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Chapter 1
The people–organisation relationship

In an increasingly competitive business environment it is important to understand the nature of the people–organisation relationship and its main influences on behaviour in the workplace.

Learning outcomes

After completing your study of this chapter you should have enhanced your ability to:

- explain the significance of the people–organisation relationship;
- detail a multidisciplinary perspective and interrelated influences on behaviour;
- explain analysis of the organisation as an open system;

- outline the contribution of Human Resource Management;
- evaluate the nature and importance of the psychological contract;
- detail systems of organisation and management;
- assess the impact of globalisation, and the international and cultural context.

Outline chapter contents

Overview topic map: Chapter 1 – The people–organisation relationship

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Hofstede: dimensions of culture   **Trompenaars: cultural diversity**

↑

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Chapter 15

People and organisation!

Before commencing to read this chapter, what do YOU understand by the nature of the people–organisation relationship?

Integrating the individual and the organisation

In Chapter 0 we referred to organisational behaviour in terms of individual and group behaviour, patterns of structure and management and organisational performance. It is worth recalling this definition as the underlying basis for organisational behaviour as a whole is **the nature of the people–organisation relationship**.

One of the strongest critics of the formal organisation is *Argyris* (1964) who claims this restricts individual growth and self-fulfilment in a psychologically healthy person and causes a feeling of failure, frustration and conflict. Argyris calls for closer integration of the individual and the organisation in a more 'authentic' relationship for its members.[1] **See also criticisms of bureaucracy in Chapter 11.**

In an atmosphere of constant change and uncertainty, organisational survival and success is dependent upon satisfying the needs and expectations of people at work in order to achieve or exceed the goals of the organisation. **This demands creating an organisational climate in which people work both willingly and effectively**.

Perception of treatment by the organisation

People generally respond in the manner in which they are treated. It could be argued that the majority of people come to work with the original attitude of being eager to do a good job and desirous of performing well to the best of their abilities. Where

actual performance fails to match the ideal is largely a result of how people perceive they are treated by the organisation. Many problems in the people–organisation relationship arise from the manner in which decisions and actions of the organisation are actually carried out. Often, it is not so much the intent but the manner of implementation that is the root cause of staff unrest and dissatisfaction. For example, staff may agree (even if reluctantly) on the need for the organisation to introduce new technology to retain its competitive efficiency but feel resentment about the lack of prior consultation, effective retraining programmes, participation in agreeing new working practices and wage rates.

A heavy responsibility therefore is placed on managers – on the processes, activities and styles of management. Attention must be given to the work environment and appropriate systems of motivation, job satisfaction and rewards. It is important to remember that improvement in organisational performance will come about only through people. **See the discussion on managing with and through people in Chapter 10.**

Management of human capital

Over the years a number of writers have suggested organisations do not fully recognise people as a vital asset or how best to invest in them.[2] Attention to a more strategic approach to the management of people at work has given rise to the concept of **human capital** (HC) and acceptance of the belief that the way organisations manage people affects their performance. Although there is no generally agreed definition, the term is widely used to denote a strategic approach to people management that focuses on issues critical to the success of an organisation. A sample definition is that by *Thomas et al.* (2013) who define HC as 'the people, their performance and their potential in the organisation'[3]. A fuller definition is given by *Bontis et al.* (1999) as:

> the human factor in the organisation; the combined intelligence, skills and expertise that gives the organisation its distinctive character. The human elements of the organisation are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organisation.[4]

Gratton (2004) refers to three interrelated elements of human capital – intellectual, emotional and social – which have implications for both individuals and organisations.

- **Intellectual capital** is at the heart of individual development and creation of knowledge and personal value. This enables the exercise of choice.
- **Emotional capital** enables continual growth and fulfilment of ambition. It is maintained through self-awareness and insight.
- **Social capital** arises from forging of relationships. Traditional hierarchical roles and responsibilities are being replaced by integrated structures and relationships of trust and reciprocity.[5]

According to the *CIPD* (2017) many modern-day organisations have come to realise the organisation's intangible assets such as knowledge and skills of employees are fundamental to creating value and attaining competitive advantage. A growing body of evidence demonstrates a positive link between the development of HC and performance and underlines the vital role social capital plays at both the individual

and organisational level in terms of creating value and stimulating new knowledge and innovation. At the individual level, HC theory suggests that investment in education and training increases skill level and productivity thus justifying higher earnings. At the organisational level HC can help in the creation of competitive advantage and facilitate strategic outcomes.[6]

How would YOU describe the essential characteristics that make for a meaningful and successful people–organisation relationship?

Organisational analysis

In order to study the behaviour of people within organisations it is necessary to have some understanding of the operations and functioning of organisations as a whole. Accordingly, although the main focus of this book is on the more micro level of organisational behaviour (OB), there is inevitably a close interrelationship with a broader approach that might be termed organisational analysis (OA). In terms of study of the subject area there is little clear distinction between the two approaches, both of which are concerned with the people–organisation relationship. This is a recurring theme and integral feature of the contents of this book.

For example, the examination of people as individuals, their motivations, behaviour in group situations, relationships with colleagues and responses to styles of leadership styles cannot be divorced from a wider study of different ideas and approaches to the structure and management of organisations as a whole and to applications of organisational theory, discussed in **Chapter 11**. *See* **Figure 1.1**.
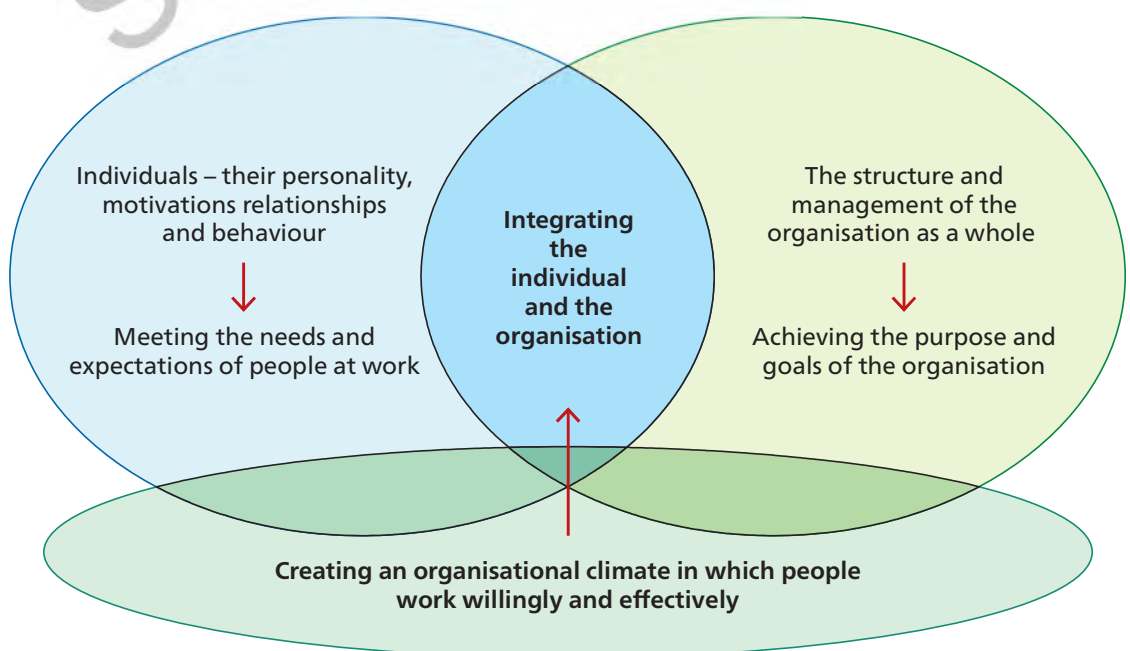
Figure 1.1 Integrating the individual and the organisation

Conceptualising an organisation

Rollinson (2008) identifies a number of ways in which to conceptualise an organisation.

- **As artefacts** – organisations do not exist in nature but are brought into existence by humans.
- **Goal directed** – created to serve some purpose, although not everyone necessarily has the same common goal or is aware of the goals pursued by the organisation.
- **Social entities** – although a one-person business can be conceived, organisations usually consist of more than one person and normally this is how the term is meant.
- **Structured activity** – human activity is deliberately structured and co-ordinated into identifiable parts or services in order to achieve a purpose or the goals of the organisation.
- **Nominal boundaries** – it is usually possible to identify nominal boundaries that provide some consensus about who or what is part of the organisation or belong elsewhere.

On this basis, Rollinson provides a basic definition of an organisation as:

> **Social entities brought into existence and sustained in an ongoing way by humans to serve some purpose, from which it follows that human activities in the entity are normally structured and coordinated towards achieving some purpose or goals.**[7]

Strictly, organisations have no goals, only people do. Success of the organisation is measured by the progress of people satisfying goals set by people. This gives rise to the questions:

- To what extent does an organisation have one common set of goals or is there diversity among the various goals of different departments or sections of the organisation?
- To what extent do individual members obtain satisfaction of their own goals (needs and expectations) through the attainment of organisational goals?

If organisational goals and personal goals are pulling in different directions, disharmony and conflict will arise and performance is likely to suffer. Ideally people may realise their own personal goals by helping the organisation to satisfy its goals. Only when organisational goals are shared by members of the organisation will complete integration be achieved. In practice this is unlikely and as *McGregor* (1987) for example points out:

> **Perfect integration of organizational requirements and individual goals and needs is, of course, not a realistic objective. In adopting this principle, we seek that degree of integration in which individuals can achieve their goals by directing efforts towards the success of the organization.**[8]

Organisational goals, objective and policy are discussed in Chapter 15.

Following the global pandemic and effects of Covid 19, organisations were forced to consider alternative forms of work patterns and delivery, including working from home. To what extent can the goals of an organisation still be met with a workforce working from home?

A multidisciplinary perspective

Whatever the approach, the study of organisational behaviour and the people–organisation relationship cannot be undertaken entirely in terms of a single discipline. It is necessary to recognise the influences of a multidisciplinary, behavioural science perspective. Although there are areas of overlap among the various social sciences and related disciplines such as economics and political science, the study of human behaviour can be viewed in terms of three main disciplines – **psychology**, **sociology** and **anthropology**. All three disciplines have made an important contribution to the field of organisational behaviour **(see Figure 1.2)**.

A **psychological** approach has the main emphasis on the individuals of which the organisation is comprised. The main focus of attention is on the individual as a whole person, or what can be termed the 'personality system', including, for example, perception, attitudes and motives. Psychological aspects are important but by themselves provide too narrow an approach for the understanding of organisational behaviour. Our main concern is not with the complex detail of individual differences and attributes *per se* but with the behaviour and management of people within an organisational setting.

A **sociological** approach is concerned with a broader emphasis on human behaviour in society. Sociological aspects can be important. The main focus of attention is on the analysis of social structures and positions in those structures, for example, the relationship between the behaviour of leaders and followers. A number of sociology writers seem set on the purpose of criticising traditional views of organisation and management. Many of the criticisms and limitations are justified and help promote healthy academic debate. However, much of the argument tends to be presented in the abstract and is lacking in constructive ideas on how, in practical terms, action can be taken to improve organisational performance.
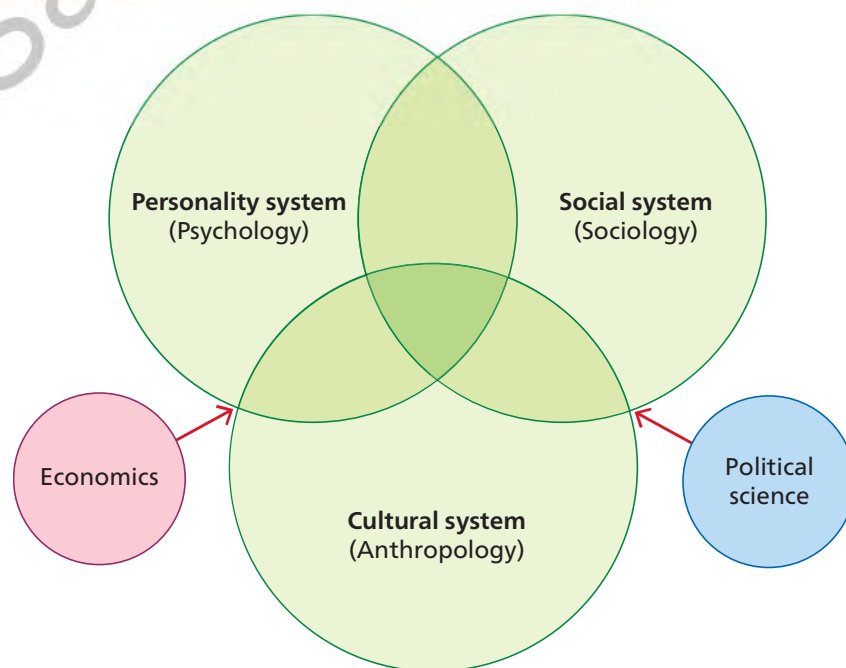
Figure 1.2 Organisational behaviour: a multidisciplinary approach

Anthropologists are more concerned with the science of humankind and the study of human behaviour as a whole. As far as organisational behaviour is concerned the main focus of attention is on the cultural system, the beliefs, customs, ideas and values within a group or society, and the comparison of behaviour among different cultures – for example, the importance to Muslim women of wearing trousers to work. People learn to depend on their culture to give them security and stability and they can suffer adverse reactions to unfamiliar environments.

The contribution of relevant aspects of psychology, sociology and anthropology underpins the field of organisational behaviour. We need also to consider the relevance and applications of philosophy, ethics and the law.

Positive organisational behaviour (POB)

A different approach to OB is that of positive organisational behaviour (POB) which takes a functionalist or positivist approach. In recent years increasing attention has been given to **positive psychology** which is defined broadly as: 'the scientific study of what makes life most worth living'. Although arguably originated by *Maslow* in his hierarchy of needs theory in 1954 **(*see* Chapter 7)**, positive psychology is associated with the work of *Martin Seligman* in 2000.[9] Rather than focus on finding out what was wrong with people – the 'disease' model – positive psychology complements traditional psychology by focusing on determining how things go right and how to enhance people's satisfaction and well-being.

Peterson (2008) suggests that the topic of morale can also be placed under the positive psychology umbrella. Morale is used as a cognitive, emotional and motivational stance toward the goals and tasks of a group. In the same way that life satisfaction is an indicator of individual well-being, morale is an indicator of group well-being.[10]

Applications to the work situation

To what extent can positive psychology be applied to the work organisation? *Wong and Davey* (2007) maintain that each day in every organisation huge amounts of valuable resources are wasted because of human problems, wrong policies or poor training. The focus of leadership needs to be shifted from process and outcome to people and the development of social/emotional/spiritual capital. However, although positive psychology can be introduced into the workplace, they question the ability of managers to apply this to employees in a meaningful way.[11]

Donaldson and Ko (2010) maintain that the primary emphasis of POB is in the workplace and the accomplishment of work-related outcomes and performance improvement. Studies of POB have been conducted at the micro- and meso-levels of analysis using survey research and tend to develop from individual to group to organisational levels of analysis. There appears to be potential to invigorate research and applications in the traditional fields of industrial psychology and organisational behaviour.[12]

POB has been subject to much critique and there still exists some measure of confusion regarding just what constitutes the realm of 'positive' behaviour, and what distinguishes the positive organisational agenda from organisational behaviour in general. However, despite the sceptics and critics, *Wright and Quick* (2009) believe

that the role of positive organisational movement will continue to grow and prosper and gain significant attention in the applied sciences.[13]

Which of the social science disciplines do YOU believe makes the greatest contribution to an understanding of organisational behaviour and why?

Interrelated influences on behaviour

A multidisciplinary perspective provides contrasting but related approaches to the understanding of human behaviour in work organisations and presents a number of alternative pathways and levels of analysis. For our purposes a number of broad interrelated dimensions can be identified – the individual, the group, the organisation and the environment – which collectively influence behaviour in the workplace.

- **The individual.** Organisations are made up of their individual members. The individual is a central feature of organisational behaviour, whether acting in isolation or as part of a group, in response to expectations of the organisation or as a result of the influences of the external environment. Where the needs of the individual and the demands of the organisation are incompatible, this can result in frustration and conflict.

- **The group.** Groups exist in all organisations and are essential to their working and performance. The organisation comprises groups of people and almost everyone in an organisation will be a member of one or more groups. Informal groups arise from the social needs of people within the organisation. People in groups influence each other in many ways and groups may develop their own hierarchies and leaders. Group pressures can have a major influence over the behaviour and performance of individual members. An understanding of group structure and behaviour complements knowledge of individual behaviour and adds a further dimension to the study of organisational behaviour.

- **The organisation.** Individuals and groups interact within the structure of the formal organisation. Structure is created to establish role relationships between individuals and groups, to provide order and systems and to direct the efforts of the organisation into goal-seeking activities. It is through the formal structure that people carry out their organisational activities to achieve aims and objectives. Behaviour is influenced by patterns of structure, technology, styles of leadership and systems of management through which organisational processes are planned, directed and monitored.

- **The environment.** Applications of organisational behaviour and effective human resource management take place in the context of the wider environmental setting, including the changing patterns of organisations and work. The broader external environment affects the organisation through, for example, internationalisation, technological and scientific development, economic activity, social and cultural influences, governmental actions and corporate responsibility and ethical behaviour. The increasing rate of change in environmental factors has highlighted the need to study the total organisation and the processes by which the organisation attempts to adapt to the external demands placed upon it.

A framework of study

Chapter 0 pointed out that the study of organisational behaviour embraces an understanding of a wide range of interactions. In order to study the behaviour of people at work it is necessary to understand interrelationships with other variables that together comprise the total organisation. The bottom line is that sooner or later every organisation has to perform successfully if it is to survive. **Organisational performance and effectiveness is discussed in Chapter 16.**

This provides a convenient framework of study, *see* **Figure 1.3**.

A spirituality perspective on organisational behaviour

Another interesting approach to organisational behaviour is that of spirituality. *Daniel Pink* (2006), a bestseller in business books, advocates we take spirituality seriously and maintains that human beings have a natural desire to find meaning in their lives beyond the material.[14] For example, clinical research for evidence of a spontaneous miracle in the life of Mother Teresa of Calcutta before she could be made a saint in the Catholic Church is an instance of avoiding the risk of assumption and wishful thinking.
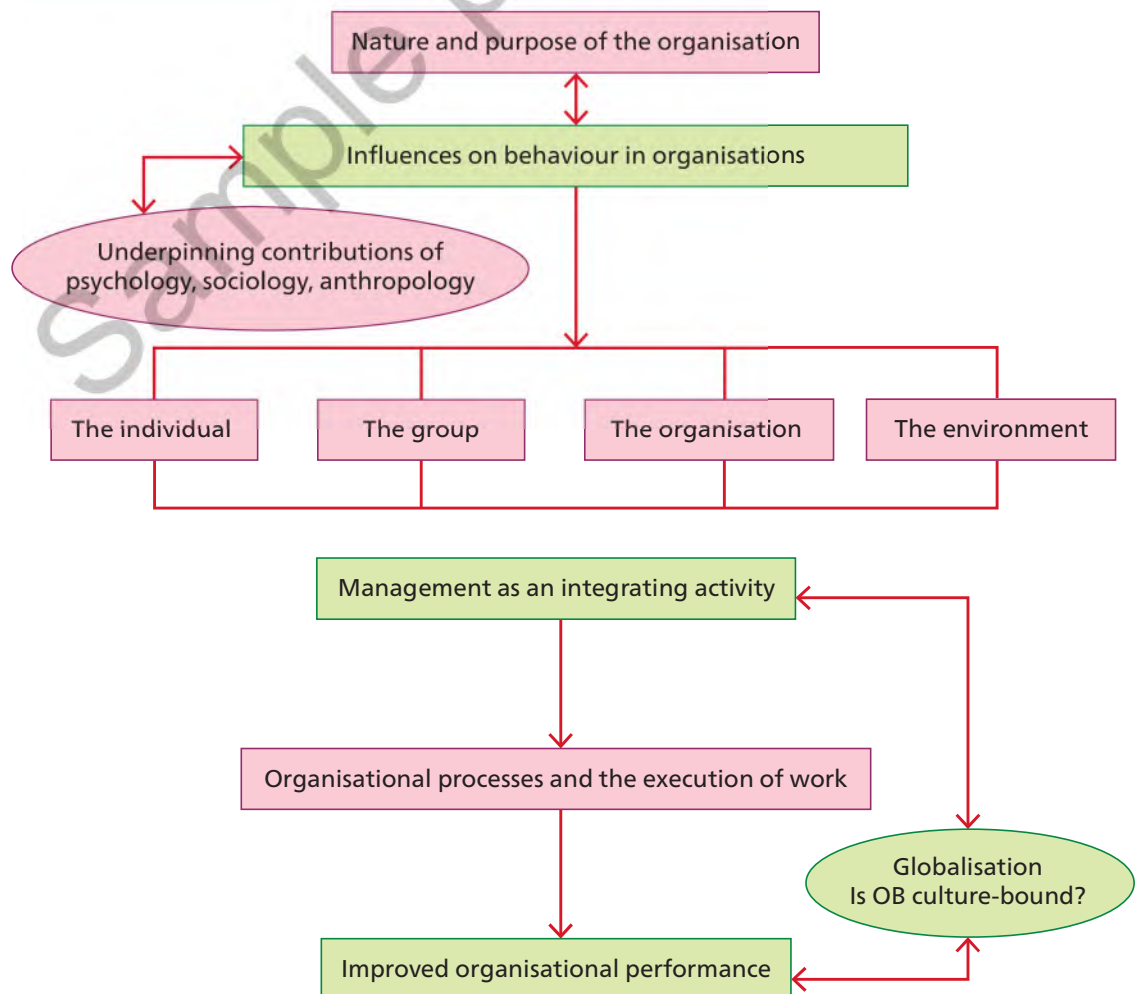
Figure 1.3 Organisational behaviour (OB): a basic framework of study

Hugo Misselhorn (2016), a renowned South African registered occupational psychologist, draws attention to a growing interest in the spiritual dimension in the workplace and exploration of passages in the Christian Bible that point to meaning or purpose in our lives beyond what we can see, touch, smell, hear and taste – or work out rationally. Misselhorn (2016) offers for consideration a spiritual perspective on organisational behaviour. There is more to human behaviour in the workplace than a clinical and 'scientific' application of the behavioural sciences devoid of a reference to God or a spiritual dimension in our lives.[15]

> What do YOU think about the meaning of spirituality in the workplace? Is it just 'pie in the sky' or a means of avoiding reality?

Left: House of The Virgin Mary, Ephesus, Turkey. Right: Prayer ribbons

Social exchange theory

An important feature that underlies the behaviour and interrelationships of people in organisations is that of **social exchange theory**. Rooted in cultural anthropology and economics, the central premise of social exchange theory is that a fundamental feature of human interaction is the exchange of social and material resources.[16] Social behaviour is determined by an exchange process. When people enter into a relationship with some other person there is the expectation of obtaining some kind of reward or benefit in exchange for giving something to the other person in return. Individuals seek to achieve a positive balance for themselves by maximising benefits and minimising costs of such exchanges. Social exchanges are influenced by a complex web of power relationships and as a result are not always equal but have an uneven balance of outcomes.[17]

Different relations and different expectations

The viability of social exchange theory relies on the assumption that individuals will engage in reciprocity and recognise the needs and wishes of other people. This draws attention to the importance of organisational climate. In different organisational

relationships there will be different expectations of the content and balance of the exchange, for example between a senior manager and subordinate or between fellow team members. The level of satisfaction from the exchange will depend not just upon the actual outcomes but the individual's expectation of likely outcomes.

The perceived outcomes of a present relationship may also be viewed in consideration of both past relationships and potential future relationships. The nature of social exchanges impacts upon many other features of the people–organisation relationship discussed later, including the psychological contract, patterns of communications, equity theory of motivation, group behaviour, leadership and management, control and power and organisational culture.

Quoting the work of *Koster et al.* (2011),[18] a *CIPD* (2017) report comments that social exchange theory suggests employees may perceive investment in general skills as an investment in their development and thus may reciprocate by staying with the incumbent firm.[19]

Organisational theory

No single approach to organisational behaviour can provide all the answers. A central part of the study is the development of different thinking on and approaches to the structure, management and functioning of organisations and their relationship with the external environment. This might be termed organisation theory. Managers reading the work of leading writers on the subject might see in their thoughts, ideas and conclusions a message about how they should behave. This will influence their attitudes towards actual practice and bring about change in behaviour.

Writing on organisational behaviour and management in some form or another can be traced back thousands of years. *Shafritz* (1992) makes an interesting observation about the contribution of *William Shakespeare* (1564–1616):

> While William Shakespeare's contribution to literature and the development of the English language have long been acknowledged and thoroughly documented, his contribution to the theory of management and administration have been all but ignored. This is a surprising oversight when you consider that many of his plays deal with issues of personnel management and organisational behavior.[20]

Importance of organisational theory

The study of organisation theory is important for the following reasons:

- It helps to view the interrelationships between the development of theory, behaviour in organisations and management practice.
- Theories are interpretive and evolve in line with changes in the organisational environment.
- Many of the earlier ideas are of continuing importance and later ideas tend to incorporate at least part of earlier ideas and conclusions.

However, if action is to be effective, the theory must be adequate and appropriate to the task and to improve organisational performance. It must be a 'good' theory. To

be of any help to the practising manager, theory has to be appropriate. For example, *Lee* (1990) refers to the danger of adopting theories because they are teachable, rather than because they are effective.[21]

Charles Handy (1993) refers to analysis as an important prerequisite of action and the usefulness of conceptual frameworks to the interpretation of organisational phenomena. Concepts of organisation theory, properly used and understood, should:

- help one to explain the Past, which in turn;
- helps one to understand the Present and thus;
- to predict the Future which leads to;
- more influence over future events; and
- less disturbance from the Unexpected.[22]

Gareth Jones (2013) suggests that knowledge about organisational design and change enables people to analyse the structure and culture of the organisation, diagnose problems and make adjustments that help the organisation achieve its goals.[23] **Figure 1.4** provides an outline of the relationship among organisation theory, structure, culture, design and change. **Organisational theory is discussed in more detail in Chapter 11**.

Organizational Theory

The study of how organizations function and how they affect and are affected by the environment in which they operate.

Organizational Structure

- The formal system of task and authority relationships that controls how people are to cooperate and use resources to achieve the organization's goals.
- Controls coordination and motivation; shapes behavior of people and the organization.
- Is a response to contingencies involving environment, technology, and human resources.
- Evolves as organization grows and differentiates.
- Can be managed and changed through the process of organizational design.

Organizational Design and Change

- The process by which managers select and manage various dimensions and components of organizational structure and culture so that an organization can control the activities necessary to achieve its goals.
- Balances the need of the organization to manage external and internal pressures so that it can survive in the long run.
- Allows the organization to continually redesign and transform its structure and culture to respond to a changing global environment.

Organizational Culture

- The set of shared values and norms that controls organizational members' interactions with each other and with people outside the organization.
- Controls coordination and motivation; shapes behavior of people and the organization.
- Is shaped by people, ethics, and organizational structure.
- Evolves as organization grows and differentiates.
- Can be managed and changed through the process of organizational design.

Figure 1.4 Relationship among Organisation Theory and Organisational Structure, Culture and Design and Change
Source: Jones G R *Organizational Theory, Design, and Change*, seventh edition, Pearson Education (2013), p. 30.

To what extent do YOU believe knowledge of organisational theory can help predict the future and results in less organisational disturbance from the unexpected?

The organisation as an open system

Organisations differ in many important respects, but also share common features and can be viewed as open systems which take inputs from the environment (outputs from other systems) and through a series of activities transform or convert these inputs into outputs (inputs to other systems) to achieve some objective. By adopting the systems view of organisations, we can identify principles and prescriptions of structure and management that apply to business organisations in general. Differences in the application and operation of these principles and prescriptions as between one organisation and another are largely a matter only of degree and emphasis.

In terms of the **open systems model** the business organisation, for example, takes in resources such as people, finance, raw materials and information from its environment, transforms or converts these and returns them to the environment in various forms of outputs such as goods produced, services provided, completed processes or procedures in order to achieve certain goals such as profit, market standing, level of sales or consumer satisfaction. *See* **Figure 1.5**.

All organisations need clear aims and objectives that will determine the nature of inputs, the series of activities to achieve outputs and the realisation of organisational goals. Feedback about the performance of the system, and the effects of its operation on the environment, is measured in terms of achieving aims and objectives. These common features make possible the application of general principles of organisational behaviour and the meaningful study of organisation theory. While general principles and prescriptions apply to all organisations, differences in their type and purpose, goals and objectives and environmental influences highlight the nature of the people–organisation relationship. This aids the analysis of alternative forms of structure and management, methods of
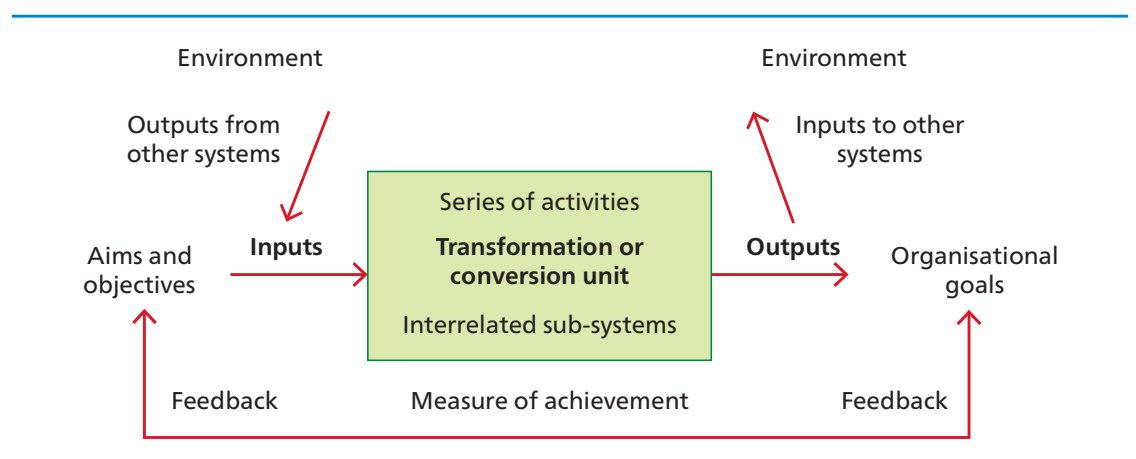
Figure 1.5 The open-systems model of organisations

operation, styles of leadership and the motivations and behaviour of people employed by or working in different organisations.

Organisational sub-systems

Within the organisation (system) as a whole, each of the different transformation or conversion activities may themselves be viewed as separate **organisational sub-systems**. A framework of five main interrelated sub-systems as a basis for the analysis of work organisations can be identified as:

- **Task** – the goals and objectives of the organisation: the nature of inputs and outputs and the work activities to be carried out in the transformation or conversion process.
- **Technology** – the manner in which the tasks of the organisation are carried out and the nature of work performance: the materials, systems and procedures and equipment used in the transformation or conversion process.
- **Structure** – patterns of organisation, lines of authority, formal relationships and channels of communication among members: the division of work and co-ordination of tasks by which the series of activities is carried out.
- **People** – the nature of the members undertaking the series of activities: for example, their attitudes, skills and attributes; needs and expectations; interpersonal relations and patterns of behaviour; group functioning and behaviour; informal organisation and styles of leadership.
- **Management** – co-ordination of task, technology, structure and people and policies and procedures for the execution of work: corporate strategy, direction of the activities of the organisation as a whole and its interactions with the external environment. **See Figure 1.6**.

Attention should be focused on the total work organisation and on interrelationships between the five main sub-systems – task, technology, structure, people and management. This provides a useful basis for the review of organisational performance and effectiveness.

Contingency models of organisation

Irrespective of the identification of sub-systems, the nature and scale of the series of activities involved in converting inputs to outputs will differ from one organisation to another in terms of the interrelationships between technology, structure, methods of operation and the nature of environmental influences. 'Contingency' models of organisation highlight these interrelationships and provide a further possible means of differentiation between alternative forms of organisation and management. The contingency approach takes the view that there is no one best, universal form of organisation. There are a large number of variables, or situational factors, that influence organisational performance. (**Contingency models are examined in Chapter 11**.)

To what extent are YOU able to analyse the effectiveness of your university in terms of the five interrelated organisational sub-systems?

ENVIRONMENT   ENVIRONMENT

Figure 1.6 Organisational sub-systems

Organisation and management systems

The significance of the people–organisation relationship and management as an integrating factor was highlighted by *Likert* (1961) writing in the 1960s and 1970s.[24] On the basis of a questionnaire to managers in over 200 organisations and research into the performance characteristics of different types of organisations, Likert established a profile of characteristics describing the nature of four different management systems in terms of a table of organisational variables under the headings of:

1. leadership processes;
2. motivational forces;
3. communication processes;

4. interaction–influence processes;
5. decision-making processes;
6. goal-setting or ordering; and
7. control processes.

These management systems are designated by number:

- **System 1 – Exploitive authoritative.** Decisions are imposed on subordinates, motivation is based on threats, there is very little teamwork or communication; responsibility is centred at the top of the organisational hierarchy.
- **System 2 – Benevolent authoritative.** There is a condescending form of leadership, motivation is based on a system of rewards, there is only limited teamwork or communication; there is responsibility at managerial levels but not at lower levels of the organisational hierarchy.
- **System 3 – Consultative.** Leadership involves some trust in subordinates, motivation is based on rewards but also some involvement, there is a fair degree of teamwork, and communication takes place vertically and horizontally; responsibility for achieving the goals of the organisation is spread more widely throughout the hierarchy.
- **System 4 – Participative.** Leadership involves trust and confidence in subordinates, motivation is based on rewards for achievement of agreed goals, there is participation and a high degree of teamwork and communication; responsibility for achieving the goals of the organisation is widespread throughout all levels of the hierarchy.

Supportive organisational relationships

The nearer the behavioural characteristics of an organisation approach System 4, the more likely this will lead to long-term improvement in staff turnover and high productivity, low scrap, low costs and high earnings. Likert sets out three fundamental concepts of System 4 management. These are the use of:

- the principle of supportive relationships among members of the organisation and in particular between superior and subordinate;
- group decision-making and group methods of organisation and supervision; and
- high performance aspirations for all members of the organisation.

Supportive relationships are intended to enhance self-esteem and ego-building, contribute to subordinates' sense of personal worth and importance and maintain their sense of significance and dignity. The superior's behaviour is regarded as supportive when this entails:

- mutual confidence and trust;
- helping to maintain a good income;
- understanding of work problems and help in doing the job;
- genuine interest in personal problems;
- help with training to assist promotion;

- sharing of information;
- seeking opinions about work problems;
- being friendly and approachable; and
- giving credit and recognition where due.

Likert (1961) refers to studies that suggest that employees generally want stable employment and job security, opportunities for promotion and satisfactory compensation. They also want to feel proud of their organisation and its performance and accomplishments. In System 4 management, superiors should therefore have high performance aspirations, but so should every member of the organisation. To be effective, these high performance goals should not be imposed but set by a participative mechanism involving group decision-making and a multiple overlapping group structure. The mechanism should enable employees to be involved in setting high performance goals that help to satisfy their needs.
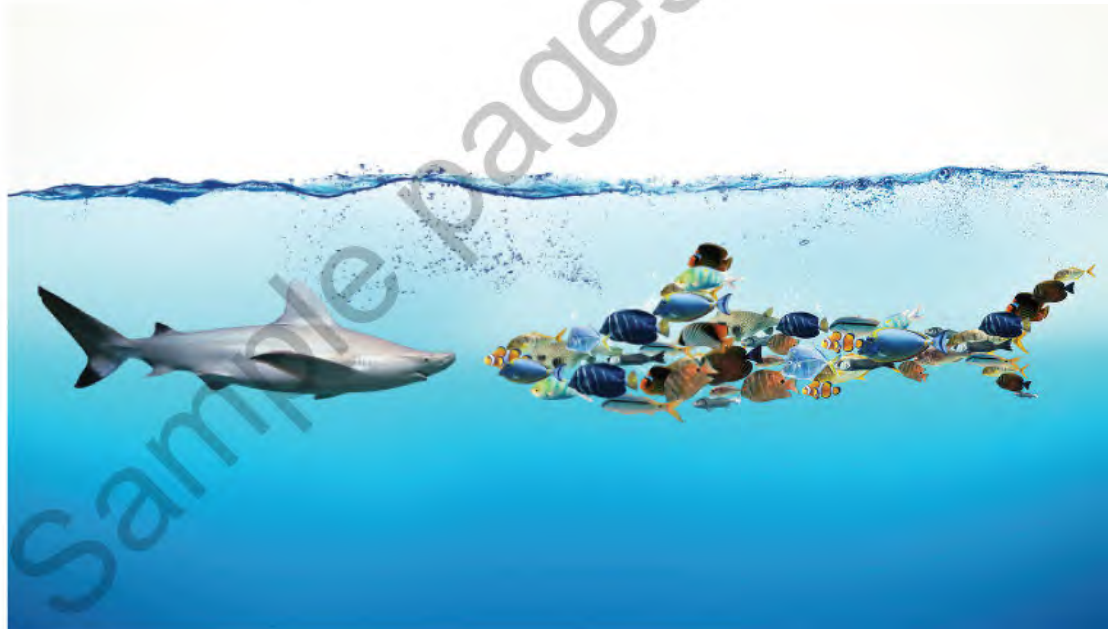
The ultimate people–organisation relationship?

Contribution of Human Resource Management (HRM)

At the heart of successful management is integrating the individual and the organisation, and this requires an understanding of both human personality and work organisations. People and organisations need each other and Human Resource Management (HRM) is an important part of this relationship. Although often studied as a separate subject area there is a substantial interrelationship between organisational behaviour and HRM as can be seen by the content of **Chapter 10**.

It is important always to remember that it is people who are being managed and people should be considered in human terms. Unlike physical resources, the people resource is not owned by the organisation. People bring their own
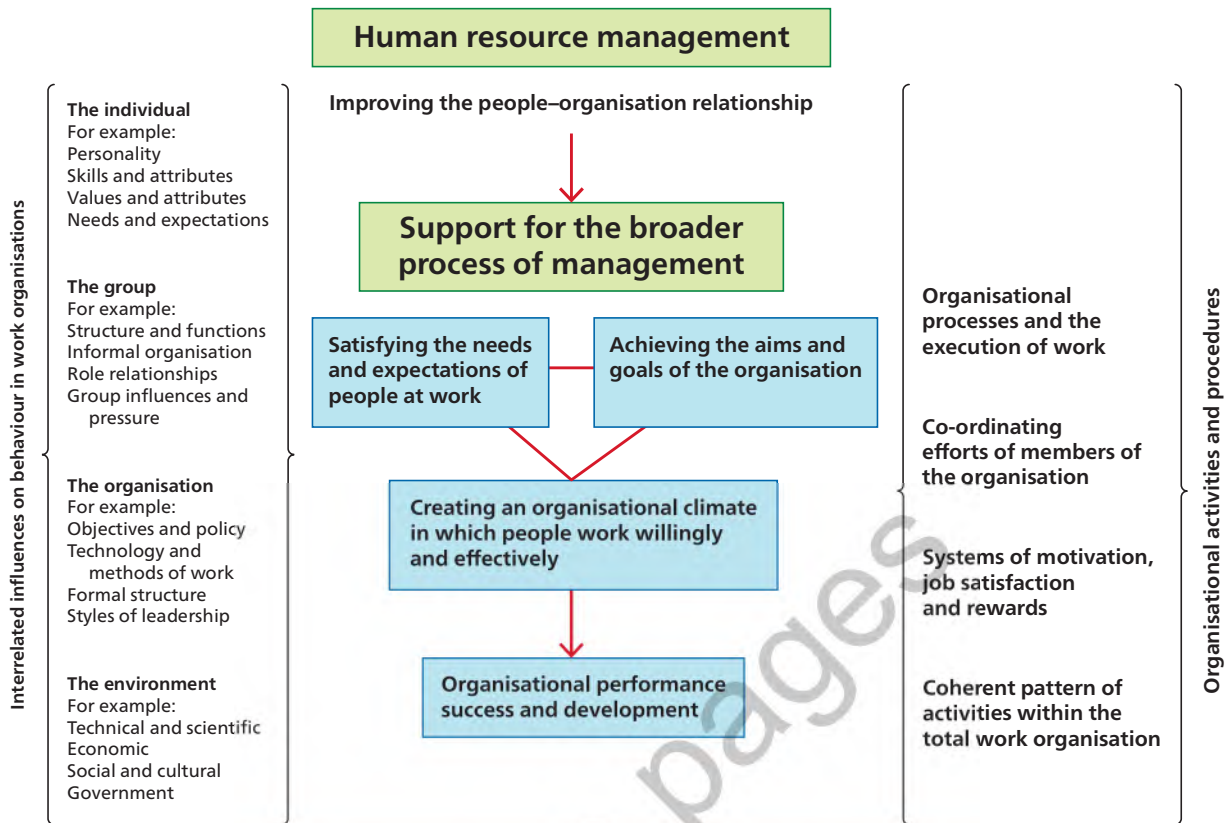
Figure 1.7 Organisational behaviour and human resource management

perceptions, feelings and attitudes towards the organisation, systems and styles of management, their duties and responsibilities, and the conditions under which they are working.

Support for the process of management

Whatever the individual's orientations to work, the nature of the work organisation or cultural influences, efforts of members of the organisation need to be co-ordinated, directed and guided towards the achievement of its goals. HRM should serve to support the broader process of management and delivering organisational practices and the execution of work. It should help reconcile the needs of people at work with the requirements of the organisation and creation of an organisational climate in which people work willingly and effectively. **(*See* Figure 1.7.)**

The style of HRM adopted can be seen as a function of the organisation's attitudes towards people and assumptions about human nature and behaviour.

According to *Gratton* (2004), for example:

When people are engaged and committed they are more likely to behave in the interests of the company and they have less need to be controlled and measured. In essence, engaged people can be trusted to behave in the interests of the company, in part because they perceived their interests to be the same as, or aligned with, the interests of the company.[25]

Watch the video of *Dan Ariely* (www.youtube.com/watch?v=5aH2Ppjpcho) on what makes us feel good about work. Consider the psychological contract from your own perspective.

The psychological contract

One significant aspect of organisational behaviour and the people−organisation relationship is the concept of the **psychological contract**. This has its roots in social exchange theory and the relationship between the individual and the organisation. This is not a written document or part of a formal agreement but implies a series of mutual expectations and satisfaction of needs arising from the people−organisation relationship. The psychological contract covers a range of expectations of rights and privileges, duties and obligations that have an important influence on people's behaviour.

The psychological contract is also an important factor in the socialisation of new members of staff to the organisation. Early experiences of the people−organisation relationship have a major effect on an individual's perception of the organisation as a place to work and the quality of management, and can have a major influence on job satisfaction, attitude and levels of performance.

Nature and extent of expectations

The nature and extent of individuals' expectations vary widely, as do the ability and willingness of the organisation to meet them. It is difficult to list the range of implicit expectations that individuals have and these expectations also change over time. They are separate from any statutory requirements placed upon the organisation; they relate more to the idea of social responsibility of management (**discussed in Chapter 15**). The organisation will also have implicit expectations of its members. The organisational side of the psychological contract places emphasis on expectations, requirements and constraints that may differ from, and may conflict with, an individual's expectations. Some possible examples of the individual's and the organisation's expectations are given in **Figure 1.8**.

Process of balancing

It is unlikely that all expectations of the individual or of the organisation will be met fully. There is a continual process of balancing and explicit bargaining. The nature of these expectations is not defined formally and although the individual member and the organisation may not be consciously aware of them, they still affect relationships between them and have an influence on behaviour. *Stalker* (2000) suggests that successful companies are those that have the ability to balance the unwritten needs of their employees with the needs of the company. Such

Individual's expectations of the organisation

- Provide safe and hygienic working conditions.
- Make every reasonable effort to provide job security.
- Attempt to provide challenging and satisfying jobs, and reduce alienating aspects of work.
- Adopt equitable human resource management policies and procedures.
- Respect the role of trade union officials and staff representatives.
- Consult fully with staff and allow genuine participation in decisions that affect them.
- Implement best practice in equal opportunity policies and procedures.
- Reward all staff fairly according to their contribution and performance.
- Provide reasonable opportunities for personal development and career progression.
- Treat members of staff with respect.
- Demonstrate an understanding and considerate attitude towards personal problems of staff.

Organisational expectations of the individual

- Uphold the ideology of the organisation and the corporate image.
- Work diligently in pursuit of organisational objectives.
- Adhere to the rules, policies and procedures of the organisation.
- Respect the reasonable authority of senior members of staff.
- Do not take advantage of goodwill shown by management.
- Be responsive to leadership influence.
- Demonstrate loyalty, respect confidentiality and not betray positions of trust.
- Maintain harmonious relationships with work colleagues.
- Do not abuse organisational facilities such as email or internet access.
- Observe reasonable and acceptable standards of dress and appearance.
- Show respect and consolidation to customers and suppliers.

Figure 1.8 The psychological contract: possible examples of individual and organisational expectations

companies use a simple formula of Caring, Communicating, Listening, Knowing and Rewarding.

- **Caring** – demonstrating genuine concern for individuals working in the organisation;
- **Communicating** – really talking about what the company is hoping to achieve;
- **Listening** – hearing not only the words but also what lies behind the words;
- **Knowing** – the individuals who work for you, their families, personal wishes, desires and ambitions;

- **Rewarding** – money is not always necessary; a genuine thank-you or public recognition can raise morale.[26]

Moral contract with people

The changing nature of organisations and individuals at work has placed increasing pressures on the awareness and importance of new psychological contracts. *Ghoshal et al*. (2000) suggest the new management philosophy needs to be grounded in a very different moral contract with people. Rather than being seen as a corporate asset from which value can be appropriated, people are seen as a responsibility and a resource to be added to. The new moral contract also demands much from employees, who need to abandon the stability of lifetime employment and embrace the concept of continuous learning and personal development.[27]

What examples can YOU give of the psychological contract between yourself and fellow students; and your university (or faculty/department)?

Globalisation and the international context

Many commentators have identified the increasingly international or global arena in which business organisations operate. This international environment and resultant cultural implications have a challenging impact upon the nature of the people–organisation relationship.

Globalisation may be viewed in different ways but in broad terms, refers to organisations integrating, operating and competing in a worldwide economy. The organisations' activities and methods of production are linked in locations across the world rather than confined nationally. The following factors are frequently cited as potential explanatory factors underlying this trend:

- Improvements in international information and communication facilities leading to an increased consciousness of differences in workplace attitudes and behaviour in other societies.
- International competitive pressure, for example the emergence of newly industrialised and/or free-market nations, including the Far East region and former communist bloc countries.
- Increased mobility of labour.
- International business activity, for example, overseas franchising or licensing agreements, outsourcing of business units to other countries (call centres provide a topical example), direct foreign investment and the activities of multinational corporations which, by definition, operate outside national boundaries.
- Greater cross-cultural awareness and acceptance of the advantages of diversity.

A significant feature of globalisation for Western economies is the economic growth and development of countries known as BRIC: Brazil, Russia, India and China (Korea is sometimes included). Other commentators however question the extent to which the trend towards globalisation will continue. It is not spreading evenly and not all societies are in a position to trade on a global scale. Some chose to reject, or to even demonstrate against, the increasing movement towards globalisation.

The future of globalisation

Globalisation has been subjected to much criticism, in part due to lack of clarity as to its exact meaning and to the confusion about organisations that are very large-scale (such as Walmart in the USA) but have only a small proportion of their operations on a global basis. Globalisation has also become the subject of demonstrations and has been blamed for escalating inequalities in the developing world and endangering regional cultures. There appears to be a return to strong nationalistic tendencies in countries such as America and France.

By contrast, *McLean* (2006) maintains that globalisation is here to stay – it won't go away and if anything will get worse. 'We must face the realism that the world, and indeed organisations and the way they are managed, will never be the same. We must encompass these changes and harness the opportunities they present.'[28] *French* (2010), however, reminds us that social trends are by their very nature, fluctuating. For example it is quite possible that the trend for global flows of workers may decrease in importance or even be reversed in the future.[29]

The cultural environment

Whatever the extent of globalisation, there are clear implications for organisational behaviour in accommodating international dimensions of management and cultural differences. There are also concerns about the loss of national or regional cultural identities. As organisations, and especially large business organisations, adopt a more global perspective this will have a significant effect on the broader context of organisational behaviour including diversity and inclusion, styles of leadership, systems of communication and human resource management. Globalisation will also impact on the nature of social responsibilities and business ethics with fears of increased inequalities at work.

The importance of people in business understanding cultural differences is illustrated by IBM, which publishes for members of staff a comprehensive guide to the main dimensions of culture and business, and an introduction to concepts, tips, resources and tools for building cross-cultural competencies across national, organisational, team and interpersonal barriers.

Variations in workplace attitudes and behaviour

Another advantage of adopting a cross-cultural approach to the study of organisational behaviour, and to the management of people more generally, lies in the recognition of variations in workplace attitudes and behaviour between

individuals and groups in different cultural contexts. As an example, Japanese corporate culture is permeated by unquestioning obedience and loyalty. This at least in part was said to be a reason for the Toshiba accounting scandal in 2015. In India people often have to work against an environment of chaos, corruption and lacking water or power in their homes.

In America, there is a strong commitment to the organisation (the corporation) and work and career are taken very seriously (as LJM has experienced for himself). Hard work is accepted as part of the American way of life and good timekeeping is important. It is a long-hours culture and generally there is little concern for the work/life balance. There is a strong emphasis on political correctness and little banter or humour at work (again as LJM found out to his cost), especially not in formal meetings. Americans do not like self-deprecation and find it strange that the British are prepared to laugh at themselves.

In China there is an enormous bureaucracy and hierarchy is an important indication of authority. In the business world you may need to deal with several ascending levels of management before reaching the senior manager. There can be an apparent lack of courtesy – and rather than being taken as given, respect and trust have to be earned. There is a strong superior−subordinate relationship, with staff often undertaking menial tasks for their boss.[30] In Japan and Korea, where society tends to be male-dominated, in the business world men are more likely to be taking the main role in setting agendas, communications and decision-making.

According to *Hare* (2012) we need to embrace the opportunities international management brings. All countries have their issues but whatever the customs, differences and similarities most cultures recognise the need to get something done. Successful international management boils down to five simple principles:

1. Listen well so you understand the rationale, motivations and outcomes desired by the other party.
2. Take time to do your research and homework.
3. Be courteous and polite and mindful of local manners and customs.
4. Develop good working relationships through trust and respect.
5. Embrace the opportunities from international management.[31]

A summary of organisational culture is set out in the concept map Figure 1.9.

What do YOU see as the most significant impact of globalisation? What experiences do you have of different workplace attitudes and behaviours?

Examples of cultural environment

Organisational culture

* **Shared values and norms**
* **Development & change**
* **Culture and management**
* **Dimensions of culture**
* **Definitions**

Two definitions
(from very many)

'The collection of traditions, policies, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organisation.' (MCLEAN AND MARSHAL 1993)

'How things are done round here' (DRENNAN 1992)

Hofstede
Working on national & regional cultural groupings, identified five dimensions of culture affecting organisations

Masculinity v Femininity
- Identified in the dominant value of the society
Masculinity concerned with:
- Assertiveness
- Acquisition of wealth & things
- Live to work
- Clear sex roles, leading to male dominance
Femininity concerned with:
- Quality of life
- Working to live
- Fluid sex roles, leading to equality

Power distance
Dimension relates to people as subordinates & their attitude to superiors. Large power distance mean superiors are held in awe as inaccessible (probably autocratic) persons/leaders
- Having a powerful superior whom one can blame (& praise) satisfies the need to avoid uncertainty
- Cultures with strong uncertainty avoidance trends don't take risks & don't conform to Maslow's perception of a hierarchy of human needs (Western)

Long-term/short-term orientation
(originally labelled 'Confucian work dynamism').
Countries scoring highly on Confucian work dynamism or long-term orientation exhibited a strong concern with time along a continuum, Therefore both past - & future-oriented, preoccupation with tradition & concern with the effect of actions and policies on future generations.

Collectivist environment
Local employees need ties with the organisation for mutual loyalty & emotional dependence. Emphasises 'belonging' (Prefers non-capitalist order)

Uncertainty avoidance
- Low U.A suggests a culture of risk takers; a concern with performance & doing something to satisfy needs

Organisation culture
Determines the way people in the organisation
* Regard and treat:
  - each other
  - their job
  - the organisation
* Approach their challenges
* Solve their problems
* Represent their organisation to:
  - customers/clients

• Shared values and norms
• Controls organisational members interactions with people inside and out side of the organisation
• Controls coordination and motivation shapes behaviours
• Is shaped by people ethics & structure
• Evolves as organisation grows and differentiates
• Can be managed & changed through organisational design

Top management set the formal culture of the organisation, but sub-cultures are very common:
- shift workers
- creative departments
- maintenance sections
- IT specialists in generalist organisations
In extreme cases, these sub-cultures can undermine the main organisation culture

Development & change
An organisation's culture is not necessarily constant, & may be subject to change over short or long timescales and/or the organisation type or size
Organisation size
Reasons for changing

Culture may change because of:
• Mergers & acquisitions
• Influential culture-determining staff leaving (or joining) the organisation
• Existing culture seen to be inappropriate to the business
• Existing culture contrary to new legislation
• Influential external stakeholder pressures

Setting the culture
Some tendencies in culture setting in smaller & larger organisations:

Smaller organisations	Larger organisations
• Highly dependent on owner/manager attitudes • Not always the subject of conscious thought • Subject to arbitrary change	• Formally related to business processes • Subject to more careful scrutiny & control • Not changed without debate

NB these are tendencies & not absolutes

Company policy implications
* If differences in environmental cultures are obvious, Western management theories are constrained
* If culture matters policies are less effective in different cultural environments
* Identical personnel policies may have differing effects in different countries
* Also perceptions of absenteeism; financial incentives; performance; quality costs; grievance procedures; labour turnover etc

Implications for training managers (INTL)
If destined to work abroad, they need a thorough familiarisation with the new culture using:
* Specialised cross-cultural training institutes, or
* Host country personnel to advise them

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Figure 1.9 Personal skills and employability
Source: Copyright © 2011 The Virtual Learning Materials Workshop. Reproduced with permission.

Is organisational behaviour culture-bound?

While it can be valuable to apply organisational behaviour concepts to diverse cultural settings, it should also be kept in mind that some **universal** theories and models may, in reality, contain important culturally derived assumptions. When examining classical frameworks for understanding organisation structure *Schneider and Barsoux* (2003) point out: 'Theories about how best to organise – Max Weber's (German) bureaucracy, Henri Fayol's (French) administrative model, and Frederick Taylor's (American) scientific management – all reflect societal concerns of the times as well as the cultural background of the individuals.'[32]

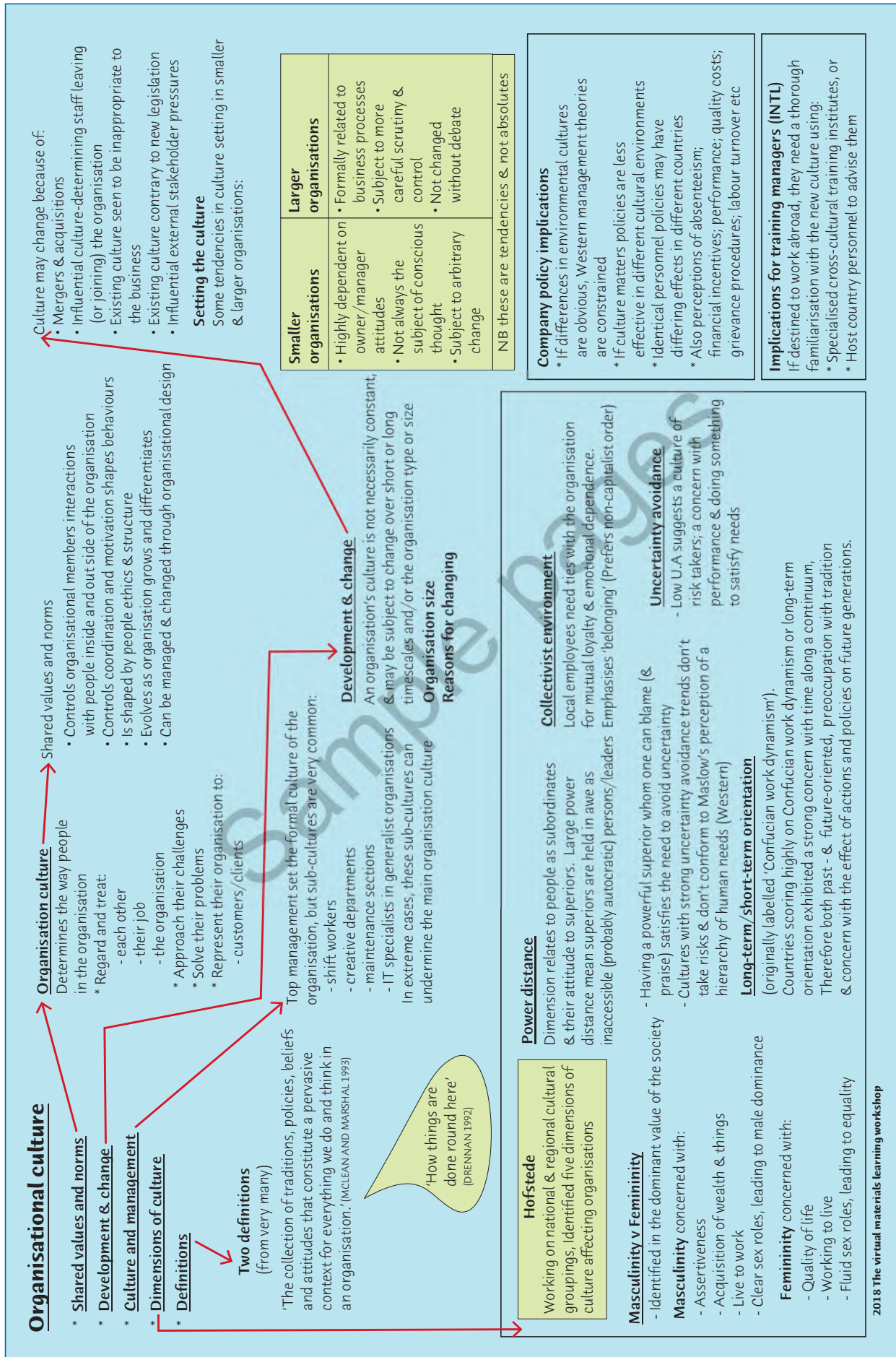It is unsurprising that writers on work organisations may themselves be influenced by their own cultural backgrounds when compiling their work: however, equally it should not be ignored. More significant still is the possibility that whole topics within organisational behaviour, *per se*, may be underpinned by a particular culturally derived frame of reference. *French* (2010) examines the extent to which universally applicable pressures or logics effectively rule out significant cultural variations in formal organisational arrangements, such as bureaucracy, as opposed to culture itself viewed as a variable within a range of factors influencing structure.[33]

Culture as understanding

'For our most basic common link is that we all inhabit this small planet, we all breathe the same air, we all cherish our children's future, and we are all mortal' (John F. Kennedy, 10 June 1963). There are a number of very good reasons why we could usefully understand cultural difference (and similarity) at work, based on new awareness contributing to our own effectiveness and moreover to the accomplishment of organisational goals. It could also be true to say that an appreciation of culture and its effects may be of intrinsic value. There could therefore be advantages to cross-cultural awareness which include:

- increased self-awareness;
- sensitivity to difference and diversity;
- questioning our own assumptions and knowledge;
- lessening ignorance, prejudice and hatred.

However, it would be wrong to think that increased cross-cultural awareness or activity will automatically bring about any of these outcomes.

Brooks (2009) is one of several commentators who draw our attention to the interlinked nature of culture and commonly held values. **Figure 1.10** illustrates the interplay between relevant factors affecting any one national culture.[34] You may wish to consider how these factors have combined to shape your own 'home' culture and that of one other country with which you are familiar.

Above all, those aspects of organisational behaviour that focus on individual differences and diversity, groups and managing people are the most clearly affected by culture and it is essential to take a cross-cultural approach to the subject. (**Organisation culture is discussed in Chapter 14**.)

Five dimensions of culture: the contribution of Hofstede

Geert Hofstede is one of the most significant contributors to the body of knowledge on culture and workplace difference. His work has largely resulted from a large-scale
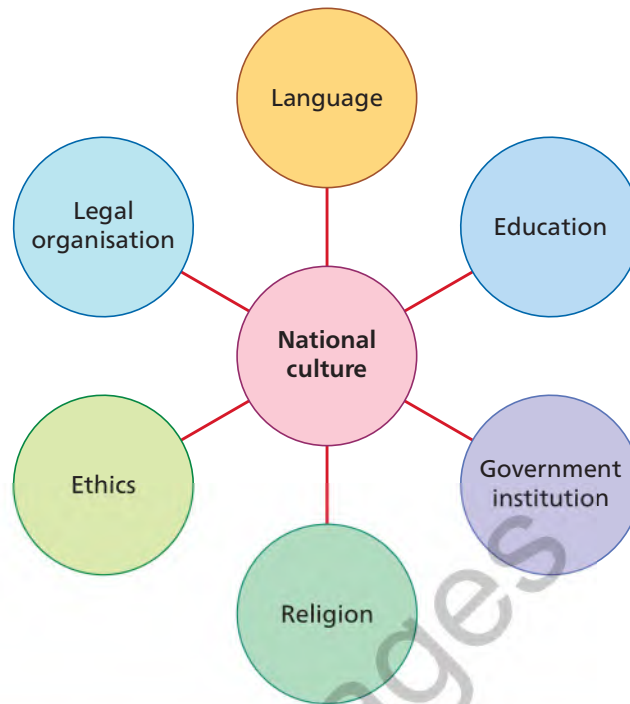
Figure 1.10 Factors affecting national culture

research programme in the late 60s and early 70s involving employees from the IBM Corporation, initially in forty countries. In focusing on one organisation Hofstede felt that the results could be more clearly linked to national cultural difference. Arguing that culture is, in a memorable phrase, **collective programming** or **software of the mind**, Hofstede initially identified four dimensions of culture: power distance, uncertainty avoidance, individualism and masculinity.[35]

- **Power distance** relates to the social distance among people depending upon management style, hierarchical structure, willingness of subordinates to disagree with superiors and the educational level and status accruing to particular roles.
- **Uncertainty avoidance** refers to the extent to which members of a society feel threatened by ambiguity or unusual situations or accepting of risks and uncertainty.
- **Individualism** describes the relatively individualistic or collectivist ethic evident in that particular society, for example the degree of respect for individual freedom or commitment to group membership.
- **Masculinity** refers to a continuum between 'masculine' characteristics, such as assertiveness and competitiveness, and 'feminine' traits, such as caring, a stress upon the quality of life and concern with the environment.

A fifth dimension of culture, **long-term/short-term orientation**, was originally labelled 'Confucian work dynamism'. This dimension developed from the work of *Hofstede and Bond* (1988) in an attempt to locate Chinese cultural values as they impacted on the workplace.[36] Countries which scored highly on Confucian work dynamism or long-term orientation exhibited a strong concern with time along a continuum and were therefore both past- and future-oriented, with a preoccupation with tradition but also a concern with the effect of actions and policies on future generations.

Evaluation of Hofstede's work

Extremely influential, the seminal work of Hofstede has been criticised from certain quarters, for example for its simplicity and limited practical application. In common with other writers in this area there is a focus on the national rather than the regional level. The variations within certain countries, for example Spain, can be more or less significant. Again in common with other contributors, Hofstede's classifications include medium categories which may be difficult to operationalise, accurate though they may be. Some may also find the masculinity/femininity dimension unconvincing and itself stereotypical. Other writers have questioned whether Hofstede's findings remain current. *Holden* (2002) summarises this view: 'How many people have ever thought that many of Hofstede's informants of three decades ago are now dead? Do their children and grandchildren really have the same values?'[37]

See also discussion on Globe leadership and organisational behaviour effectiveness (GLOBE) in Chapter 9.

Cultural diversity: the contribution of Trompenaars

Another significant contributor to this area of study is *Fons Trompenaars* whose later work is co-authored with *Charles Hampden-Turner*.[38] Trompenaars' original research spanned fifteen years, resulting in a database of 50,000 participants from fifty countries. It was supported by cases and anecdotes from 900 cross-cultural training programmes. A questionnaire method comprised a significant part of the study which involved requiring participants to consider their underlying norms, values and attitudes. The resultant framework identifies seven areas in which cultural differences may affect aspects of organisational behaviour:

- Relationships and rules. Here societies may be more or less **universal**, in which case there is relative rigidity in respect of rule-based behaviour, or **particular**, in which case the importance of relationships may lead to flexibility in the interpretation of situations.

- Societies may be more oriented to the **individual** or **collective**. The collective may take different forms: the corporation in Japan, the family in Italy or the Catholic Church in the Republic of Ireland. There may be implications here for such matters as individual responsibility or payment systems.

- It may also be true that societies differ in the extent to which it is thought appropriate for members to show emotion in public. **Neutral** societies favour the 'stiff upper lip', while overt displays of feeling are more likely in **emotional** societies.

- In **diffuse** cultures, the whole person would be involved in a business relationship and it would take time to build such relationships. In a **specific** culture, such as the USA, the basic relationship would be limited to the contractual. This distinction clearly has implications for those seeking to develop new international links.

- **Achievement**-based societies value recent success or an overall record of accomplishment. In contrast, in societies relying more on **ascription**, status could be bestowed on you through such factors as age, gender or educational record.

- Trompenaars suggests that societies view **time** in different ways which may in turn influence business activities. The American dream is the French nightmare. Americans generally start from zero and what matters is their present performance and their

plan to 'make it' in the future. This is 'nouveau riche' for the French, who prefer the '*ancien pauvre*'; they have an enormous sense of the past.

- Finally it is suggested that there are differences with regard to attitudes to the **environment**. In Western societies, individuals are typically masters of their fate. In other parts of the world, however, the world is more powerful than individuals.

Trompenaars' work is based on lengthy academic and field research. It is potentially useful in linking the dimensions of culture to aspects of organisational behaviour which are of direct relevance, particularly to people approaching a new culture for the first time.

> How would YOU evaluate the contribution of Hofstede and Trompenaars to a greater understanding of organisational behaviour and cultural diversity?

Summary – Chapter 1 'The people–organisation relationship'

The underlying basis for organisational behaviour is the nature of the people–organisation relationship. A more strategic approach to the management of people at work has given rise to the concept of human capital. It is necessary to recognise a multidisciplinary perspective to the study of organisational behaviour viewed in terms of interrelated aspects of the individual, the group, the organisation and the environment. There is a close relationship between organisational behaviour and organisational analysis. Organisational theory can influence actual practice and bring about change in behaviour. Viewing the organisation as an open system with interrelated sub-systems makes possible the analysis of principles and prescriptions that apply to organisations in general. A management system of supportive relationships is likely to lead to higher productivity. People and organisations need each other and there is a clear relationship between OB and the human resource function. The psychological contract implies a series of informal mutual expectations and satisfaction of needs arising from the people–organisation relationship. A major challenge facing managers today arises from an increasingly international or global business context. Applications of organisational behaviour are subject to the wider cultural environment and it is important to recognise major dimensions of culture.

Group discussion activities

Undertake each of these exercises and the critical review and reflections in small groups as indicated by your tutor. First, form your own views and then share and compare in open discussion with colleagues.

Reflect honestly on the extent to which: (i) you influenced the thinking and ideas of your colleagues; and (ii) you were influenced by your colleagues.

To what extent was your group able to reach consensus?

On behalf of the group, agree one of your members to produce a brief written summary of the discussion and prepare to present the conclusions in a plenary session.

Activity 1

It is often said that people are every organisation's most important asset. This is perfectly true, but people are not like other assets. As well as being valuable in their own right – in terms of performance, skills and creativity – it is individual employees who bind every other aspect of working life together.

'*The People Factor – engage your employees for business success*', ACAS, March 2014, p. 4

(a) What does this statement actually mean to you and fellow members of your group?

(b) What exactly is meant by 'individual employees binding every other aspect of working life together'?

(c) To what extent do departmental members of staff in your own university appear to be valued as an important asset?

(d) Why is it that although the importance of people as the most important asset is often preached by organisations, this rarely seems to be the reality?

(e) How does this activity relate to your study of organisational behaviour?

Activity 2

(a) Differences in status and power mean the psychological contract is always balanced in favour of the organisation. Managers will *expect* individuals to display loyalty and commitment, put in extra hours and effort. Individuals can only *hope* for some commensurate fair reward now or later.

(b) To what extent do you believe:

    (i) the majority of people come to work with the *original* attitude of being eager to do a good job and desirous of performing well to the best of their abilities; and

    (ii) the suggestion of human capital theory that investment in education and training of individuals increases skill level and productivity so justifying higher earnings.

(c) Performance of people at work is determined predominantly by the work ethic and idiosyncratic behaviour of individuals, and a complex combination of social factors and unofficial working methods. In reality, management has only limited influence.

Activity 3

(a) National culture is not only an explanation of human beliefs, values, behaviours and actions, it is arguably one of the most significant features underlying your study of organisational behaviour.

(b) Using the studies of Hofstede and Trompenaars consider how dimensions of cultural differences influence the behaviour of people at work. Where possible draw upon the experiences of international colleagues or those colleagues who have spent some time in other countries.

Organisational behaviour in action case study
Fred. Olsen Cruise Lines

An increasingly significant sector of the hospitality and leisure industry is that of the cruise sector. In an ever-growing and continually-evolving cruise industry, the delivery of a memorable personal service experience is particularly significant as an integral part of organisational effectiveness.

Successful cruise management is a combination of travel agency, hotel and leisure activities, onboard entertainment and organised tours. It entails a complex and involved series of processes, both at sea and in different ports of call, quite unlike those experienced in most other business organisations.

Some particular factors to consider include, for example:

* continual heavy guest occupancy and usage, with rapid turnover, mass entry and exit

* 'people logistics' – attending to the complex transportation needs of guests pre- and post-cruise, and the logistics of a broad variety of shore excursions in different locations

* a wide range of onboard activities and events throughout the day and evening

* the highest standards of safety and security, maintenance, logistics and tender operations

* relationships with Head Office, Technical Department, Port Authorities, Pilots etc.

* expectations of high-quality cuisine, design and mix of menus, special dietary requirements

* health and hygiene, with large numbers of guests and crew in continual close contact

* crew resource deployment and rotation-planning, with the unavailability of additional agency or temporary staff, unlike land-based organisations. Need for flexible working practices in response to the demands of the business

* accommodating annual leave requirements, complex international flight arrangements for some crew members, and managing opportunities for time on shore

* change-over of crew at the end of contracts – maintaining business continuity.

Cruising is associated with a high level of service delivery; based on preconceived expectations, guests can be very demanding. Guest satisfaction is dependent to a very large extent on the people: in particular, the day-to-day contact with – and care and attention from – members of the crew; and also travel with fellow like-minded guests.

Different cruise ships tend to focus on a particular range of guests, for example younger people, families with children, more mature and perhaps less able people. Although not exclusively, Fred. Olsen's target clientele is guests over 55, and some itineraries stipulate adult travellers only.

Fred. Olsen Cruise Lines has a Norwegian heritage, but is a British-based company, and dates back to 1848. It is one of the only family-run cruise lines in the world. The company has stylish, smaller-sized ships, departing from seven regional UK ports. The ships have capacities between 935 and 1360 guests: large enough to provide the facilities desired by guests, but small enough to enable a 'closer' exploration of a wide range of exciting destinations. Emphasis is on a comfortable, friendly atmosphere – delivered 'with a smile' – by caring and attentive crew. Guests are welcomed as individuals in a relaxed, familiar 'home-from-home' ambience.

Members of crew come from a wide and diverse range of cultures and backgrounds, with a majority from the Philippines, Thailand, Indonesia and India, especially among room stewards and restaurant staff. There is also a noticeable cultural mix among top managers, from different religions, age groups and often different ways of working. The crew work long hours in often difficult and demanding conditions and are away from their homes and, in many cases young families, for up to nine months. Mixing socially is important.

Despite these different backgrounds, a noticeable feature is the strong, mutually-supportive team work across the Fred. Olsen fleet. Crew members are ready to help each other whenever needed, usually without direction from management. Supervisors are often seen helping out with routine duties to support their colleagues. A high number of Fred. Olsen crew members return to complete further contracts and have been engaged over many years with the company. In fact, Fred. Olsen has one of the highest staff retention rates of any cruise line, with some staff serving several decades with the company, and even generations of the same family working across the fleet.

Gratuities to crew members are an accepted custom throughout the cruise industry. Tips are a recognised feature of the reward system for good performance. It

is up to guests to opt out of payment or vary the amount, at their discretion.

Management's concern and support for the welfare of its crew is of prime importance. At the same time, the nature of cruising demands attention to a safe and secure environment, for both guests and crew. This demands a management structure with clear lines of authority, directed leadership and good order. Strong discipline must be maintained at all times.

Fred. Olsen prides itself on providing exceptional service by anticipating, meeting and exceeding its guests' expectations when they are on board its ships. Despite the continually evolving and highly competitive nature of the industry, Fred. Olsen attracts a high level of 'repeat guests' – that is, loyal customers who have cruised with the company at least once before. On a typical Fred. Olsen cruise more than half of the guests are repeat customers, which is one of the highest return rates of any major cruise line. The Usage and Attitude Survey (conducted for Fred. Olsen by a third party, 'YouGov') found that Fred. Olsen had more return customers than any other cruise line. A particularly noticeable feature of guest feedback is the extremely favourable and complimentary comments regarding the level of attention from courteous and ever-smiling crew members.

When Covid struck in 2020, the cruise industry, like many other industries, were thunderstruck and it resulted in the introduction of furlough schemes and sometimes redundancies in some industries. Fred. Olsen survived this awful time and pinned their strategy on the premise that smaller is better and aligned 10 core values to how they run their business and also how they treat their customers. (See the Olsen Way at https://www.fredolsencruises.com/the-olsen-way). In 2020, Fred.Olsen introduced two new ships, the Bolette and Borealis, and said farewell to two of their older ships, Black Watch and Boudicca.

Despite the difficulties that companies have had across the globe in the last few years, the success of Fred. Olsen and its strong culture is manifested in the various awards that they have won:

According to Olsen:

In 2020, for the first time in history, every cruise ship in the world stopped sailing. Rather than sit still, we used this as an opportunity to review every element of our business. We wanted to come back stronger by increasing market share and improving customer satisfaction even further.

While others divested and reduced their fleets, we expanded: we acquired Bolette and Borealis, demonstrating our confidence in our own future and the future of the industry, in return building consumer confidence in our brand.

But new tonnage was only a part of what we wanted to achieve. We wanted to utilise our new fleet to differentiate our position and shine a spotlight on what makes us special – The Olsen Way:

* We are proud to sail our own course.
* Smaller is better.
* Hand-crafted, not mass produced.
* It's all about the people.
* We are travellers more than tourists.
* We believe in the joy of the journey.
* Maritime is in our DNA.
* We travel respectfully.
* We design everything with elegance, simplicity and attention to detail.
* 'I det beste selskap': In the best of company.
* We did this while building reassurance around cruise during a pandemic, withoutcompromising on guest experience

Sources: Jackie Martin, Marketing and Sales Director, Fred. Olsen Cruise Lines.)
www.fredolsencruises.com
https://www.cruiseexperts.org/media/5863/clia-uk-ireland-cruise-review-2017-final-sml.pdf
See also https://www.fredolsencruises.com/the-olsen-way.

Tasks

1. Explain particular features of organisational behaviour raised by this case study.

2. The company has a particular attraction for discerning, traditional guests, predominately in the 55-plus age bracket. What additional considerations do you think this creates for both crew and management?

3. What do you think are the most important factors that explain the high level of repeat guests on Fred. Olsen cruise ships?

4. Discuss specific ways in which this case study draws attention to the importance of the people–organisation relationship.

5. To what extent can a values-driven organisation (the Olsen Way) be a strategic differentiator when it comes to customer service and attracting and retaining existing customers? To what extent are their parallels with how the HR service should work, where colleagues are the 'internal customers'?