

December 2009

Essay Questions

Essay 1

Your company has been experiencing a high and increasing level of staff turnover that is much greater than your competitors in the industry. Following an analysis of exit interview data, it is clear that, while your company is not the best payer in the industry, the reasons that most people give for leaving have nothing to do with pay (indeed many are leaving to take lower paid jobs outside the company). Leavers are saying they don't feel part of a team, don't feel that the company recognises a job well done, don't feel that promotion is a real possibility, don't feel that rewards are fairly distributed and don't think their skills are being used effectively. The HR Director has asked you to give some thought to what is going wrong and how the company could improve. From your knowledge of OB, what are you going to advise?

(60 marks)

- [Examiner's Solution](#)
- [Selected Student Answer](#)

The key problems here are to do with motivation and low job satisfaction.

Thinking about Maslow's hierarchy of needs, there appears to be aspects missing at the 'esteem' and 'self-actualisation' levels. Since needs in this theory are anticipatory, it may be that people are feeling that some needs will never be met in this company. In the Herzberg two-factor theory of hygiene and motivating factors, the latter are linked to job satisfaction. Thus things like the work itself, promotion, challenges and involvement are motivators and from the question these seem to be missing in the example.

In terms of the process theories of motivation, there is a clear pointer to people feeling that the reward/effort comparison that people make internally is not meeting the motivation described in Equity theory. The problem about recognition seems to indicate that there are some gaps in delivering motivation, as defined in Expectancy theory.

Job satisfaction is generally assumed to encompass the facets of satisfaction with the work itself, with pay, with fellow workers, with supervision and with promotions. The job challenge element of this seems to be one of the factors needing attention.

Finally, there might be some work needed on the intrinsic reward structure.

The key issues that should be dealt with here are:

- Reviewing the company policy on reward. This review should take a view on both the intrinsic and extrinsic rewards offered by the company. Although, at an absolute level, leavers are not identifying that pay is a problem, there appears to be issues of equity and recognition. It may well be that 'line of sight' is lost between delivery of objectives, performance review and reward. There may also be issues around how recognition is communicated.
- Team working is specifically criticised by leavers and the company should be reviewing how teams are organised. It may be worth considering more self-direction teams and more delegation of authority.

- Job design to ensure that individual skills are used (and developed) is worth examining. It may well be that the job design has been outgrown by the existing employees. There may be opportunities for both individuals and the company to examine the vertical and horizontal loading of individual jobs.
- There may be a more basic factor missing in terms of providing line of sight between individual jobs and corporate objectives. Greater clarity here would increase knowledge of individual contributions.
- Involving staff in the design of any changes would increase the probability of introducing successful change.
- The above is very much based on the information received from people leaving the company and it would be important, therefore, to find out what people who are staying think before initiating action.

Essay 2

A consultant has reported that the reason for your company's failure to deliver at the strategic level is that people in the organisation do not see a link between what they do on a day-to-day basis and the company plans. After a further internal survey was carried out, an additional problem has been identified that people do not know whether they are doing a good or a bad job. The Strategy Director has asked you to investigate what systems the company could put in place to remedy these problems. From your understanding of OB, what are you going to recommend?

(60 marks)

- [Examiner's Solution](#)
- [Selected Student Answer](#)

There seems to be a clear gap in communications here between managers and their subordinates. In terms of people being able to link their day-to-day work with company plans, the suggested solution is to have a cascaded set of goals throughout the company hierarchy from top to bottom. This will then give a clear 'line of sight' between jobs and organisational objectives. Management by Objectives (MbO) is suggested as a process with the following characteristics:

- Establishing clear organisational goals;
- Employees at the work unit level establish goals and work plans to deliver them; the key issue here is to involve people in setting the goals that they are expected to achieve and this also allows for them to be clarified;
- Having one-to-one meetings with managers to ensure that SMART goals are set;
- Setting specific outcome criteria to establish when a goal has been delivered;
- Organising periodic formal and informal review sessions so that progress can be monitored and, if necessary, corrective action put in place;
- That a clear link to incentives is created so that people are rewarded for delivery (perhaps also linked to Performance appraisal as discussed below).

The fact that people do not know whether they are doing a good or a bad job is a clear failure in performance management and to overcome this a performance appraisal system should be put in place. This may need to be linked to job design (or redesign) if the current jobs are found to be unclear. There are various options on methods that might be adopted:

- Absolute standards: employees are judged against fixed and inflexible performance criteria (although this can suffer from a high degree of subjectivity);

- Graphic Scales Rating: the most popular system today in which employees are judged against a jointly understood series of performance criteria (rated numerically). Again these can suffer from various forms of bias;
- Behaviour Anchored Rating Scales (BARS): provide examples of behaviours linked to different levels of performance thus measuring how the work gets done rather than individual employee characteristics.

BARS, in particular, can be linked to MbO to provide a coherent organisational system.

In implementing either MbO or Performance Appraisal it is important that:

- People are trained (both at employee and at managerial level) to operate the system;
- That neither system degenerates into a less than useful bureaucracy;
- That both systems should encourage a dialogue between managers and employees so that 'line of sight' is clear;
- It is important to link development opportunities with both so that any deficiencies can be addressed in a positive fashion;
- Both systems can be linked to reward, whether intrinsic or extrinsic;
- Both systems can take a long time to develop and implement effectively so it is important to plan to spend that time to achieve a system that fits the organisation.

Implementing both systems would ensure that employees understand what is expected of them; work is evaluated against its contribution to company goals; employees know where they stand on their performance; and employee motivation is increased to do a good job.

Essay 3

At a meeting with your CEO the main worry that the Board has identified is that decisions are being taken at too high a level in the current functional structure of the organisation. It is suggested that the organisation needs a new structure to overcome these problems and from your knowledge of OB, the CEO wants your advice. What does the CEO need to consider?

(60 marks)

- [Examiner's Solution](#)
- [Selected Student Answer](#)

The problem specified is one of Organisational Design and Change Management.

Firstly, the organisation has a functional structure at the present. Alternative structural types would be Product, Territorial or Matrix. Each of these alternatives would allow the organisation to move away from what has obviously become a very mechanistic type of design towards a more organic one in which the people can be much more responsive to customer demands. The Product design has the advantage that customer facing staff are product knowledgeable and are able to relate much more closely to product specific problems. This structure allows for the creation of smaller business units that can act as profit centres and performance measures are much easier to identify. There is some duplication of functions in Product structures and product change can be harder. The Territorial design splits the organisation into geographical areas and allows staff to concentrate on specific customer groupings. This design allows for good training opportunities for people to move up the management structure and at the same time makes the organisation more customer responsive. There is again some measure of duplication of functions, and

managers have to be capable of managing across more than one function. The Matrix design overlays a product or project design onto a functional one and has the advantages of both Product and Functional structures. The focus on teams is much greater than in other designs. The major problem with Matrices is the problem of staff having more than one boss (and the possible confusion of priority in objectives).

The other elements of organisational design are span of control, delegation and division of labour. Span of control specifies the number of reporting staff allocated to managers. With more staff reporting, the manager has a subsequently greater area of decision-making and, therefore, decisions (assuming that authority has been delegated) can be made much faster and at a lower level in the organisation. Delegation of authority must therefore be accompanied by delegation of responsibility to the lowest level in the organisation. Division of labour is about how the company approaches job specialisation and tends to be high in organic, traditional, functional structures. For the change of structure we would need to include more generalised working.

The second key point in this question is how the organisation can manage the proposed changes. Any major change needs to be properly managed to increase the chances of the change being successful. Building on Lewin's Unfreeze, Change and Refreeze model, Dailey in the text suggests an 8-step model:

- Recognising the need for change;
- Diagnosis;
- Dealing with resistance to change;
- Selection of change methods;
- Carry-over;
- Evaluation of results;
- Institutionalising the change;
- Diffusing the change throughout the organisation.

Students should be able to discuss the above process to demonstrate their understanding of the whole process (as related to the question).