

June 2008

Essay Questions

Essay 1

The founder, past CEO and current chairman of your organisation has just died. The current CEO has decided that now would be the ideal time to change the culture of the organisation that had been created by the well respected but deceased chairman from the day the organisation was founded. The key change the CEO wants to see happen is for a shift from a rather old fashioned family company culture to the organisation being seen as a leader in service provision. What are the key things that the organisation needs to do to ensure that the culture change is effective?

(60 marks)

- Dailey identified that culture is the way of life of people in an organisation, that it is very stable over time and that it will be inherently resistant to change. Culture has internal and external manifestations and is known by employees who can describe its characteristics. Culture can develop randomly or in a planned fashion and the CEO in the question clearly wants to use a planned approach. The existing culture of the organisation will have taken on the imprint of the personality of the founder and by implication will have existed for some time. It is likely to be a strong culture that individuals will resist changing. The current CEO needs to be careful that this resistance is not enhanced in long term employees who might see the recent death of the founder as being the wrong time to start any change.
- The current culture will have been maintained by new employees being socialised through their recruitment into the organisation. Pascale suggests that this process begins before appointment through the recruitment and selection processes that an organisation chooses to operate. Thus selection criteria will reflect the existing organisation as will selection interviewing and decision-making on appointment. Pascale suggests that at this stage potential employees use the process as a two way street in getting a realistic preview of jobs and the organisation through their experience of the process. After recruitment, indoctrination, at some level, happens through training and mentoring after the new employee joins the organisation. Promotion to, and behaviour of, senior management in the organisation should reflect the desired behaviours that match the defined cultural expectations, thus reinforcing the culture. Further reinforcement comes through story telling, especially relating to the founder, and this could be a barrier in the current case. Finally, mentoring will help younger employees to fit their behaviour to the cultural expectations.
- The fact that the CEO wants to move to a service driven organisation also has implications for organisational design. It is likely that the current organisation is mechanistic in nature with low spans on control, low levels of delegation, high division of labour and a hierarchical approach to structure. To become more service oriented will require a more organic design with higher spans of control, higher levels of delegation, lower division of labour and an organisational structure that is more customer responsive. Thus the workforce will become less reliant on direction from managers, perhaps with the adoption of self-directed teams; decisions will be taken closer to customer-facing parts of the organisation; people will become more multi-skilled with cross-training being a factor; and the organisation would become a product or matrix structure rather than a purely functional one.
- The fact that the founder has died certainly offers an opportunity to begin changing the existing culture but it is important to recognise that there needs to be buy-in from the individuals within the culture that there is an agreed need for change. It is implied in the question that the existing organisation is more mechanistic rather than organic and as such does not deliver a service based responsive service to customers. It would be important to position the need for change in this area rather than using the death of the founder as a reason. This is especially so considering that many of the more senior members of the organisation will be likely to relate to the culture as espoused by the founder. Using Lewin's ideas of planned change, the company would go through the three stages of change starting with unfreezing the existing culture, then making the desired changes, and finally refreezing the changes made into the ongoing operations of the company.

- Dailey expanded on Lewin's process by stating that the start of unfreezing is the recognition of the need to change. In this case, this will involve a necessary recognition throughout the organisation that the need for change comes from the requirement to be more responsive to customers, while at the same time recognising that the new CEO will be trying to imprint his personality on the organisation. In this stage it is probable that thought will need to be given to possible organisational design changes to allow the organisation to become more responsive. This will involve all aspects of organisational design, including looking at the division of labour to ensure that jobs are designed in such a way that it is possible for people in the organisation to become responsible for customers and to meet their dynamic needs. The structure of the organisation may also need to be changed from say a functional structure to either a product or matrix structure that would again enable greater responsiveness to changing customer needs. Delegation of authority may also need to be adjusted so that customer-facing people are empowered to make and implement decisions that will demonstrate responsive to customers – though this would also require managers to accept that they were losing decision-making power down the hierarchy. Finally, span of control may need to be adjusted to recognise that, as delegation happens, the need for management changes to be more facilitative rather than directive while decision-making takes place nearer the customer interface.
- All of the organisational design decisions identified above will also be informed by a diagnosis phase of unfreezing. This would involve speaking to customers, suppliers and members of staff and management to identify their views of what needs to change to allow the company to compete more effectively in the changing marketplace, i.e. to increase the competitive advantage of the organisation. As alluded to above, a final key part of the unfreezing stage of planned change is to recognise and to begin to manage resistance to the changes planned. This accepts that people are naturally resistant to change that impact on their working life through changing their responsibilities, powers or use of technology. It is also part of the process of gaining buy-in throughout the organisation to the idea of change and this is best managed by involving individuals in the planning process. The changes will not be all top-down but will be enhanced through bottom-up input.
- In the change phase of the process, Dailey suggests three further phases of identifying the change methods, carrying-over change into the work-place and evaluating any changes that are implemented. As far as change methods are concerned, the most frequently used are team development based or system wide change. Both of these methods presuppose a high involvement throughout the organisation in defining and implementing the required changes and, as such, links highly to the diagnosis phase identified above. In carry-over, the need is to ensure that any changes are effectively taken from a training type of environment into the day-to-day way people work. For example, it is easy to talk about delegating decision-making but harder to ensure that people actually take the decisions, at the appropriate level, when they are actually interfacing with customers. Evaluation again links back to diagnosis and gives the organisation the opportunity of ensuring that the desired changes have happened, and that no, unexpected and undesirable changes have been generated.
- In Dailey's view, refreezing consists of institutionalisation and diffusion. Institutionalisation is about ensuring that the defined changes become part of the ongoing life of the organisation and that there is no drift back to previous behaviours. Diffusion accepts the fact that most organisations institute change in part of the organisation and that there is a resultant need to spread the changes throughout the rest of the organisation.
- The best answers to this question would also discuss the HOME approach to culture change.

Essay 2

Your organisation has standard systems in place that manage individual relationships within the organisation. This means that everyone is treated in the same way regardless of their individual differences. As a newly appointed Director in your organisation, you have decided that you want to apply your understanding of individual differences, from the OB text, to the operation of your directorate. How would the application of that understanding affect the way that your directorate is managed?

(60 marks)

- The individual differences identified in the text, above and beyond differences in personal values, include locus of control, extroversion versus introversion, the high versus low Machiavellian personality, socially acquired needs, and the determinants of job satisfaction, organisational commitment and job involvement. All of these individual differences can impact, not necessarily directly, upon the way employees perform in the organisation to increase competitive advantage.
- Individual values give us a sense of what is right and wrong in our world and are built up from the aggregation of experiences in our life. As such they are very difficult to change. They do have, however, a key impact on how people behave ethically, within organisations. Globalisation of organisations increases the need for managers to understand that values might be treated differently in different parts of the world.
- Locus of control can be either external or internal. Externalisers believe that external factors impact most on the events that affect the individual, whereas internalisers believe that they can influence the impact of events and that they have greater control over their lives as a result.
- The extrovert to introvert continuum defines the level of gregariousness and interaction that individuals are comfortable with. This in turn is useful for managers to know when selecting individuals and creating balanced teams.
- The socially acquired needs of people whether they be for affiliation, power or achievement, influence the ways that management is able to motivate individuals and teams to deliver high performance. The need for affiliation impacts on how people interact, particularly in teams. The need for power can manifest itself as either a personalised need, more linked to the Machiavellian personality, or as a socialised need where the individual expresses the need for the good of the organisation or team.
- The determinants of job satisfaction, organisational commitment and job involvement will impact upon the level of energy that individuals are prepared to devote to the organisation.
- The differences identified above give managers a range of different techniques in the ways that they recruit, manage, develop and reward individuals in the organisation.
- In recruitment, organisations try to identify individual differences through the use of interviews and testing. This tied in with job design gives the capability of matching prospective employees to jobs and teams that would make best use of the differences found. This has long been the case for candidates for managerial posts but many organisations now apply the same principles to non-management jobs, especially those that are embedded in teams.
- Account can be taken of the individual differences in the day-to-day management of staff. Thus the way that a manager coaches an extrovert to prepare a presentation would differ from the coaching given to an introvert. Rewards given to an individual with a high need for affiliation might differ from that given to someone else with a high need for achievement. Giving feedback to an externaliser would probably be different from giving feedback to an internaliser. Individuals with different levels of job satisfaction, organisational commitment or job involvement, where the manager knows this, can be treated differently to motivate them towards excellent performance.
- In terms of development, individual differences would allow managers to take account of what will be most effective at the individual level. Taking account of the differing needs for affiliation, power or achievement would lead a manager to use different strategies depending upon which needs predominated. Developing an extreme externaliser would be difficult since it would be hard for the individual to see the link to how fate dominates their life; the internaliser would be much more likely to see linkages.
- In terms of reward, a knowledge of the individual differences could encourage the organisation to move towards adopting a cafeteria approach that would give individuals more input in deciding how their overall

reward package is structured. If an organisation is staffed by individuals who are all, or mostly, driven by the need for affiliation, then group based rewards may be a more effective motivational strategy.

Essay 3

Your organisation has just been taken over by a United States based corporation and the new owners are setting up a number of teams to manage the changes that they want to implement in your organisation. The team that you have been appointed to is the one that has been tasked to design and implement team based reward systems across the organisation and to move away from existing, wholly individually based, reward systems. Your team knows that you have some knowledge of this subject area from your OB studies and they have asked you to brief them on what you know. What will you tell your team?

(60 marks)

- *Extrinsic* team-based reward systems, usually implemented in addition to individual based reward systems, come in the forms of profit sharing and gain sharing. The answer could discuss the ideas behind the Scanlon Plan (as a gain-sharing example) but would more appropriately discuss the Rucker Plan that was specifically developed with self-directed teams in mind. The Rucker plan stresses the measure of profit (some of which is to be shared as reward) in terms of value added by factors of production. It emphasises problem solving at the team level (fitting well with the idea of empowerment). The Rucker plan has less need for bureaucratic controls like production committees. It should be added that the key to a system like a Rucker Plan is that employees must understand how it works.
- Profit sharing plans (another example of group based reward) could also be utilised with the added advantage of emphasising the partnership that exists between managers and employees.
- These extrinsic, group based, reward systems would normally overlay a system to pay individuals.
- On the *intrinsic* side of reward, there may be a need to examine the way that the Performance Appraisal system operates. Very often such systems focus on individual performance measurement by the manager. If self-directed teams are to be allowed to fully operate, then a move to more of a 360 degree form of measurement may be more appropriate (linked to extrinsic and intrinsic reward strategies).
- Before going ahead in making substantial change to the reward system for self-directed teams, it is important to recognise that this is one of the areas in which these teams themselves should have a high impact. Bearing in mind what has been said above, therefore, it is important that the teams themselves are involved in the decision- making process that leads to a new system being designed and implemented.
- Whatever is done in terms of a new system of reward, it needs to take into account the ideas behind equity theory as individuals will still compare their reward/effort to that of others. Working in self-directed teams, individuals would probably have more information on which to base that comparison.
- Goal-path theory is also relevant here as research has identified that having SMART and agreed goals are key to motivating people to excel. In this case goals will need to be set at both the individual and group level within the organisation. This has the advantage that both individuals and teams will gain a clear 'line of sight' between their own and organisational objectives.
- As the new parent company is US based, it is probable that they already operate versions of either Scanlon or Rucker plans. It would be important to ensure that whatever system is adopted in your organisation is, at least, compatible with the systems that are already in place.
- Effective implementation of any changes agreed should take place in a planned fashion using the principles of Lewin's change model of unfreezing, changing and then refreezing. The best answers to this question would discuss Dailey's expansion of this process found in the text.