issues or problems
Induction	This allows the employer to set expectations of the new employee right at the beginning of the employment period	There are clear guidelines as to culture, role and expectations. This method allows the employee time to settle	This can be costly and it diverts senior managers away from important tasks
On the job	The cost of this is lower than the cost of off-the-job training. The training is specific to the needs of the firm	There is minimal disruption to the working day. Skills learned can be readily put into practice	Lack of outside training may narrow the experiences of the employee (it is too inward-looking). This is not a good way to train in fast-moving technological industries
Off the job	This is an expensive method and cover may be needed for staff who are absent	Being away from the workplace for training may allow perspective and sharing of best practice. The firm creates external outside networks	Skills learned may take time to be put into practice in the firm. Too much off-the-job training may lead to resentment by other employees who have to cover absences

Table 2.1.1 Advantages and disadvantages of three types of training

is like a weekly check-up involving your manager just to see how operations are working. In a classroom environment, your teacher may check your understanding of a topic such as recruitment by asking you some questions or by presenting a case study. Formative appraisal should occur throughout the working cycle at regular intervals and will form part of the summative process explained below.

Summative

Summative appraisal normally occurs at the end of a trading period or year. For newly recruited workers, summative assessment could occur in the first six weeks. For an experienced worker, a summative appraisal could take place at the end of the working year. As an IB student your summative assessment will occur at the end of your two-year course.

In summative appraisal a formal interview is usually held with an opportunity for both employee and employer to put forward their views and present evidence to justify a particular point. This evidence could include formative reviews. It is the intention that the summative appraisal process will lead to an agreed new goal being set for the employee so that performance and personal growth at work can be enhanced.

360-degree feedback and self-appraisal

Some of the evidence referred to in the previous point to help with the summative appraisal process may include 360-degree feedback surveys and self-appraisal questionnaires. At HCL Technologies – one of the new business models referred to by Gary Hamel in the YouTube clip on the future of management – 360-degree feedback surveys are taken to mean that individuals receive feedback from all those workers including managers who are “near” to them. Effectively at HCL, **any** employee can give feedback about **any** other employee or manager. This process is so transparent that all workers can see the feedback given by them and the feedback they have received. All comments are posted online. Culturally speaking some stakeholders may have issues or may feel uncomfortable with this type of feedback and appraisal.

Self-appraisal is a powerful method of appraisal but again we should note that there are significant cultural implications of introducing such a scheme. Of course, there are also practical issues: how objective can people be about their own performance?

Self-appraisal is usually carried out by an employee via a series of questions. The results are viewed by a manager before the final summative review takes place.

Dismissal and redundancy (A01)

Dismissal is defined as the process when an employee fails in his or her obligation to an employer and is dismissed (or to use the colloquial terms, “sacked” or “fired”).

Possible reasons for dismissal

- An employee has been advised that his or her performance is below expectations (perhaps during an appraisal meeting) and continues to perform below expectations despite written and verbal warnings.
- An employee may not have followed company rules and regulations on issues such as working hours, rest breaks or sick leave.
- An employee may have a pattern of poorly explained absenteeism.
- Other issues may have occurred which contravened the employee’s work contract.

In order to satisfy the requirements of employment legislation laid down by the government in a particular country, the employer would normally issue both verbal and written warnings if any of the above incidents occurred. Failure to do so may lead to disputes and possible legal proceedings in the case of an unfair dismissal.

Redundancy

Redundancy occurs through no fault of the employee. A worker’s position in an organization may simply disappear, for example for one of the following reasons:

- There has been a sustained decrease in demand for the company’s products. The organization’s production levels cannot support the current workforce level and cuts are required to keep the organization sustainable.
- There is a need to restructure due to other changes in the external environment (a change in one of the SLEPT factors such as new technological innovations).
- The organization’s leaders have made strategic decisions to move some parts of the operation overseas or to outsource a particular job to reduce costs and remain competitive (see below).

When redundancy occurs an employee will normally be entitled to a redundancy payment based on the number of years’ service to the company. However, redundancy payment arrangements differ widely between companies and countries. Organizations that have made large numbers of workers redundant may offer counselling and training to affected workers to help them find new jobs. These out-placement services are expensive, however, and therefore not universally offered.

Outsourcing, offshoring and reshoring (A03)

Definitions

- Offshoring: moving part of a company’s operations to another country
- Outsourcing: a business function or operation performed by a third party either onshore or offshore
- Reshoring: a deliberate attempt to move functions back to the country of origin.

We shall be looking at these issues in greater detail in unit 5.1 on operations management. Here we offer a brief discussion on the strategic decisions to move the HR function offshore before considering why some large organizations that have done this are now thinking that they should bring this function back.

Offshoring or outsourcing the HR function

The growing use of the Internet, ICT applications on a global scale and the creation of the 24/7 business model have made the use of offshoring almost a given now for many firms in HR areas such as customer service and software development. According to figures from *The Economist Business Miscellany* in 2007, 80% of the offshore market was located in India.

Supporters of offshoring argue that the associated problems have been quickly minimized. Staff training, cultural awareness and intelligence (CQ) programmes have enabled workers in India to offer the same level of service as offered in the host country.

The dilemma is that offshoring may become the victim of its own success. As demand for workers in India rises, local wages will grow and, if sustained over a long enough period, then the competitive position of the firm offshoring could be undermined.

However, possibly for political and economic reasons given the growing recovery in the world economy, a number of organizations have now begun to rethink this HR strategy. They are starting to repatriate or **reshore** some management positions.

Reshoring

Read the following article and discuss some of its implications for UK and overseas organizations.



David Cameron: Britain can bring jobs back from abroad

David Cameron – the British Prime Minister – has said Britain has the potential to become the “reshore nation” as he announced the creation of a new government body to encourage companies to locate jobs in the UK that would once have gone to the Far East.

The Prime Minister said that although the practice of offshoring – which involves jobs being moved to countries such as China or India to cut costs – is well known, “reshoring” is a growing phenomenon that can help to drive economic growth.

“There is an opportunity for some of those jobs to come back.”

“I want to give dedicated help,” he said, “a one-stop-shop to help business capitalize on the opportunities that reshoring brings”.

The new body – Reshore UK – is to be set up, bringing together the expertise of UKTI and the Manufacturing Advertising Service, and sit with the Department for Business, Innovation and Skills (BIS).

Mr. Cameron, speaking at the World Economic Forum in Davos, said that a recent survey showed that one in ten small businesses in the UK is considering bringing production back

from overseas to the UK, more than double the number heading east.

Examples cited in his speech included train set maker Hornby, which is bringing some production back from India to the UK, and fashion brand Jaeger, which 15 years ago stopped making clothes in the UK but now is bringing home an initial 10% of its output.

Mr. Cameron said this was a trend from which not just the UK could benefit from but other parts of Europe and the USA.

He also said it was important to appreciate why this is happening – noting that costs are rising in Asia, with senior management salaries in China now at or above those in the USA and Europe, and that Western companies want to benefit from being nearer to the consumer markets they serve to aid customization and privatization.

The Prime Minister emphasized that reshoring would not bring back all the jobs that have been lost offshore, nor would it stop offshoring, but he added that UK businesses are ready to look closer to home and tap into the expertise and innovation in manufacturing which existed in the UK and Europe.

Source: Taken from the UK newspaper *The Daily Telegraph*, 24 January 2014

IB Learner Profile

Inquirers and knowledgeable ?

Questions for reflection

- Based on comments in the newspaper article, analyse two reasons for the move to reshore.
- In his speech Cameron made the assertion that Western companies will “benefit from being nearer to the consumer markets they serve”. Discuss whether he is correct, given:
 - the rapid changes in technology such as social media
 - communication tools such as Skype
 - the pace of globalization.

- If a UK business reshores, what are the implications for other UK businesses looking to outsource parts of their operations, including HR management?

We will consider in further depth the arguments around outsourcing, offshoring and reshoring in unit 5.1 on operations management.

Setting the scene

This unit and subsequent units rely heavily on an understanding of a large number of terms and definitions. It is “jargon heavy”.

You are advised to check carefully your understanding of each term used, as the assessment objectives in this unit are predominantly AO1 and AO2. You will need to define, explain and possibly even analyse the terms used.

Organizational structure terminology (AO1)

Delegation

Delegation is the process of entrusting a subordinate to perform a task for which the manager or superior retains overall responsibility. A subordinate is an employee who has to report to and is answerable to a manager.

Span of control

Span of control refers to the number of subordinates under the control of a supervisor. In your class the span of control is the number of students directly supervised by the teacher. Large spans of control require strong inclusive leadership and clear communication.

Levels of hierarchy

Levels of hierarchy refer to the number of levels of formal authority from the top to the bottom of an organization. To a large extent, the choice of a particular span of control will dictate the number of levels. This interaction of span of control and levels of hierarchy gives the two hierarchical structures:

- tall – small span of control and many levels of hierarchy
- flat – larger span of control and fewer levels of hierarchy.

Chain of command

The chain of command is usually depicted on an organizational chart as a vertical line of authority enabling decision-making or responsibility to be passed down through the layers of hierarchy. The chain of command also establishes the formal communication channels between managers and subordinates.

Bureaucracy in a business context

Bureaucracy can be defined as:

the administrative system of a business, which relies on a set of rules and procedures, separation of functions and a hierarchical structure in implementing controls over an organization.

Source: Adapted from investopia.

A bureaucratic system is one which will thrive in a culture of set procedures and regulations with clear lines of responsibility.

Centralization

Centralization is a method of organizational process where the formal power (authority) and responsibility of those higher up in the hierarchy influences both **tactical** and **strategic** decision-making. Centralized organizations allow for little if any discussion or involvement with subordinates and/or managers. Centralization has been termed as “top–down” management and is popular in government-run (public sector) organizations.

Decentralization

Not surprisingly, decentralization is defined as the opposite of centralization. Lower-level decision-making and the empowering of staff to bring new ideas to management has led to the business term “bottom–up” management. This can define a decentralized organizational decision-making process.

Centralization can be perceived as being part of an autocratic, paternalistic leadership. Decentralization is linked to an approach focused on tasks and problem-solving and tends to be existential

or based on individualism. We will return to this in unit 2.5 when we will look at Charles Handy’s (1978) four categories of organizational culture (page 51).

Delayering

As the term would suggest, “delayering” is a process designed to remove the number of layers in the hierarchy in an organization. Through delayering, an organization will hope to streamline chains of command and improve and increase communication. The objective of delayering could be to shift an organization from a tall to a flat hierarchy (see Figures 2.2.1 and 2.2.2). A second reason could be that an organization wishes to “downsize” and reduce the number of layers in a cost-reduction exercise as part of a new strategic plan.

IB Learner Profile

Inquiry ?

Organizational charts (AO4)

Before you embark on the analysis of organizational charts and structures, you should try to draw an organizational chart of your school or college. Avoid names and personalities and focus on roles. Ask a classmate to do the same thing and if possible ask another stakeholder with a strong association with the school to do the same. Then compare your results.

Questions for discussion

- How easy or difficult was it for you as a stakeholder in your school or college to draw the organizational chart?
- Are the organizational charts you, your classmate and another stakeholder produced similar in terms of levels of hierarchy and span of control?
- If you show your diagram to a stakeholder who was at the school a few years ago (such as a teacher), do you think he or she will find that there have been significant changes in structure? Has the hierarchy become flatter or taller?
- If, as expected, the school has grown in size, have spans of control become wider?
- Should an IB World School be centralized or decentralized in its decision-making? What would be the consequences of making the IB World School more decentralized?

The theoretical approach to organizational charts (AO2)

We now present a number of standard diagrams, with a brief explanation, to illustrate how organizational charts can be drawn.

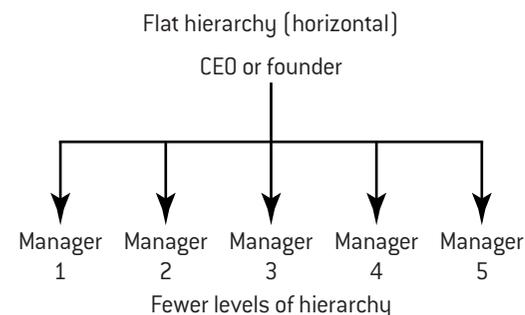


Figure 2.2.1 Flat or horizontally hierarchical structure

By delayering, the organization is attempting to reduce the “gap” between the senior management at the “top” of the organization and the subordinates at the “bottom” in Figure 2.2.1. Flat hierarchies tend to widen spans of control and have their most effective use in small- to medium-sized enterprises (SMEs).

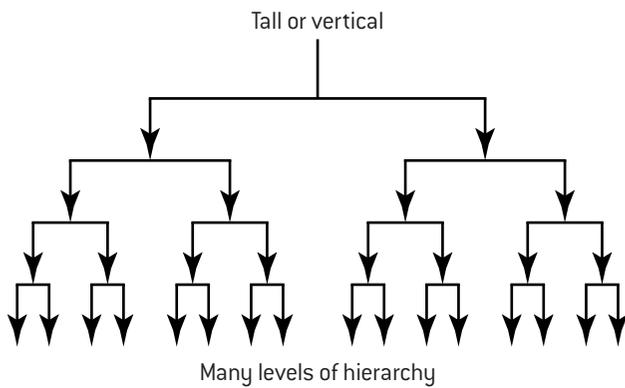


Figure 2.2.2 Tall or vertical hierarchical structure

Figure 2.2.2 shows the opposite structure to the flat or horizontal organizational chart in Figure 2.2.1. Levels of hierarchy increase and chains of command lengthen. Large or multinational corporations may feel that a tall structure provides clarity and clear lines of responsibility. They will hope that this can reduce the possibilities of diseconomies of scale. Typical structures for businesses organized by function, geography and product are shown in Figures 2.2.3, 2.2.4 and 2.2.5.

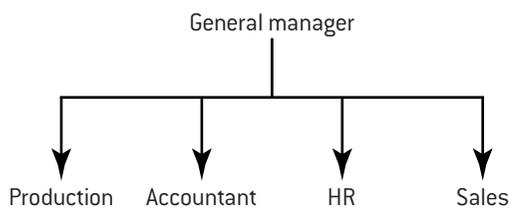


Figure 2.2.3 Typical structure for a business organized by function



Figure 2.2.4 Typical structure for a business organized by geography

Structure	Benefits	Issues or problems
By function	Clear lines of communication and responsibility are established. This structure is good for new stakeholders, especially employees, to see how the organization is structured. It encourages specialization leading to economies of scale	This type of structure may encourage departments to view themselves as isolated and set their own goals and objectives. It relies heavily on the success of the general manager to communicate and manage effectively
By geography	This structure gives autonomy to local managers to allow more accurate local decision-making. Being closer to local markets means a firm can gain updated research such as customer feedback	Given geographical location or time differences, there is potential loss of control of overall objectives. (With the onset of communication technologies this may not be such a big issue). The organization may have to set local goals and aims
By product	Expertise in specific products and markets is gained. There is rapid decision-making and objective ways of measuring the performance of individual centres. Greater flexibility exists for growth and expansion. Additional centres can be added without affecting the operations of the other centres. This is good if a takeover or acquisition has been made	There is conflict and competition between individual centres. There is some duplication of functions such as accounting, marketing and HR management. The allocation of overhead is crucial in influencing the pricing strategies of individual centres.

Table 2.2.1 Methods of structuring an organization



Figure 2.2.5 Typical structure for a business organized by product centre

Table 2.2.1 can be used to analyse the different methods of structuring an organization.

Changes in organizational structures (A02)

Here we look at changes in organizational structures using the examples of Handy's shamrock organization and project-based organizations. In its description of cell production, unit 5.1 also covers project-based organizations.

Project teams

The idea behind the project team (or matrix) structure is that traditional functional and department boundaries are ignored. A project team is selected to work on one "problem" for which the members' individual qualities are ideally suited. Dearden and Foster (1992) argue that IBM used this technique when developing the original personal computer. The argument follows that specialist project teams are best suited to solve problems across departments and avoid one department dominating or influencing the final outcome.

In unit 1.7 we looked at the fishbone or Ishikawa diagram as a business tool used to identify causes of a problem. This could be used with project teams, which could be assigned to look into causes across a range of departments. This is more likely to lead to a more representative set of decisions being made and ensure that all possible causes are highlighted.

Of course, project teams are by their nature temporary. Once the problem under discussion has been solved the team is usually broken up and individuals return to their functional roles or departments. Organizing and monitoring a project team's work will also take additional time and scarce resources.

Zero-hour contracts for 90% of staff



Sports Direct's entire part-time workforce of over 20 000 staff is employed on zero-hour contracts at a time when 2 000 full-time staff are about to cash in bonuses of up to £100 000.

The contracts, handed to 90% of the company's 23 000 employees, leave staff not knowing how many hours they will work from one week to the next, with no sick pay or holiday pay, and no guarantee of regular work.

Bosses at Sports Direct, the UK's biggest sports retailer, were this month hailing their bonus policy for full-time staff as that of a model employer.

The four biggest supermarkets in Britain – Tesco, Asda, Sainsbury's and Morrisons – said they do not use zero-hour contracts. Other UK retailers to confirm that they do not employ staff on these terms include Argos, B&Q, Homebase, John Lewis and Marks & Spencer.

Politicians have been campaigning to ban the contracts and have called on Mike Ashley, the billionaire owner of Sports Direct, to consider introducing part-time contracts with guaranteed hours.

Former and current part-time staff have also spoken out against zero hours, stressing the uncertainty created by the contracts, under which work can be cut with less than a day's notice. Others said regional managers may reduce staff hours if targets are not met.

Source: Adapted from an article in the UK newspaper, *The Guardian*, 28 July 2013

In their creation of **quality circles** and **kaizen** (see unit 5.3) the Japanese have used project teams (the matrix structure) enthusiastically. However, in Japanese management this structure is viewed as being very much a long-term commitment and not just for one-off projects. Japanese managers regard project terms as being a very powerful motivating force in terms of teamwork and breaking down barriers that may exist between departments working in the more traditional structures.

However, it is worth noting an important aspect of the project team or matrix structure. With individuals joining from different departments, clear lines of authority need to be established at the start of the project to indicate who is in charge overall.

Handy's shamrock organization

Charles Handy has become well regarded in the business world for his work on organizational culture and management. He is particularly well known for his vivid use of engaging metaphors and examples (see his books *Gods of Management* and *The Empty Raincoat*).

One of Handy's contributions to workforce planning was his insight into the roles of workers required in the new demographic and social changes outlined in unit 2.1. Handy identified the need to have a flexible workforce to allow firms to adjust faster to changing external environments.

He identified core, contract and peripheral workers and developed the idea of the shamrock organization. His three categories are as follows:

- **Core** workers are full-time employees with trusted experience and are small in number.
- **Contract** workers are employed on a short-term basis for a specific task. Examples of these tasks are the recruitment of senior managers or the installation of a new data management system.

- **Peripheral** workers are flexible workers employed on a part-time basis for reasons such as seasonal shifts in operations.

The implications of Handy's work should be clear. Given the significant changes in working patterns and external social and demographic changes outlined earlier, fewer full-time workers are necessary. Organizations need to be "nimble and flexible" in the 21st century to cope with "an inflexion point of change" (Gary Hamel) but of course this has also led to job insecurity and in some cases, some commentators have argued, exploitation of workers.

IB Learner Profile

Balanced 

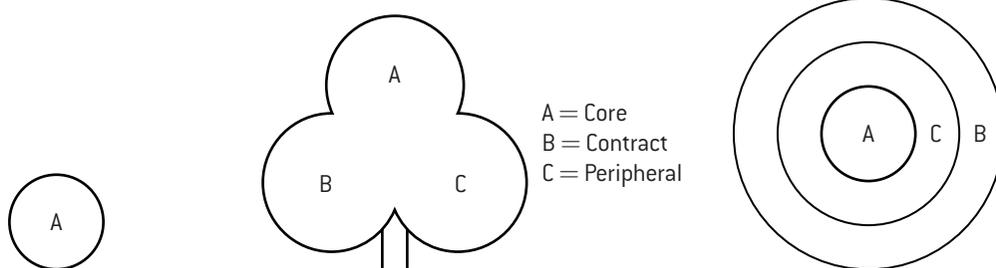
Application of shamrock theory to a real-life organization

Consider the Sports Direct case study, which may amplify the concerns mentioned above.

QUESTIONS FOR REFLECTION

- Is the introduction of a zero-hours contract by Sports Direct innovation or exploitation?
- What are the ethical implications for an organization that decides to pay a bonus through a share scheme to full-time staff (core workers) but award zero-hours contracts to part-time staff (contract or peripheral workers)?
- What are the advantages to a retail business, such as Sports Direct which is operating 24/7, of utilizing more part-time staff?
- What are the disadvantages?

We will return to use this case study in unit 2.4 on motivation and financial rewards.



Traditional inflexible 20th-century organization with core full-time staff

Shamrock organization

New flexible 21st-century shamrock organization

Figure 2.2.6 Traditional organization and the shamrock organization

IB Learner Profile

Knowledgeable

Handy has become well regarded in the business world for his work on organizational culture and management. He is particularly well known for his vivid use of engaging metaphors and examples. Students are encouraged to read excerpts from *Gods of Management* and *The Empty Raincoat*.

IB Learner Profile

Balanced and reflective

Communication technologies (A03)

Cultural differences and innovation in communication technologies (A03)

Now we will look at how cultural differences and innovation in communication technologies may have an impact on communication in an organization.

Search for the quote and Google image from Einstein online: 'The day that Albert Einstein feared has arrived.' Reflect on your own experiences of using mobile communications. Do you think that Einstein was right?

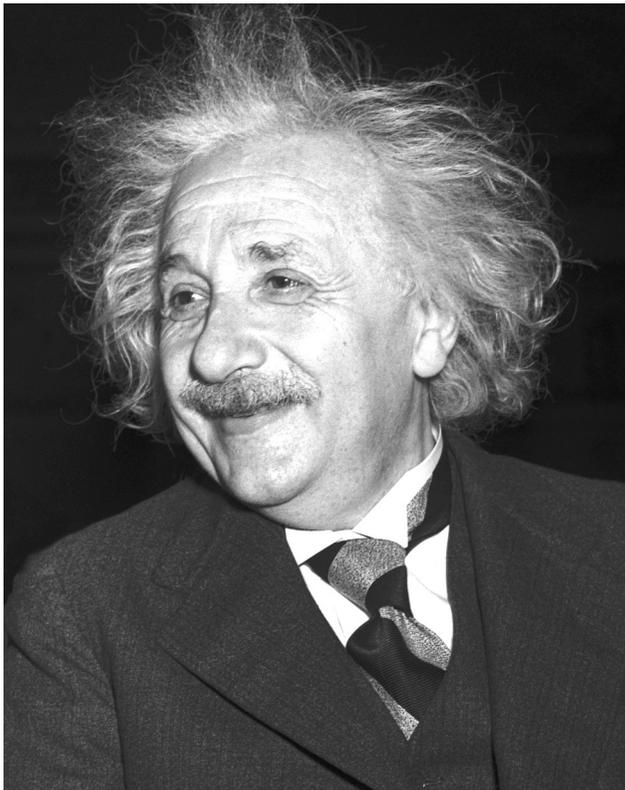


Figure 2.2.7 Albert Einstein

We must balance this point of view with further analysis that organizations with new and dynamic cultures, such as Google and Pixar, would clearly approve of the use of communication technologies fit for use for the new "generation Y" worker (see unit 2.4) which allow creativity and innovation to thrive.

IB Learner Profile

Inquiry ?

To consider the issue of how innovation in communication technologies has had an impact on communication in an organization from an individual point of view, consider your own school. Ask the following probing questions.

Questions for discussion

- Given the increased use of mobile devices and social media platforms, has communication in your school improved?
- On the other hand, rather than an improvement in communication, do you see evidence of more "noise" in schools – communication overload with the result that messages or advice are lost?
- Has email improved the efficiency of communication in your school? (Efficiency in this context is hard to define but we could say that it includes messages being understood or answers to questions being received promptly.)
- Given that IB World Schools are made up of a number of non-English native speakers (ESOL students), has innovation in communication technologies allowed for improved communication where the dominant language of instruction is English?

The discussion points raised by these questions could easily be applied to a business. They become especially significant the larger the organization that is attempting to develop a presence in global markets. As any organization moves into new overseas markets, cultural differences and communication technology innovations become much more important.

Management versus leadership (A02)

There is some confusion as to the difference between leadership and management. Russell-Walling (2007) puts it succinctly:

Leaders do the right thing; managers do things right.

Linking back to our previous discussions on aims, objectives and strategic decision-making in unit 1.3, we could argue the difference as follows. Effective leadership requires the setting of clear aims and strategic goals while the role of an effective manager is to ensure that objectives are met in pursuit of the overall aim.

Successful leadership within organizations is often applauded and revered. Steve Jobs, Mark Zuckerberg, Sir Richard Branson and Larry Page are often quoted as being inspirational and successful entrepreneurs and leaders, but how much do we really know about their management skills? (We have already seen that Steve Jobs was often described as brilliant but demanding and autocratic.)

Students studying for the IB Diploma often overlook effective management yet it will have an impact on them every single school day. Your principal (leadership) may have a very critical role in your IB World School as the public face to a whole range of external stakeholders. However, your academic success as a student may well be determined by your year head (or dean of students) or the head of the department in which your subject sits and, of course, your teacher. Effective management in schools will often start and end with these very important internal stakeholders.

IB Learner Profile

Reflection

- Do you see yourself as a future leader or manager?
- What evidence from your life so far would you include in order to make this judgment?
- Do you think that leaders are born or can they be made?

Key functions of management in a business context (A02)

Some writers separate management into **administrative** and **operational** roles for an organization. The **administrative**

function of the manager coordinates the functions of finance, marketing and production by planning and defining procedures, the procedures and objectives of the organization having been decided by the board of directors and the senior executives. The **operational role** for management refers to the implementation of these plans, aims and objectives.

Gabriel (1998) identifies five key functions for a manager. They are:

- planning a suitable course of action given the overall vision of the CEO
- organizing the human and material resources to achieve this vision
- manpower planning including recruitment and selection of key workers for specific tasks to achieve tactical objectives
- motivation to achieve goals once a plan of action has been put in place
- controlling, monitoring and maintaining performance to ensure that the vision is SMART (see page 17).

Leadership styles (A03)

You may accept that students often overlook the importance of effective management in their student lives. Perhaps you believe that effective leadership should be clearer cut and easier to understand. It may come as a surprise that, even in 2014, there is still a good deal of confusion as to what effective leadership actually looks like.

In this unit we discuss the five leadership styles on offer from the new *IB Business Management Guide*.

Definition of effective leadership

Peter Drucker's 1966 definition of effective leadership (quoted in Trout, 2001) has stood the test of time:

The foundation of effective leadership is thinking through the organization's mission, defining it and establishing it, clearly and visibly.

We can use Drucker's definition as a hypothesis to test the effectiveness of some of the leadership models, as shown in Table 2.3.1.

Leadership style	Description	Discussion
Autocratic	The decision-making process is determined solely by the leader or chief authority figure. There is little or no consultation. Examples are the armed forces or other organizations with tall hierarchies	It can be demotivating for some workers not to have an input into the process. Autocratic leaders can be effective in crisis situations
Democratic	The decision on what is to be done and how it is to be carried out is taken after group discussion and consultation. Examples can be found in media industries especially advertising and public relations	Increased motivation and productivity may result from some key skilled workers. Decision by committee can be time-consuming and expensive. It may not be an effective way of decision-making in a crisis situation
Laissez-faire	Effectively there is no leadership. Groups are unsupported and left to decide for themselves. Handy has argued that many universities operate under laissez-faire conditions	Given no formal leadership, new employees may find the workplace environment confusing as they will lack knowledge of workplace conventions. Setting overall organization objectives may be difficult without formal leadership
Paternalistic	The leader of the organization acts in a "fatherly manner" towards employees in the same manner as if he were a parent or mentor. This is typical of family businesses (see also club culture in unit 2.5 and note that, although this style is called "paternalistic", the role of parent or mentor may also be taken by female leaders)	The leader will demand loyalty in return for his influence. This could lead to resentment from some employees especially if they see themselves as "outsiders" from the family. These cultures may be too inward-looking and paternalism may be seen as rewarding bloodlines rather than ability

Table 2.3.1 Different leadership models

If we apply Drucker's definition to each of the four leadership styles, we can make the following points:

- Paternalism if present in small family businesses may lead to jealousy and favouritism among some key managers. (It is unlikely that the leader would appeal directly in the same manner to all). These inward-looking cultures may lack a leadership style which responds to external changes as quickly as other leadership styles.
- Laissez-faire leadership needs to ensure that the mission is clearly articulated and understood by all workers. Clear communication is vital.
- Many business students assume that democratic leadership is always best, and the fairest method of decision-making. However, too many people in the decision-making process may lead to delays in defining roles and the implementation of a new strategic direction.
- Although unpopular and unfashionable in today's business environment, an autocratic leadership style may actually be closest to Drucker's intention. Successful CEOs such as Jeff Bezos from Amazon, Jack Welch of GEC or Steve Jobs of Apple have successfully adopted this.

IB Learner Profile

Risk-taking and inquirers

We must go back to the Gary Hamel clip on the future of management (introduced in concept 2: Change, page 6) and take a brief moment to reflect on one aspect. Hamel makes a very compelling argument that current management models were created for a very different era. He calls this "management 1.0".

Hamel firmly believes that we need new models of management to make organizations of the future "fit for purpose". These new models must embrace the enormous social and technological changes which have taken place. In his presentation he focuses on one organization – HCL technologies – that has used a process of "reverse accountability" in its management structure in particular.

As future business leaders and managers, students of the IB Business Management course who are now termed "generation y" or "gen Y" workers need to ask themselves whether the leadership models suggested above really apply to them. Increasingly, organizations are finding that "generation Y"

workers need to be led and motivated by a completely different mind set than their parents. As we will see in unit 2.4, Daniel Pink touches on some of these themes in his theory of motivation but this question remains: can today's "generation Y" be led and managed according to theories which are nearly 100 years old?

IB Learner Profile

Inquiry

Gore-Tex and Namaste Solar

Research the US organizations Gore Tex and Namaste Solar to investigate whether they present new models of leadership and management for the 21st century.

Perhaps Gary Hamel had Gore-tex and Namaste Solar in mind when he referred to "learning from the fringe". These organizations are run in a unique way, which is both paternalistic and laissez-faire.

Questions for discussion

- If Gore-Tex's leadership style and approach to organizational structure (job titles, communication channels, etc.) is so effective, then why do other similar businesses not use some of its features?
- Can an organization such as Namaste Solar truly be 100% democratic?

The situational approach: Frederick Fiedler

The basis of situational leadership is that it takes the view that it is the situation in which the leader is trying to lead that is important, rather than any character attributes the leader may have, or any dominant leadership style that may be used. Fiedler stated that the situation in which the leader is trying to lead may be a function of the characteristics of the organization, the nature of the task itself and the "group atmosphere" that exists. Fiedler attached a great deal of importance to this last point. The leader is followed and obeyed not because of rank or power but due to positive group emotions such as loyalty, liking, trust and respect.

Think of examples, both past and present, of leaders who have demonstrated a leadership style based on the above situational analysis. Famous sports captains may provide a rich source of research.

We begin this unit by including a flipped learning exercise on motivation theory.

Motivation theory

This activity is based on two YouTube clips.

Clip 1: Frederick Herzberg “Jumping for the Jelly Beans”

In the early 1970s, Frederick Herzberg gave a presentation called “Jumping for the Jelly Beans” to a group of British businessmen, which can be watched in two segments on YouTube. Below is a selection of quotations from the presentation.

Motivation is when you want to do a good job rather than having to.
The more someone can do, the more they can be motivated to do.
The key motivators, which will motivate someone to play the piano, are:

- Can I play the piano? (Ability)
- Is there a piano for me to play? (Opportunity)
- Do you want to do something for me? That is motivation.
- Do you need a bribe or a threat? That is hygiene.

Clip 2: Daniel Pink “The Surprising Thing about Motivation”

According to Daniel Pink, three key motivators for an activity that requires some degree of complexity are:

- mastery – getting better at the activity
- purpose – the reason for doing the activity
- autonomy – being left alone to get on with doing the activity.

Watch this excellent YouTube clip, which has been animated by RSA Animate. The presentation in itself is highly innovative.



IB Learner Profile

Reflection RIR

Questions for reflection

- What are the key similarities – if any – between the ideas on motivation of Herzberg and Pink?
- According to the two clips presented, how important is financial reward as a motivator?
- When considering motivation theory are there significant cultural influences on the types of motivation reward needed?

Motivation theories (A03)

We will look at the following five motivation theories:

- Taylor – scientific management or “economic man” approach
- Maslow – hierarchy of needs
- Herzberg – two-factor theory of motivation
- Adams – equity theory
- Pink – mastery, purpose, autonomy.

A diagrammatic approach is used for two of the theories, as they are well established (see Figures 2.4.1 and 2.4.2). A brief summary of the remaining theories is then given.

Maslow – hierarchy of needs

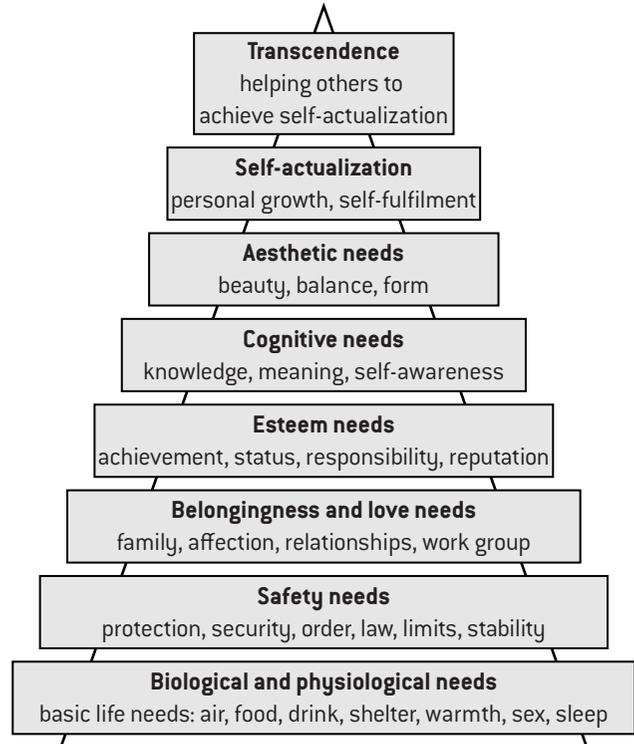


Figure 2.4.1 Maslow's hierarchy of needs (updated eight-stage model)

Herzberg – two-factor theory of motivation

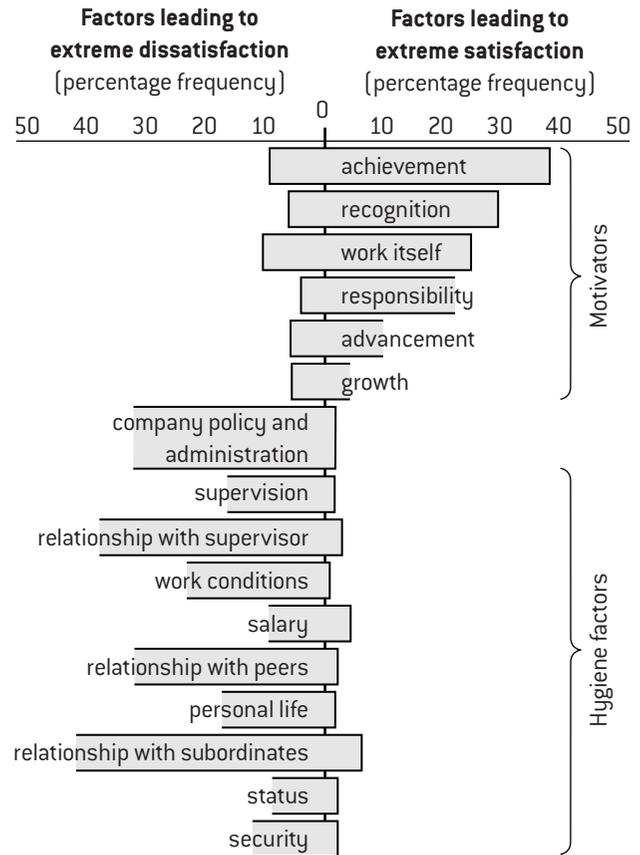


Figure 2.4.2 Herzberg's motivators and hygiene factors

IB Learner Profile

Inquiry ?

Your family

Construct a Maslow pyramid based on yourself, your parents or carers and, if possible, your grandparents.

- Are there any differences between the three diagrams?
- Do you think that you, your parents or your grandparents have reached self-actualization?
- Do you think that Maslow's pyramid is a relevant model of motivation given the thoughts of Herzberg and Pink?

Frederick Winslow Taylor

Students often overlook the work of Taylor and assume that his contribution to business motivation theory was simply that "money motivates". Taylor's work in business management was new and revolutionary. Drucker has argued that Taylor deserves a place alongside Darwin and Freud in the making of the modern world.

Taylor's motivational theory is based on the idea that a unit of work carried out by a factor of production should be measured and a performance standard be created which was "fair and acceptable". To set the standard, a performance measurement should be carried out once the worker has been shown the demands of the unit of work and trained in how to complete it.

Taylor then argues that workers who achieved the performance standard would be paid a living wage; those who exceeded the standard would be paid more. Exceeding the standard would guarantee a bonus if this performance were sustained but the overall intention from Taylor was that his motivational theory would generate "a bigger cake for all". Workers would be supervised in order to achieve a target rate of production.

Taylor's scientific management principles were put quickly into practice in the early part of the 20th century. A number of industrialists began to make huge profits, especially Henry Ford, whose Model T Ford soon became the symbol of this new management style. Many students have viewed Taylor as the enemy of the worker and the theorist who said that people will only work for money. Few realize that his underlying philosophy was that he wanted scientific management to produce **greater outcomes for all employees**.

Equity theory

The key element in equity theory credited to John Adams is that motivation is a function of workers perceiving that the reward they are receiving for their efforts fully reflects their contribution to the organization. If workers feel that their contribution is being recognized then motivation to stay will be high, and vice versa.

Workers' contribution cannot always be measured objectively. However, firms who use equity theory have discovered that, for example, giving a worker time off for compassionate reasons or allowing flexible working for part-time workers can create an environment of "fairness", which can be very motivating.

IB Learner Profile

Thinkers and balanced

Discuss the implications for equity theory of the "fairness" of awarding senior managers large bonuses in loss-making organizations which have recently been the recipients of government assistance. Moreover, consider that in some large organizations the CEO may earn up to 200 times the average salary of a subordinate who is employed at a lower level of the hierarchy.

Questions for discussion

- Can equity theory support the payment of such high compensation packages in this case?
- Can high compensation packages be justified under any circumstances?

Daniel Pink

Of all the above theories, Pink's research into motivation theory is the most recent attempt to find out the key drivers of motivation in the 21st century. Interestingly, the two surveys featured in video clip 2 (Daniel Pink, "The Surprising Thing about Motivation") which are used to explain motivational behaviour are from very different ends of the cultural and social spectrum, yet they yield very similar results.

Pink cites the creation of Wikipedia as typical of this newly found "**purpose motive**" in motivation. It illustrates how individuals in well-paid highly skilled occupations will give up large amounts of their free "discretionary" time in order to develop a service or information source to help others.

Autonomy – the ability to be self-directed at work – also seems to have a very strong influence in the new century. Modern technologies and communication possibilities have allowed this to happen (as noted in unit 2.2). Pink also highlights the organizational culture at Atlassian, which runs similar to the Google 20% free time we noted earlier. This allows for a degree of **intrapreneurship** within an organization, which could lead to the creation of new product ideas and services and that all-important innovative edge in global markets.

Motivation theory – a brief discussion for A03

Is Taylorism misunderstood?

Given the above arguments put forward by Pink and Herzberg surrounding motivation, one is tempted to suggest that Taylor's approach to scientific management has no place in the new millennium. Supervision, control and payment by results seem inconsistent with the purpose motive and autonomy advocated by new thinking on motivation.

However, there is nothing "wrong" in adopting Taylorism. In some situations it may be totally appropriate to adopt more autocratic and bureaucratic forms of leadership to enhance workers' motivation and to improve productivity (see crisis management and contingency planning in unit 5.7).

Moreover, as we shall see when looking at supply chain management and in our discussion of outsourcing, Chinese suppliers working for Apple and other hi-tech corporations adopt very Tayloristic-style management processes. There are no shortages of workers who wish to take advantage of these companies' job opportunities and earn a living wage.

The importance of hygiene factors

Herzberg's hygiene factors are not motivators themselves but it would be wrong of employers to neglect them. If appropriate, when hygiene factors such as a "living wage" or supportive working conditions are not in place, then the worker may become dissatisfied. Hygiene's presence allows the motivators to work.

One commentator critiquing hygiene factors remarked that Herzberg did not care for money. In sheer desperation, Herzberg had to raise his fees to speak at business presentations. As Herzberg himself says in the video clip, "I wallow in hygiene".

Conclusion

We should not forget that the above theorists, apart from Pink, focused most of their research on US or other Western companies, and the samples used in the investigation were small.

Maslow's sample consisted only of managers. We must also remember that there may be specific cultural factors that may have an impact on workers' motivation.

Finally, not all motivation theories can be applied to all forms of employment. Struggling artists or musicians (or teachers) may sacrifice lower-order Maslow needs such as physiological needs or security (by refusing to take a higher-paying job) in order to have the time and space to attempt to achieve self-actualization through their passion. To illustrate this with Pink's model, an individual may seek mastery and purpose but be unable to afford autonomy.

Application of motivation theory

We shall now try to apply these theories to given motivational situations. Below are examples of workers' actions analysed in the light of the theories.

- **A worker wishes to learn new skills in order to gain promotion.**

The self-esteem needs in Maslow's hierarchy are to be satisfied with a desire to grow professionally, as advocated by Herzberg.

- **A manager is requested by the board of directors to achieve higher sales targets. Higher bonuses will be paid if the targets are met.**

The board of directors is using scientific management to encourage middle managers to be more profitable.

- **Workers in a call centre are threatening to walk out over poor conditions and long hours.**

Hygiene factors may be absent, which will not allow the motivators to function. In addition, the security needs in Maslow's hierarchy are not being met.

Types of financial reward (A02)

It is expected that business textbooks will cover the financial rewards shown in Figure 2.4.3, so a full treatment is not given here.

IB Learner Profile

Open-minded and principled 

Sports Direct

To try and analyse some of the reward systems shown in Figure 2.4.3, we briefly return to the newspaper article about Sports Direct in unit 2.3, page 41). The article reported the introduction of zero-hours contracts for part-time staff at this major sports retail outlet in the UK, accompanied by a bonus share scheme to 2 000 full-time employees.

(Continued from page 41):

Sports Direct's chief executive, Dave Forsey, told the *Guardian*:

"The share scheme glues this company together. These schemes are typically only for the executives, but this goes deep into the company. I'm surprised more businesses haven't adopted something like this sooner."

The *Guardian* has seen a copy of the share scheme rules, stating it is "intended to drive group performance and to motivate and retain permanent employees at all levels of the group, and to align the interests of those employees with those of shareholders".

However, the document adds that employees can be excluded from the scheme.

It says that any "participant who is determined to be an unsatisfactory performer" will not get the shares. Unsatisfactory performance will normally be accompanied by a written warning and continued poor performance may lead to suspension.

Employment lawyers have said the wording of the share scheme is too vague and could be abused. David Cohen, consultant solicitor at Keystone Law, said: "It is unusual under an all-employee share scheme for the directors to have the power to deprive continuing employees, as opposed to 'bad leavers', of their share awards."

"If workers generally became aware that the scheme was being operated in an unfair and arbitrary way, the company would risk losing the reputational and motivational advantages of putting in place such a generous scheme."

By comparison, John Lewis, a retail competitor which runs one of the best-known employee bonus schemes in the country as part of its partnership structure, pays all employees a bonus regardless of disciplinary warnings against them.

Sports Direct declined to comment.

QUESTIONS FOR REFLECTION

- Using Adams' equity theory of motivation, do you think that it is fair for some full-time managers to receive a bonus and that part-time workers should receive nothing?
- Bonuses have been paid in other organizations – most notably financial institutions – to senior managers who received government bailouts after the global financial crisis of 2008. Can these bonuses be justified? If not, then why are financial institutions still paying substantial bonuses in 2014?
- TOK question: Can bonuses given out by a business ever be regarded as fair unless everyone receives an equal amount?

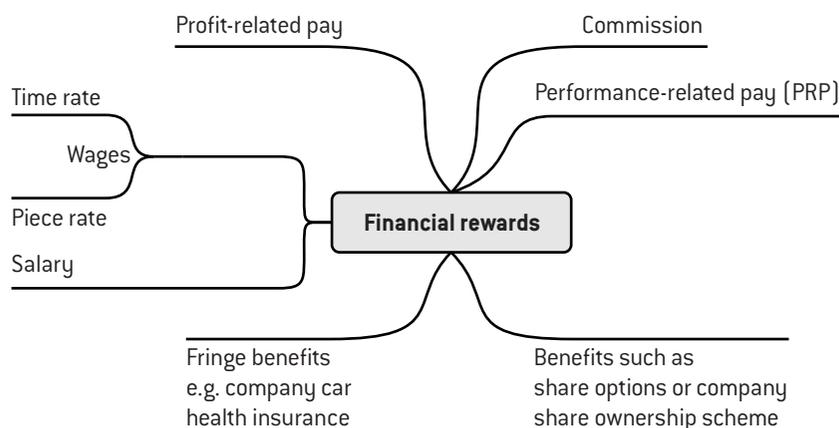


Figure 2.4.3

Types of non-financial reward (A02)

There are a number of non-financial methods of motivation. They are shown in Table 2.4.1 to explain the link between job satisfaction and productivity that will help our final discussion.

Further analysis of non-financial rewards

Job enrichment

McGregor and Herzberg have been two key figures in the development of this school of thought on motivation. The YouTube clip we referred to earlier has a number of examples from Herzberg himself as to the virtues of job enrichment. We can group these into two areas:

- Job enrichment allows “personal growth” or “psychological growth” of the individual. (“The more someone can do the more they can be motivated to do.”)
- Meaningful work and self-checking of this work via the job enrichment programme provides the opportunity for the individual to be responsible and have a degree of autonomy, which will lead to motivation. Herzberg argues that you must not make somebody a “responsible idiot”. Employees must perceive that they are contributing “meaningful work” to the organization’s overall effort.

Problems with job enrichment

Herzberg notes that training is a key element in the process. This will cost money and take time to bear fruit in an organization.

Managers will need to ensure that “meaningful work” is available and possible for each worker to complete. Herzberg argues that the two key functions of motivation are ability (enhanced through training) and the opportunity for individuals to put into practice what they have learned. Otherwise demotivation will occur.

Criticisms of job enlargement and empowerment

Some writers have argued that job enlargement is really just offering workers “more of the same” and is not really an opportunity to develop talents. Others have gone further to suggest that job enlargement is merely a ploy by the

organization to boost productivity by asking fewer employees to do more.

For empowerment, the argument is extended. Empowerment is viewed as a simple way to cut costs and remove management layers (by delayering) as part of a strategic cost-cutting exercise.

Without sufficient training, some workers may be unable or unwilling to be responsible for their daily routine, preferring instead to work in areas with clear lines of communication and responsibility. Empowerment may not be appropriate in some cultures internally such as an autocratic or bureaucratic culture. It may not be appropriate externally given the cultural intelligence (CQ) found in some parts of the developing world.

Teamwork

The motivational impact of employees working in teams has very strong support from a number of motivational theorists. One of the most powerful is **the Hawthorne effect** observed in the 1930s by Elton Mayo. This led to the creation of the human relations school of motivation. Motivation here is driven by the need for acceptance and consideration for other individuals and the economies of scale by sharing workloads, ideas and responsibilities.

Strong evidence from companies such as Nissan, Volvo and Toyota and other Japanese manufacturers is that teamwork should be introduced wherever possible into the workplace.

However, in one of his last interviews before his death, Drucker was sceptical about the benefits of teamwork. He states:

It is generally assumed today that there is only one kind of team – call it the jazz combo – where each participant does his or her own thing but together they make great music. Actually, there are perhaps a dozen types. Different teams each with its own area of application and its own limitations and difficulties and each requiring different management.

Unless we work out, and fast, what a given team is suited for, and what a given team is not suited for, teams will become discredited as just another fad.

Source: Peter Drucker quoted in *Forbes Magazine*, 10 May 1998, in an article entitled “How to prosper in the new economy”.

Method of non-financial motivation	Explanation
Job rotation	This is a system used in organizations where a production process is broken down into smaller parts and workers are trained to complete all tasks but are rotated to reduce boredom (especially if the tasks are repetitive in nature) and increase productivity. This also provides automatic cover for absent workers through illness but training must be extensive
Purpose/the opportunity to make a difference	See the YouTube clip of Daniel Pink “The Surprising Thing about Motivation” and analysis above
Job enrichment	This is sometimes referred to as “vertical loading” where an employee is offered more challenging work with increased levels of responsibility to motivate him or her
Job enlargement	This is sometimes referred to as “horizontal loading” where an employee is challenged by performing more tasks at the same level of responsibility. The argument is that the variety of tasks stops boredom and creates improved satisfaction as the employee is able to participate in the whole production process
Empowerment	The individual is given more control over his or her daily work routine with minimal supervision. This creates a sense of trust in the organization which can be motivating for some and can lead to productivity increases
Teamwork	This motivating factor can take many forms depending on the nature of the team, the task and the reward offered. Motivational research has found strong increases in productivity for those who work consistently in teams rather than individually

Table 2.4.1 Non-financial rewards

How financial and non-financial rewards may affect job satisfaction, motivation and productivity in different cultures (A02)

Now we will look at possible effects of financial and non-financial rewards on satisfaction, motivation and productivity in different cultures. **It can be quite difficult to generalize about these issues.** Without conducting a full investigation of CQ we are left with anecdotal or personal experiences which inform our views.

For example, we saw in the Daniel Pink YouTube clip “The Surprising Thing about Motivation” that for “rudimentary tasks” productivity and motivation can be influenced by small monetary

reward. However, to motivate employees to carry out cognitive or thinking tasks, **monetary rewards are ineffective.** Instead the purpose and autonomy motives are more influential. Pink’s research included surveys from the United States and India.

As we shall see in units 5.4 and 5.5 (HL only) on the supply chain, Taylorism is alive and thriving in Chinese manufacturing despite the long working days and repetitive work. New Zealand and Australia have some of the highest average hours worked in the developed world. Recent research from New Zealand shows that people in employment there work nearly 2 500 hours per year, the fourth highest total, yet productivity still remains lower than in many countries where people work fewer hours.

And what about Europe? There is the perception that Europeans’ work patterns and practices are out of touch with the rest of the world. However, consider the following article.

Is life easy in the land of the 35-hour week, generous holidays and long lunches? ‘Non’, say burnt-out French.

French workers may have a reputation for having things a little easy, but according to a new study millions work so hard that they are close to burn-out.

In the land of the 35-hour week, generous holidays and long lunches, a study found that 3.2 million people – about one in eight of the workforce – were working so hard that they risked mental or physical breakdown.

According to Technologia, a company which studies work-related illness or stress, almost one in four French farmers and one in five French company bosses are overworking and could

face burn-out. One in five executives and one in seven blue-collar employees are also working too hard.

Technologia says that the economic crisis is placing pressure on employees at all levels to work excessively hard and take on more overtime. New technologies mean that many white-collar employees are taking their work, or work worries, home with them, making a mockery of the 35-hour week.

Official statistics suggest the French (who work 41.2 hours a week) work slightly less on average than the Germans (41.9 hours) or the British (42.8 hours). They have an even higher productivity per worker than Germany’s but also greater stress.

Source: Adapted from www.independent.co.uk, 28 January 2014

IB Learner Profile

Inquiry ?

Carry out a survey in your own business management class to see whether there are any trends or data which could support or defeat the following hypotheses:

- Financial rewards motivate students from all cultures in the class.
- There are students from some cultures who are motivated by non-financial rewards and others by financial rewards.

More questions you might ask include the following:

- What does the term “job satisfaction” mean in your class?
- Discuss whether your class values job satisfaction above financial rewards or whether the reverse is the case.

2.5 ORGANIZATIONAL CULTURE

Setting the scene

As we have seen from concept 6, culture is one of the six concepts that underpin our learning of business management and therefore should be at the forefront of any analysis and discussion of the issues facing HR management.

Although organizational culture is a designated HL-only topic, SL students are **strongly advised to read through this material**, as it will assist in their conceptual understanding of organizational culture.

ORGANIZATIONAL CULTURE (AO1)

HL

The culture of an organization is defined as the attitudes, beliefs, experiences, norms and values which determine working relationships between internal stakeholders and ways of interacting with external stakeholders.

In this unit we are going to focus more on culture that exists inside an organization. External cultural influences referred to in concept 4: Culture will be examined in later units, such as when we look at international marketing.

Let's start with an inquiry example of organizational culture before looking at a specific theoretical framework.

IB Learner Profile

Inquiry ?

In this “flipped learning” exercise you are provided with a context that you will be familiar with, but you may not be familiar with some of the terms used. We will refer to this context throughout the remaining parts of unit 2.

The example below is adapted from an article published in a UK newspaper. Read the adapted article and ask yourself what would it be like to work at this organization.



Moving onto a theoretical approach

It would appear difficult to categorize Pixar's organizational culture accurately. Some business management textbooks use terms such as “open”, “free” “contemporary” or “inclusive”. These terms, while well intentioned, are too vague to be useful.

In the absence of any recognized classification of different cultures, for the rest of this study guide we will use Handy's suggested framework from his highly influential book *Gods of Management* (1978).

What is it like to work at Pixar?

Deep, deep inside the vast buildings that house Pixar Animation Studios lies a dark secret. It's heavily disguised – a small room hidden among the furry life-size statues of Sulley from *Monsters, Inc.* But inside is something that runs so contrary to the Pixar philosophy that employees will only talk about it off the record, and with a furtive glance over their shoulder.

It's a bar. A real, alcoholic bar.

This, sadly, does not form part of the official tour of Pixar's headquarters – a series of low-rise, modern hangars in Emeryville, California, across the bay from San Francisco. Which is a shame, as it's a rare example of a human vice in an otherwise eerily perfect working environment. One that, at times, feels either like a youth club or a well-funded cult.

For example, we've already enjoyed the free, 24-hour staff Cereal Bar, boasting 14 kinds of breakfast cereal from Frosties to Lucky Charms, and an endless supply of milk. There is a Pizza Room, offering free slices for those working late. There is even a “Breathing Room” – although we're assured this is actually for yogic meditation, rather than being the only location where basic respiration is permitted.

Somehow it seems like the best and, simultaneously, the worst place to work on Earth.

However, Pixar must be doing something right. Because at the other end of the atrium, in a glass cabinet, sits the proof. Twenty-six Academy Awards, five Golden Globes and three Grammys. Not bad considering that, in 1991, Pixar was a high-end computer hardware company with just 42 employees, teetering on the brink of bankruptcy.

Everyone loves Pixar and the films the company makes. The riotous, clever, benchmark-setting “Toy Story” made its name, of course – and “Toy Story 3” is now the second highest-grossing animated film of all time after “Frozen”.

Maintaining its unprecedented 15-year rise, bookended by “Toy Story” and “Toy Story 3”, has not been easy for Pixar. The company is no longer the maverick outsider, nimbly taunting the big studios with its indie credibility; since being bought by Disney for \$7.4 billion in 2006, Pixar is now most definitely the mainstream.

What is this magical formula that keeps enthusiasm and inspiration bubbling throughout the four years it takes to make a Pixar movie? Why does almost nobody from the 1 200 staff ever leave?

Certainly, the headquarters itself has to be responsible for much of the attraction. Indeed, it's a mark of Pixar's status that even cynical film hacks are moved to childish wonder at the prospect of a visit to the site (with one comparing it to winning Willy Wonka's golden ticket). And for films fans, it's like a theme park. Pixar characters are everywhere.

When Steve Jobs took over the company in the late 1980s, during his hiatus from Apple, the design of the building itself became a personal fascination. Working with architects Jobs gave them a simple brief: to design headquarters that “promoted encounters and unplanned collaborations”.

Thus, the atrium of what's now posthumously called the Steve Jobs Building is the centre of all things Pixar – housing focal points like the café, football tables and a fitness centre. Rather cruelly, Jobs also insisted at the time that it would also contain the only toilets on the entire 22-acre site – to ensure that introverts would be forced into conversations, even if they took place while washing their hands.

This kind of design was revolutionary. In the late 1990s, film studios were still housing their employees in drab office blocks. But here, on the banks of the San Francisco bay, was a workplace offering its staff use of an Olympic-sized swimming pool, volleyball court, jogging trail, football field and basketball court – as well as an organic vegetable garden used by Pixar's chefs, flower-cutting gardens and even a wildflower meadow.

Inside, too, there was freedom. There are no set working times – instead, the offices are open 24 hours a day for those who prefer to work in the small hours.

It was a model that Apple, Google and hundreds of Silicon Valley start-ups would later copy – one where a job became a lifestyle in itself. Keep employees happy with free sustenance and diversions in a youth club atmosphere, the theory goes, and they'll never feel any need to leave. It is this free atmosphere that many employees attribute to Pixar's success.

It's perhaps no wonder, then, that the interview process to become part of this Pixar family is harsh. With an estimated 45 000 applications received for each new position, only a chosen few make it. One successful employee remarks about the recruitment process. "They want to get as many people to see you as possible – just to make sure everyone is comfortable with your personality, how you hold yourself, if you fit in."

Once through that process, however, employees are given almost total free rein. The Pixar in-house theory is simple: mistakes are an inevitable part of the creative process, so it's far better if you pile in and start making them quickly. John Lasseter, chief creative officer at Pixar, confirms this: "Every Pixar film was, at one time or another, the worst motion picture ever made," he once said. "People don't believe that, but it's true. But we don't give up on the films."

Another senior executive agrees "It's a mentality," he says. "You're responsible for your mistakes, but there's no blame culture. As a freelancer in London, I knew that if I'd made a critical error, I'd be out of a job. Here, they'd say you have to learn from it, and strive to do better. It's the most grown up place I've ever worked in that regard. It's all about ownership."

And it looks like this culture is about to bear fruit again. As if determined to silence its critics once and for all, Pixar's release slate over the next few years looks purposefully innovative. "The Good Dinosaur", set for release next May, asks what the world would be like if dinosaurs had never become extinct. The year after sees "Inside Out", entirely based inside the mind of a little girl. And after "Finding Dory", a sequel to 2003's "Finding Nemo", Pixar is set for even odder themes with "Día de los Muertos", based on the Mexican Day of the Dead celebrations.

Source: Adapted from an article in the UK newspaper *The Daily Telegraph*, 10 July 2013

QUESTIONS FOR REFLECTION

- How would you describe the organizational culture at Pixar?
- Question for discussion: If Pixar's organizational culture is so successful then why do more organizations not adopt it?
- How does Pixar's culture lead to motivation of its workforce?
- How would you judge success at Pixar? Would you focus on innovation and happiness at work, or attribute its success to product development or in terms of revenue generated or awards won?
- Can you think of any disadvantages or problems that a business might experience in trying to move from a "traditional" culture to a more "contemporary" one such as the culture present at Pixar?

Classification of cultures (A02)

Elements of organizational culture (A02)

Table 2.5.1 is adapted from Handy (1978) where he assigned a classical figure to each of four possible cultures present in an organization.

First we must note the following:

- There is no "cultural purity" within an individual or organization. For example (using the categories in Table 2.5.1), we cannot really say that a culture is all "Zeus" or all "Athenian". Handy argues that businesses and stakeholders are combinations of all four cultures. What is important is the dominant or most prevalent culture.

	Zeus	Apollo	Athenian	Dionysus
Culture	Club	Role	Task or problem-solving	Existential or based on individualism
Example of an organization	Family business	State services, local government	Media company	University
Example of an individual in this culture	Richard Branson – seems to be the epitome of Zeus	Accountant or immigration officer	Advertising executive. Prefers to work in matrix structures	Groundsman in a school, ICT specialist, teacher, nurse
Leadership style appropriate to culture	Paternalistic	Autocratic, bureaucratic	Laissez-faire or flexible	Anti-management. Does not wish to be managed
Ways of describing a typical individual in this culture	Charismatic, impulsive, hardworking, aggressive, optimistic	Gets on with the job, thoughtful, reliable, rational	Sociable, responsive, extrovert, anxious to solve problems	Rigid, introverted, reserved but loyal
Ways of motivating	Power and influence. Money acts as an enabler to take more risks. Values networks and connections. Likes to be able to influence others	Clear career path offered. Promotion based on work ethic. Visible signs of recognition, e.g. corner office and company car	Training giving new skills with the opportunity to use these new skills in a dynamic problem-solving environment	Allowed to get on with the job with minimal interference. Earns professional respect from colleagues because of talent
Issues or problems	Hates to be constrained by rules and regulations	Can be too inflexible. Hates change. Perceived as rather dull but can be excellent in a crisis	Expensive form of decision-making and can be indecisive in crises. Irritated by certainty and stability	Can be viewed as selfish. The organization is viewed as helping the individual and not the other way around

Table 2.5.1 Handy's four categories of organizational culture (1978)

- All cultures have strengths and weaknesses. No culture or mixture of cultures is “bad” or “wrong” in itself, but it may be simply inappropriate given the situation or issue facing the organization at a precise moment in time.

IB Learner Profile

Risk-taking and open-minded

A questionnaire designed by Dr Harrison is given in Handy (1978). Handy credits Harrison with the original analysis on differences in culture. Interested students may wish to answer this questionnaire to determine their own cultural viewpoints and those of their organization. In addition, there are a number of cultural and personality profile exercises which can be downloaded from the Internet and used to determine your dominant culture.

Culture clashes (A03)

Reasons for and consequences of culture clashes (A03)

Culture clashes often occur when organizations grow, merge and when leadership styles change. Referring to Table 2.5.1, we can predict the following cultural clashes between individuals within an organization:

- Zeus characters may become irritated with Apollo colleagues’ insistence on sticking to rules. Individuals in Zeus cultures would dislike to be constrained in this manner.
- Athenians need to be challenged or they may become bored. Can the organization provide enough challenges to motivate Athenians to stay?
- Dionysians may be perceived as impossible to manage but can be absolutely vital to the smooth running of an organization. Some have argued that the best way to manage Dionysians is to leave them alone.
- Apollos appear to be dull and inflexible but may curb the excesses of the Zeus and Athenian cultures. This pragmatism can be essential as an organization grows.

Now think of other potential clashes and discuss how these might be resolved. Research carried out by Professor West on 1 000 businesses is relevant here. West’s study indicated that without cultural alignment (i.e. reducing possible culture clashes) a strategic direction undertaken by a business will be difficult to achieve.

Discussion

In any organization the key is to manage these differences so that some equilibrium can be achieved. (See also force field analysis in unit 1.7, and leadership and management in unit 2.3.)

This issue is particularly relevant when we consider culture clashes when organizations merge. The Time Warner (Apollo) merger with AOL (Dionysus) mentioned in unit 1.6 seems to have been jeopardized from the start as there was no significant review of how two such opposing cultures were to remain in balance.

Another issue is that when an organization grows it can be difficult to control or maintain the original culture, which may have been the inspiration or driving force in the beginning. A good example of this is the growth and development of Apple which started as a “passion” project for Steve Jobs and Steve Wozniak, employing three people. Both Jobs and Wozniak wished to challenge the prevailing business models of IBM and

other computer companies and create a new way of thinking. Apple wanted to be different and innovative and create new, attractive computer products designed from the inside out.

By the time Apple had grown into a larger more sustainable business, additional managers and investors were required. Some of these stakeholders were enthused by Jobs’ vision but others (possibly Apollos) were sceptical. They believed that Jobs was spending funds erratically on trying to create new products and wasting management resources on developing ideas which were characterized by too much “out of the box” thinking.

By 1985, Jobs was fired by Apple. He later returned to grow the company into the world’s largest – this time with his vision in tact.

The example of Apple reveals that as an organization grows or merges with another business it can be very difficult to keep the original culture or purpose in place. This inevitably leads to clashes between stakeholders.

Organizational culture and individuals (A03)

This section looks at how individuals influence organizational culture and how organizational culture influences individuals. Again, Apple provides a good example.

The tributes paid to Steve Jobs after his death in 2011 reflected the admiration and adulation of his leadership style as he lifted Apple to become the biggest company in the world. When we think of Apple and the successes the company has achieved (such as the iPhone, iPad and iPod), Jobs’ role in the creation of Apple products is always highlighted. An interesting question though is how much influence Steve Jobs had in the creation of the Apple culture.

We have already noted (in concept 3) that Jobs’ view on innovation was “saying no to 1 000 things”. Biographers and media commentators have written that Jobs could be ruthless and autocratic and very demanding. Yet in common with Pixar (featured at the beginning of this unit) Apple has a history of successful innovation and creativity. The issue is compounded by the fact that Jobs worked for both companies although in a much more withdrawn role at Pixar.

We must also note that the members of the Kristiansen family, who own Lego, have strongly influenced the culture at this organization. Similarly, for a long time the Disney family held a very strong influence on the direction and culture of the Disney Corporation. Both companies have enjoyed success and failure and tried as much as possible to remain true to the original vision of their founders.

Pixar’s organizational culture clearly influences animators and designers. The Google culture has played a very strong role in allowing individuals the opportunities to be creative and risk-taking. Famously, Google allows its employees 20% of allocated company time to work on any idea or innovation that motivates them. The only requirement is that these ideas must be fed back to and shared with senior managers. This is also happening in a number of other companies, as we saw in unit 2.4 on motivation.

We can conclude from this small survey that an individual can exert a significant influence on organizational culture. We have evidence that once the culture is established it can be very pervasive and influential over other individuals, whether they are internal stakeholders or external.

Setting the scene

Unemployment, especially youth unemployment, is increasing in the developed and developing world, despite the global recovery. The nature of the relationships between the employer and the employee therefore remains critical.

Social and technological change is having an impact on the working day. We have already noted the significant changes in work patterns and practices, such as the zero-hours contracts introduced by a number of employers in the UK. De-industrialization (as mentioned in unit 1.1, page 11) is also having an impact on employment patterns with many low-skilled or semi-skilled workers automated out of the employment market and now having to consider that career changes will become the norm rather than the exception.

During uncertainty, employees especially need to be realistic as to the extent that they can bargain for wage increases. A job with a modest pay rise for all workers may be preferable to some workers receiving a higher rate and the firm having to make compulsory redundancies. Consequently, the new language of employee and employer relationships is being revised. In many cases, instead of conflict and confrontation we now are now witnessing conciliation and cooperation.

IB Learner Profile

Knowledgeable and inquirers

The current *Business Miscellany*, published by *The Economist*, reports an interesting finding about the number of strikes recorded in various countries (many strikes go unrecorded as they last only a few hours). According to the *Business Miscellany* research, as a function of working days lost in a whole range of countries from Canada to the United States, the number of strikes recorded is at an all-time historical low.

This unit investigates the nature of the dynamic relationship between employees and employers and their representatives. This relationship will be different in every country depending on the cultural environment and the prevailing legal framework that governs industrial relations law. In this guide we cannot cover every country's situation and thus our analysis will be presented in generic terms. You are encouraged to research the current legislation that exists in the country in which you are studying.

Employee and employer representatives (A02)

Roles and responsibilities (A02)

Traditionally, the role of an employee representative such as a trade union has been focused on achieving fair pay, safe conditions at work, the protection of workers' rights and ensuring that employers meet their responsibilities. An underlying responsibility or philosophy, which drives most if not all trade unions, is to improve the lives of working people and their families, in whichever country they are located.

In comparison to trade unions, employer representatives are more loosely organized and membership will depend on a number of factors, for example:

- the size of the industry and the number of eligible members
- the current political and economic environment, especially any new government policy initiatives which may affect whole groups of employers.

As an example we consider the mission statement of the Employers and Manufacturers Association (EMA) based in New Zealand. The EMA has a key role in supporting its member

organizations in growing and developing their business. This is achieved by offering services such as:

- employment relations advice
- occupational workplace and safety advice and training
- skills training and education courses
- publications, media statements and occasional campaigns such as "Fix Auckland" to improve the environment in which to do business.

It could be argued that both organizations have the same intentions for their members. Yet the degree to which these intentions are easily satisfied remains the potential source of conflict.

How employee representatives pursue objectives (A03)

We can identify a number of methods a trade union or similar organization, which has been elected to act as a representative on behalf of the employees, may use to promote collective objectives. These include maintaining the current level of employment in an organization or improving pay and conditions for its members. These are achieved through a process called "**collective bargaining**".

However, we can note other methods used to pursue key objectives:

- **Negotiation** – the trade union or employee representative begins a period of negotiation or bargaining with the employee, usually face to face. At this stage, the production process continues.
- **Go-slow** – employees are instructed by their representatives to work at reduced speeds without jeopardizing the production process.
- **Work-to-rule** – employees are instructed to work deliberately to the letter of their contract and withdraw "goodwill". Goodwill in this context refers to the unpaid additional duties workers gladly take on although they are not normally included in their formal job description. Examples include ambulance drivers who could reluctantly withdraw goodwill by refusing to drive an emergency patient to hospital at a certain time if their contract stated that they should have finished work before that time.
- **Overtime ban** – a number of public sector organizations rely on workers working overtime during weekends and unsocial hours. This could include nurses, teachers and doctors. The introduction of an overtime ban could have an impact on these sectors and services considerably.
- **Strike action** – employee representatives usually treat this "weapon" as a last resort. If negotiations have broken down and there is a clearly an impasse or in the extreme an unbridgeable gap between the two sides, a strike or prolonged stoppage may be called by the employees' representatives. The production process stops.

In many countries a strike can only be sanctioned after a ballot of members has taken place. Otherwise the strike may be deemed unlawful. This is important for two reasons:

- If the strike is unlawful, workers may not be entitled to receive "strike pay" (if any has been agreed) which is intended to support them while they are not working.
- An unlawful strike may generate a lack of stakeholder support for the strike action and lead to a loss of public sympathy or goodwill for the cause. This may weaken the position of the employee representatives once the negotiations resume.

IB Learner Profile

Inquiry ?

You are encouraged to watch a DVD resource outlining the role of trade unions and employer representatives, and the relationship and tensions that exist between them. "I'm Alright Jack" is an outstanding movie made in 1960 about the whole issue of strike action, union democracy and the sometimes fractious relationship with employers. It is a comedy but lurking beneath the humour is a not-so-subtle satirical look at working practices, scientific management (time and motion in the spirit of Taylorism) and the "them and us" approach to industrial management that dominated during this time.

How employers exert pressure on employees (A02)

During industrial disputes, employers are also not limited to negotiation. There are also a number of methods or "weapons" open to them through collective bargaining in order to achieve their own objectives. We must note, however, that these methods could be considered aggressive and likely to inflame employees and their representatives, especially if there is no end to negotiations in sight. In some countries, some of the following practices may be unlawful:

- **Threat of redundancies** – some firms may announce that redundancies are inevitable if the trade union presses ahead with its industrial action. This may attempt to blunt the union's industrial action even if the threat is not as large as the company claims.
- **Changes of contract** – given a downturn in an economy an employer may announce that changes of contract are required to keep the organization in business. We have already noted the introduction of zero-hours contracts in the retail industry.
- **Lockout** – faced with mounting tension a firm may lock workers out of the workplace. This is a difficult and dangerous tactic. The publicity surrounding a lockout may create poor public relations and sympathy may shift from the employer to the employees, especially if some workers not covered by the union action wish to work (and earn a wage).
- **Closure of the workplace** – this is the last resort as clearly closure would not only have an impact on the employees but on the employers as well. Effectively, the organization could cease to exist, affecting the livelihoods of a number of stakeholders. Given increasing unemployment, this course of action would only be taken if all other means of settling the dispute had been exhausted.

Sources of conflict and resolution (A03)

Conflict within a dynamic large organization is inevitable. We have noted that some new organizations have tried to introduce greater democracy and empowerment into the workplace in order to reduce tensions but disagreements over pay levels, job responsibilities, working conditions and appraisal will lead to an uneasy working environment.

Even at Google, some disaffected employees have taken to social media to voice their concerns. An article in the UK newspaper *The Independent* (4 November 2012) printed a "thread" concerning some issues for those working for one of the most innovative companies in the world. According to the same article Google has the fourth highest **labour turnover** of the Fortune 500 top companies. Amazon is at number two in this list.

Possible solutions

Given the inherent tensions that may exist between employee and employer during an industrial dispute, a number of conflicts have been decided instead by a third or outside party in a process of **conciliation** and then **arbitration**. Once the conciliation process has taken place, the decision of the third party (the arbiter) is final. Both sides that decide to enter into conciliation must abide by the outcome. However, the process of deciding the outcome can take time and is costly.

Other employers have tried to use other tactics such as **no-strike** or **single-union agreements**:

- Employers may offer a union a deal where, in return for not striking, an employer may automatically allow a dispute to go to the conciliation process and then arbitration by a third party. This could lead to a much quicker resolution than if the strike had taken place.
- Single-union agreements allow the employer to avoid negotiating with three or four unions, which could delay final resolution and lead to competition between the unions for the best deal. Time, lost production and goodwill could all be saved through bargaining with only one union.

In extreme cases a firm may offer a no-union deal.

There are also other ways in which employers encourage the resolution of conflicts. Workers at Wal-Mart are treated as "associates" and through employee participation programmes are encouraged to participate in a form of industrial democracy giving workers rights collectively over the resolution of key issues. This model has been employed with enthusiasm in Japan, which has the lowest recorded number of strikes measured by working days lost (where reliable statistics exist). The system of participation has led to significant improvements in morale and productivity.

IB Learner Profile

Inquiry ?

Watch the 2005 documentary about Wal-Mart "The High Cost of Low Price" on DVD (available in long and short versions on YouTube).

Unfortunately, the Wal-Mart model has its critics with Wal-Mart being the most famous example of a company that did not allow union activity within the company or its supply chain. Recent criticism by pressure groups has softened Wal-Mart's perceived hard-line stance.

Conclusion

With changes in legislation making strikes more difficult and the need for employees and employers to work together a new era of workplace relations may be upon us. Clearly, the recent social, economic and technological changes noted earlier have aided this process.

Resistance to change (A02)

We have already considered Lewin's model of force field analysis (in unit 1.7) and used an example of how this model could be used to help an organization change and adopt a new strategy. In this section we must go back and analyse possible reasons for resistance to change and how an organization may act to reduce but not eliminate the impact of change.

Reasons for resistance

With any new strategic decision to change there will always be resistance. This resistance will mostly stem from fear caused by misinformation and misinterpretation so that the various stakeholders involved do not know exactly what the changes

may mean for them. We can anticipate a number of stakeholder responses to planned change:

- When will the changes take place?
- Who will be affected and why?
- My job is important to the success of this organization (self-interest response).
- Why do we need to change? We seem to be doing fine as it is (low-tolerance response).
- It is other departments' fault (self-interest response).

We can summarize and broaden this resistance to change by considering the viewpoints of a selection of stakeholders (see Table 2.6.1).

Stakeholder	Resistance due to:
Line workers	fear of new working practices, threat to Maslow lower-order needs such as security, love and belonging
Customers	fear of losing a product that they were loyal to
Suppliers	fear of losing a place in the supply chain; fear of job losses and lost revenue
Managers	fear of having to implement change and dealing with adverse reaction by line workers

Table 2.6.1 Reasons for various stakeholders' resistance to change

Reducing the impact of change

In unit 1.7 we looked at the process of reducing the impact of change using Lewin's model of force field analysis. According to this model, in order to effect change the drivers (the reasons for change to occur) need to be able to move the organization to a new status quo and reduce the power or influence of the restrainers (the resistors to change).

This is easier said than done. To achieve successful implementation, a number of operational tactics will need to be used.

As we saw in unit 1.7, Dearden and Foster (1992) argue:

- The team charged with implementing change must have authority to implement change, which is understood by those affected by that change.
- The board of directors through the CEO must indicate that change is necessary and extol clearly the virtues of this change for the whole organization.
- The change process, including contingencies, must be clearly communicated to all stakeholders early, including (as accurately as possible) time lines for implementation.
- Early successful outcomes of the change must be clearly communicated and celebrated.
- A constant reminder of the goals and objectives of the strategy change must be highlighted prominently around the workplace.

It would seem that clear effective communication and management play a crucial part in the change process.

Conclusion

Again we must consider the thoughts of Gary Hamel, who has indicated on a number of occasions that change is pervasive and inevitable. Organizations that do not adapt their management systems, their ability to innovate given that knowledge is now a commodity and their ability to recruit and attract the best "generation Y" workers will lose their place in the market-place. HR strategies, given the significant changes in working patterns and practices, the onset of globalization and rapid social and technological change, have to adapt given that most of the management theory now being discussed in business textbooks was created nearly 100 years ago. This is a major challenge for all organizations.