

Jos **Marcus**

Nick **van Dam**

Keith **Medhurst**

Organisation & Management

AN INTERNATIONAL APPROACH



Noordhoff Uitgevers



Third edition

Organisation and Management
An International Approach

Dedicated to: Anjette, Jasper, Hugo and Yannick

ORGANISATION
AND
MANAGEMENT
**AN INTER-
NATIONAL
APPROACH**

Nick van Dam
Jos Marcus

Third edition, 2015

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About the authors



Nick van Dam

Dr. Nick van Dam is the Global Chief Learning Officer and client advisor for McKinsey & Company. He is an Associate Professor at Nyenrode Business Universiteit.

As an internationally recognized consultant and thought leader in Learning and Human Resources Development, Dr. Van Dam has written articles and has been quoted by *The Financial Times*, *Fortune Magazine*, *Business Week*, *Management Consulting*, *Learning & Training Innovations Magazine*, *T+D Magazine*, *Bizz Magazine*, and *The India Times*, among others.

He has authored and co-authored a number of books including: *Een praktijkgerichte benadering van Organisatie en Management*, 2015 (8th edition); *Change Compass*, 2001; *The e-Learning Fieldbook*, 2004; *The Business Impact of e-Learning*, 2005; *The e-Learning Fieldbook – Mandarin edition*, 2006; *25 Best Practices in Learning & Talent Development*,



Jos Marcus

Jos Marcus has devoted his career to designing and developing new, state of the art study programmes for students in the field of Business Administration. He lectures in Marketing and Management & Accounting at Amsterdam's Inholland University of Applied Science. He previously taught at the *Vrije Universiteit van Amsterdam*.

He is currently developing a new Business Studies programme which will feature two years of broad business and economics training, followed by two years of specialisation in areas such as Commercial Economics, Human Resource Management, Management of Banking & Insurance.

Together with Nick van Dam, he is co-author of *Een praktijkgerichte benadering van Organisatie en Management*, a book on Management with a

2007, *Next Learning, Unwrapped*, 2011 and *YOU! The positive force in change* (2015).

He holds several advisory board positions including among others, The International Consortium for Executive Development and Research (ICEDR), Lexington, MA/USA, a global learning alliance of some 40 of the world's leading companies and 25 premier business schools. He is a visiting Professor at the University of Pennsylvania PA, USA.

He is founder and chairman of e-Learning for Kids Foundation, which is a global non-profit foundation (www.e-learningforkids.org), that provides schools and children around the world with free Internet-based courseware.

Dr. Van Dam has a Bachelor Degree in Economics from the *Vrije Universiteit van Amsterdam* and a Master Degree in Organisation & Management from the *Universiteit van Amsterdam*. He finished his doctorate in Business Administration at *Nyenrode Business University*, Breukelen. He has lived and worked in the United States for 12 years. Since 2006, he has lived in Hilversum, The Netherlands, with his wife Judith and son Yannick.

widespread following among students at Dutch Colleges and Universities.

Drs. Marcus holds a Bachelor Degree in Economics and a Master Degree in Business Administration from the *Vrije Universiteit van Amsterdam*. He lives with his wife Narda and three children Jasper, Anjetta and Hugo in Wormer, The Netherlands. Starting from February 2014, he became Financial Director of the e-Learning for Kids Foundation.

Keith Medhurst

Keith Medhurst lectures in European Business Environment, International Business and Management & Business Organisation at Amsterdam's Inholland University of Applied Science working primarily with students of Business and Innovation. He holds a Master Degree in European Union Studies from Leiden University and has been a guest lecturer at Mercuria Business School in Helsinki and Shandong University of Finance in Jinan China. Prior to this, he worked in the B2B travel industry in the UK, Ireland and Denmark. Keith currently lives in Hilversum, The Netherlands.

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Effective learning



Each chapter starts with an opening case.

Important chapter terms are emphasized by their blue boldface type.



Articles from websites and journals show how theory becomes practice.

DOING BUSINESS IN: ...

The USA

How US citizens organize and govern themselves
The citizens of the United States are highly organized. It is very difficult to find a person who does not practice some form of organization. The citizens take an organized and systematic approach to their professional and personal lives. They are organized in their homes, in their schools, in their churches, in their clubs, in their unions, and in their businesses. They are organized in their minds, in their hearts, and in their souls. They are organized in their actions, in their words, and in their thoughts. They are organized in their lives.

What US citizens expect an enterprise to do
US citizens expect an enterprise to do a number of things. They expect an enterprise to be profitable, to be successful, and to be a leader in its industry. They expect an enterprise to be innovative, to be creative, and to be a pioneer in its field. They expect an enterprise to be responsible, to be ethical, and to be a good citizen. They expect an enterprise to be a source of pride, to be a source of inspiration, and to be a source of hope. They expect an enterprise to be a source of strength, to be a source of courage, and to be a source of power. They expect an enterprise to be a source of life, to be a source of love, and to be a source of light. They expect an enterprise to be a source of joy, to be a source of peace, and to be a source of happiness. They expect an enterprise to be a source of meaning, to be a source of purpose, and to be a source of fulfillment. They expect an enterprise to be a source of hope, to be a source of faith, and to be a source of trust. They expect an enterprise to be a source of strength, to be a source of courage, and to be a source of power. They expect an enterprise to be a source of life, to be a source of love, and to be a source of light. They expect an enterprise to be a source of joy, to be a source of peace, and to be a source of happiness. They expect an enterprise to be a source of meaning, to be a source of purpose, and to be a source of fulfillment.

The basic of business
The basic of business is to provide a product or service that is desired by a customer. The basic of business is to create value for the customer. The basic of business is to build a relationship with the customer. The basic of business is to be a source of pride, to be a source of inspiration, and to be a source of hope. The basic of business is to be a source of strength, to be a source of courage, and to be a source of power. The basic of business is to be a source of life, to be a source of love, and to be a source of light. The basic of business is to be a source of joy, to be a source of peace, and to be a source of happiness. The basic of business is to be a source of meaning, to be a source of purpose, and to be a source of fulfillment.

Examples of US business practices
1. The American Dream (Individual success)
2. The American Dream (Corporate success)
3. The American Dream (Social success)
4. The American Dream (Cultural success)
5. The American Dream (Political success)
6. The American Dream (Economic success)
7. The American Dream (Environmental success)
8. The American Dream (Technological success)
9. The American Dream (Educational success)
10. The American Dream (Healthcare success)
11. The American Dream (Energy success)
12. The American Dream (Transportation success)
13. The American Dream (Agriculture success)
14. The American Dream (Manufacturing success)
15. The American Dream (Retail success)
16. The American Dream (Finance success)
17. The American Dream (Real estate success)
18. The American Dream (Media success)
19. The American Dream (Entertainment success)
20. The American Dream (Sports success)

Summary

- In order to survive, organizations depend strongly on how they relate to external influences. Strategic management is concerned with this process of adjustment.
- In the classical approach to strategic management, the issue is to find a balance between the resources, strengths and weaknesses of the enterprise on one hand and the opportunities and threats emanating from the environment on the other. A list of alternative needs to be drawn to implementation of strategies.
- Critics state that the classical approach is outdated in the rapidly changing environment that many organizations find themselves part of.
- Mintzberg states that strategy is not only a plan, but also a pattern of actions. According to Mintzberg, strategies cannot be planned on the contrary, developing strategies is a creative activity.



The summary and definitions give a condensed view of the chapter and help you identify important ideas and main points.

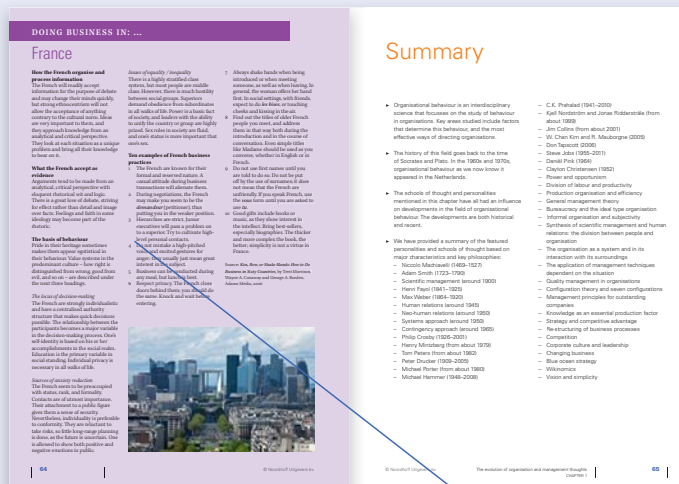
Definitions

<p>1.1 Strategic management Strategic management is about appropriate adjustment to the environment as well as maintenance of standards and development of the skills required for the initiation of possible changes in the strategy.</p> <p>Strategy A plan that states when an organization intends to do to reach its goals.</p> <p>1.1.2 Situational analysis An analysis that focuses on determining the current profile of the organization while taking into account its external environment.</p> <p>Vision A general idea or representation of the future of the organization.</p> <p>Mission A description of the product-market combination and the way the organization aims at attaining a structural competitive advantage with these.</p> <p>Principles Principles relate to the norms and values of the organization.</p> <p>Organizational goals Organizational goals show the relationship between the organization, the environment, and employees.</p> <p>1.1.3.2 Internal The goal of internal investigation is to look at all the internal activities and to identify the strong and weak sides of the organization.</p> <p>Core activity Core activity is one of the activities on which the enterprise particularly concentrates. It promotes the enterprise with its right to exist and its success.</p> <p>Portfolio analysis The various SBUs are categorized within a matrix and analyzed according to a number of economic criteria.</p> <p>1.1.3.3 External research External research seeks out opportunities and threats within the environment.</p> <p>Strategic group A strategic group is a group of organizations that have common characteristics and that use similar corporate strategies.</p> <p>1.1.3.4 Scenario method The scenario method provides predictions of how a number of factors will develop in the medium term.</p> <p>1.1.3.4 Production chain A production chain shows the participants and links that contribute to the development of a particular product.</p> <p>Industrial sector Each link or horizontal layer of the production chain represents an industrial sector. These horizontal layers contain organizations that serve the same or a similar function in the development of variations on a particular product.</p>	<p>Branches Branches are groups of organizations within an industrial sector that not only use the same production or distribution techniques but also supply largely the same products.</p> <p>1.1.3.1 Strategic planning High-level planning that delivers the results of strategic management.</p> <p>Operational planning The goals as identified in the strategic plan are worked out over a period of a year in terms of expenses and profits, sales and production quantities, investments, supplies, formation planning etc.</p> <p>1.1.3.1.1 Strategic intent The development of an obsession.</p> <p>Corporate challenges Strategic intent translated into the short term (one to three years).</p> <p>Core competences A collective learning process that coordinates different production skills and integrates production possibilities.</p> <p>Core products Products or components that increase the value of the final products.</p> <p>Strategic architecture A blueprint for the future wherein the links between consumer needs and the core competences that need to be developed, as well as the technologies needed, can be identified.</p> <p>1.1.3.2 Business Intelligence All activities linked to information, analysis and IT that contribute to effective and efficient decision-making.</p> <p>Information value chain A process whereby information is produced and the information needs of the customer are translated into appropriate definitions and sources.</p> <p>Information plan A plan that documents the vision of management where it relates to the improvement and expansion of information services, as well as implementation programs.</p>
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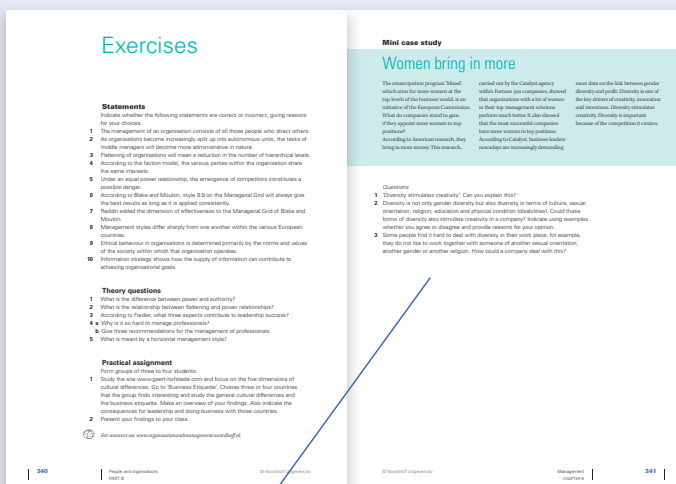
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Effective learning

17



Each chapter ends with a short description of doing business in a particular country.



Study questions indicate what is important in the chapter and help you test your knowledge.

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▶ Introduction		
▼ Tests		
Chapter 1	No score	▶ Make test
Chapter 2	No score	▶ Make test
Chapter 3	No score	▶ Make test
Chapter 4	No score	▶ Make test
Chapter 5	No score	▶ Make test
Chapter 6	No score	▶ Make test
Chapter 7	No score	▶ Make test
Chapter 8	No score	▶ Make test
Chapter 9	No score	▶ Make test
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10 What have both Henry Ford and Steve Jobs done to leave their mark on history?

- Both have used their innovative skills to introduce technology to a wide audience.
- Ford and Jobs both reasoned from a business perspective.
- Ford and Jobs were masters of complexity.
- Both have been able to give technology to an exclusive limited audience.

[Previous](#) 10 out of 10 [Submit answers](#)

Contemporary organisations

Part of everyday life

Throughout our lives, we all come into contact with organisations and organising. In our homes, family life contains many instances where tasks need to be organised whether it be parents arranging activities for their children, or simply working out the food shopping for the week ahead. Although running a home and a formal organisation are not the same, the two have much in common. Children often come into contact with organisations outside the home. From quite a young age, they may join a swimming club, go to a music school to learn piano, learn to dance at a ballet school, or join the local scout group. These are all organisations. Formally speaking, an organisation exists when two or more people choose to work together to achieve a certain goal or goals. Actually, being part of an organisation is a recurrent theme throughout our whole lives. Put another way, organisations are such a normal part of our lives, we hardly notice that they are all around us. We all interact with them, talk about them and experience both the positive and negative sides to them.

Organisations, companies and enterprises

A recurrent theme in this book is the functioning of organisations, but what exactly is an organisation?

Organisation An organisation can be seen as:

'Any group of people who work together to reach a shared goal.'

In this definition, the three elements of an organisation can be seen as:

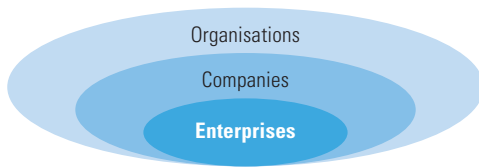
- 1 people
- 2 cooperation
- 3 common purpose

The reason why people work together in an organisation is that some tasks cannot be completed by just one person. Organisations exist because society demands the products or services they produce. An organisation is therefore part of our society and environment.

**Company
Enterprise**

Within this book, the word 'organisation' will sometimes be used to refer to a company or an enterprise. In this context, a company will often be an organisation that produces goods or services, and an enterprise will be a company that aims to make profit. From these descriptions we can see that enterprises are a category of company, who in turn are a category of organisation. Figure 1 illustrates these categorisations.

FIGURE 1 THE RELATION BETWEEN ORGANISATIONS, COMPANIES AND ENTERPRISES



Management

Organising involves combining and structuring tasks, people and resources in such a way that the goals of an organisation are reached.

This is often an activity that is allocated to several people within an organisation, and it is common for organising to be a part of the management's job. With this in mind, we arrive at the second term used in the title of this book: management. We use the term management to mean the leading and steering of an organisation.

Management

Management responsibility is given to key people, normally being the owner or most senior person in an organisation plus anyone else delegated to take the role. Their main task is to direct the entire company. If we combine the principles of 'organisation' and 'management', we arrive at the title of this book.

[Organisation and Management – an International Approach](#), explores the guidance of various kinds of human cooperation towards a common purpose.

Organisation and Management

Modern organisations

It is interesting to investigate why some people prefer working for one particular employer more than another. Why are some customers happy to queue up for products made by one producer but not another, and why and how do some organisations keep on introducing competitive and innovative products to the market? What differentiates them from other organisations?

To see what sets these organisations apart from others, we will look firstly at some companies identified by research into best employment practices in the Netherlands, and secondly, at results from a perceptions survey conducted amongst American students. In the Dutch research, carried out by human relations research companies Effectory and Intermediair, over 200,000 workers, engaged by around 300 companies, responded to questions about their employers. In this research a distinction has been made between larger organisations with more than 1,000 staff, and smaller organisations, with fewer. Based on the research, the larger KLM Royal Dutch Airlines and smaller URENCO Netherlands BV, were voted as best employers in the Netherlands in 2013. In the American research, Facebook came out as the best employer.

To understand what makes these three organisations stand out, we will initially take a look at their company profiles. Then, the reasons for such high employee satisfaction will be looked at, and finally, the findings will be linked to the content of this book.

KLM – Royal Dutch Airlines



KLM (Koninklijke Luchtvaart Maatschappij) was set up in 1919 to link the Netherlands with its colonies, and is the oldest airline still operating under its original name. In its first year, KLM carried 345 passengers and 25,000 kilos of mail and freight. Comparing this with today, a single Boeing 747 can transport about 400 passengers and 20,000 kilos of freight in one go! KLM grew, and in 1924, stretched its wings further when its first flight to Batavia in the Dutch East Indies (now Jakarta in Indonesia) took off. In those days, this would have been an adventurous journey, stopping often and taking weeks to complete. Today, the non-stop flight takes just fifteen hours. In 1960, KLM took delivery of its first jet airliner. Not only were these jets larger than the standard propeller driven aircraft, but they were also faster. This reduced travelling time significantly and for the first time,

it became possible to fly to any international airport on the planet within 24 hours. Boeing's 747 first flew in 1971, and was named 'jumbo jet' because it could accommodate more passengers and cargo than a conventional aircraft.

Following a merger in 2004, KLM and AIR FRANCE are now partners in the AIR FRANCE KLM group. The future of aviation is unthinkable without close cooperation between airlines. In recent decades, KLM has built close links to various airlines such as the code sharing agreement with Delta Airlines and Alitalia on North Atlantic routes. Another example is AIR FRANCE KLM's participation in the SkyTeam global alliance which contains 20 airlines. By making use of one of the world's largest networks of hubs, SkyTeam offers its passengers a worldwide network of 1064 destinations in 173 countries.

Mission

With Air France, KLM is at the forefront of the European airline industry. Offering reliability and a healthy dose of Dutch pragmatism, 32,000 KLM employees work to provide innovative products for our customers and a safe, efficient, service-oriented operation with a proactive

focus on sustainability. KLM strives to achieve profitable growth that contributes to both its own corporate aims and to economic and social development.

KLM works to create sustainable growth at Schiphol, to gain access to any market that will increase the quality its network and to maintain a level playing field for all industry players. It also works to ensure a balance between the company's interests and those of the people living and working close to the airport.

Source: www.klm.com



kaywa.me/NyV10



kaywa.me/qYoK9

KLM-culture, a world in itself

Passion, energy, decisiveness and intellectual competency are the traits that characterise KLM employees, and this is reflected in the corporate culture. KLM has a wide variety of business units, activities, cultural backgrounds, levels of education and expertise.

The core activities at KLM consist of passenger transport, cargo transport and technical maintenance. KLM employees are by and large proud of their company and their work. Each and every one of them is valuable, from the platform to the baggage basement staff, from the technical to the cargo employees, and from the office to the operational staff.

Joining the KLM team means becoming a member of the big blue family. KLM team members rely on each other's enthusiasm, flexibility and strength because they know that together they can make a difference. And thanks to the efforts of every single team member, KLM can continue to stay at the forefront of international aviation.

Source: www.klm.com

Facebook



Facebook was founded as a free social networking site in February 2004. With this site, users can create and keep in contact with each other online. Users put a so-called personal profile together, in order to share information and interests with other users. The headquarters of Facebook are in Palo Alto, California.

The first version of the site was only available to Harvard students. Then, in 2006, Facebook became available to everyone above 13 years of age. From 2007, the number of Facebook users grew enormously and by January 2014, the number of active users had reached 1.23 billion.

In May 2012, Facebook was floated on the stock exchange with an estimated value of about \$100 billion. The next year, Facebook bought the messaging application WhatsApp from its founder for \$16 billion. WhatsApp has half a billion users, who share not only text,

but also about 700 million photos and 100 million videos. An interesting question to consider is what the future holds for everyone, as services like Facebook and WhatsApp are combined.

By making use of their database, Facebook has developed several options for its revenue model, including the following two:

- 1 All user information is stored in one large database, managed by Facebook itself. For an additional fee, advertisers may buy access to a selected group of these users from the database. These selected users then get to see the targeted advert.
- 2 Specific adverts are linked to specific searches.

Mission

Facebook's mission is:

- Giving people the power to share and make the world more open and connected.
- Allow people to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Source: based on www.facebook.com and www.wikipedia.org/wiki/Facebook



kaywa.me/2eBr5



kaywa.me/exGEo



kaywa.me/DD8ty



kaywa.me/8gOuA

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Housing Community in Silicon Valley for Facebook employees

Facebook has teamed up with a property developer to build a private residential complex for its staff within walking distance of its headquarters in Menlo Park, Silicon Valley. Costing around €90 million, the 394 apartment project will help to address the serious shortage of affordable housing near the company's offices and this will allow Facebook to attract new employees. No major new construction projects have taken place in the past twenty years around the Menlo Park headquarters. This has been problematic for Facebook as housing nearby is unaffordable, so new staff have had a long drive to work, often involving congestion and traffic jams. The idea of the new complex is that staff will feel as if they are living in a university campus, with living areas, a coffee bar, a swimming pool, a sun terrace and a dog day care centre all within the ten acre site.

Source: www.wsj.com

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URENCO Nederland BV



URENCO BV is part of URENCO Ltd which is a UK based Dutch-British-German consortium that produces enriched uranium using world-leading centrifuge technology. The company, whose name is short for URanium ENrichment Company, has operational enrichment plants in Germany, the Netherlands, United Kingdom and the United States. Originally founded in 1970, it is owned by the British government, the Dutch government and two German utility companies. The three national governments signed the so-called Treaty of Almelo in 1971 which lays down the fundamental

principles for effective supervision of URENCO's technology, centrifuge manufacturing and enrichment operations. It also allows for a Joint Committee to oversee issues such as safeguards, security, exports, technology sharing, competition and non-proliferation. This ensures compliance with IAEA, EURATOM and EU requirements. Subsequently, additional treaties have been signed allowing the export of the technology to a URENCO led consortium in the United States and the establishment of a Joint Venture in France. The EU's Euratom Supply Agency in Brussels monitors the supply of raw materials to and from URENCO plants in the European Union, on behalf of the International Atomic Energy Agency (IAEA). URENCO Nederland BV employs 260 staff in Almelo where uranium has been enriched since 1973. The processes used in Almelo provide affordable, sustainable, low carbon nuclear energy to electricity generating power stations around the world. With a market share of 29%, URENCO is the largest global provider of light enriched uranium. The Almelo site also uses its centrifuge technique for the separation of other, non-radioactive, isotopes. The development of stable isotopes has benefitted society and the environment by contributing to medical and industrial applications. Examples

include the identification of welding defects in steel structures, and the diagnosis and treatment of tumours in vital organs.

Mission

"Enriching the Future is our commitment, through the global deployment of our nuclear products, services and technology to support sustainable nuclear energy."

URENCO sees itself as a key contributor to the production of affordable, safe, reliable, clean and efficient electricity. Their mission is to enrich uranium for its clients in a safe and reliable manner, using the latest technology, while respecting people and the environment.

Source: based on www.urencocom and www.wikipedia.org/wiki/URENCO



kaywa.me/9e3KR



kaywa.me/HVP1b

Cooler way of working at URENCO

At URENCO's Almelo plant, summer temperatures inside the 'SP5' separation plant can rise above 30°C. This situation is not ideal for the employees or the equipment, and is in contravention of the license granted by the Ministry of Economic Affairs. From the end of 2014, URENCO started with some adjustments to the production facility to limit temperatures in the company's production areas. According to the Ministry, any adjustments should not lead to the enlargement of the nuclear and radiation activities, so eight cooling units on the roof of the 'SP5' building will help to control the temperature. These so-called 'chillers' should avoid the temperature reaching unacceptable levels in future.

Source: www.tubantia.nl, July 28, 2014

Satisfied employees

Why are the staff of these three organisations so pleased with their employers?
There are several reasons.

KLM – Royal Dutch Airlines

Employees at KLM are especially proud of their employer because of the fact that KLM is an important player in the aviation industry. It has a reputation for reliable service, customer-oriented innovations and sustainable practices. Corporate social responsibility is of paramount importance at KLM, where having minimum environmental impact is a fundamental priority throughout the company. Also the motto 'Keeping the family together' strikes a chord with staff and seems to increase loyalty across the wide range of departments and activities.

Source: www.beste-werkgevers.nl

Facebook

According to a survey by Universum amongst young American professionals, Facebook and Google are seen as attractive employers. This is not purely down to generous financial remuneration packages and Dutch HR company, Intermediar, has created an overview of the most significant benefits.

- Salary: in addition to their basic salary, all workers receive shares in the company and a performance based bonus scheme can boost earnings by 10-15% per year.
- Facilities: those who work for Facebook have almost no reason to leave the campus. You can go to the hairdresser, or get your laundry done for free. For those who want to keep their body and mind fit, yoga sessions, Pilates classes, and a climbing wall, are all provided in the extensive on-site fitness centre.
- Food: Facebook offers its employees a free and high quality breakfast, lunch and dinner every day. For in-between snacks, there are also free hot dog, pizza and taco stalls.

Source: www.wsj.com and www.intermediar.nl

URENCO

URENCO is aware that its employees play a pivotal role in the success of the organisation, especially in a business where research is so important. Talent development is therefore a priority. From the other side, URENCO staff realise that they are at the cutting edge as far as nuclear energy is concerned. This gives them a sense of achievement. The organisation aims for a sustainable future, reduced CO₂ emissions, and affordable electricity, all goals which secure staff support. The staff are satisfied with their salary, fringe benefits, training and development opportunities, and appreciate a pleasant working atmosphere plus the opportunity to work in coherent and supportive teams.

Source: www.best-werkgevers.nl

The environment, the people and the structure

If we look at employee satisfaction in the three organisations we have examined, we notice that it is related to multiple aspects, each playing a role within the organisation. Key factors at KLM are trust, service, a feeling of belonging and corporate culture. Within Facebook, a generous financial package linked to free catering and recreational facilities ensure a satisfied work force. URENCO fulfils its employee's needs by offering meaningful work, recognition and development of staff talent, a sustainable vision, and a pleasant working atmosphere.

Looking at these aspects, and relating them specifically to the field of Organisation & Management, we can say that the points highlighted here relate to the three key issues that every organisation has to consider: the environment, the people and the structure. All three organisations provide certain services or products (KLM: air transport, Facebook: social networking and URENCO: energy supply), the staff are motivated to make a positive contribution to the organisation, and there is a supportive and positive corporate culture permeating through all levels of the operation.

So the environment, the people and the structure, are the three areas that managers of an organisation have to deal with. An organisation's success depends to quite a large extent on the amount of attention given to these areas by the management.

A practical-oriented approach

Having now reviewed three different organisations, it can be seen that a link exists between practice and theory. This book will try to strengthen the link in both directions, through so-called practical scenarios. In real life, what happens in business can vary significantly depending on the situation, and the following contexts are used to take this into account:

- **Internationalisation:** case studies about the international challenges that are being experienced by an increasing number of organisations.
- **Innovation:** practical examples of new initiatives and developments in organisations.
- **Advice:** solutions or approaches to specific problems or issues inside a specific organisation.
- **Figures & Trends:** supporting the adoption of organisation and management strategies from a quantitative perspective.
- **Information and communication technology:** practical examples and explanations of ICT applications and their significance within organisations.
- **Sustainability:** genuine examples of activities related to sustainable initiatives.
- **Doing business in foreign countries:** real life examples of doing business in foreign countries and cultures is a must in today's global economy.
- **Start-ups:** examples of young national and international organisations that are doing well, with a special focus on those that demonstrate an ability to effectively apply various aspects of organisation and management theory.



1 THE EVOLUTION OF ORGANISATION AND MANAGEMENT THOUGHTS

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During this chapter:

- You will become familiar with the main schools of thought in the history of organisational behaviour and personalities that have played a role during its history.
- You will gain an understanding of contemporary developments in the field of organisational behaviour.
- You will see how schools of thought and personalities are linked and understand the significance of this in relation to the structuring process within contemporary organisations.
- You will be introduced to a number of subjects that are dealt with in more detail in later chapters of the book.

YourSurprise.com: 'We're nearly everywhere'

YourSurprise.com is a young, innovative, online company offering a broad assortment of personalised and unique gift ideas. Based in the small Dutch town of Zierikzee, YourSurprise.com focuses on the European online gift market but can deliver gifts anywhere in the world.

Once upon a time, two young entrepreneurs, Gerbrand Verton and Wouter de Vries, hatched the idea of selling sausage rolls in traffic jams. The real challenge was 'To make something out of nothing, to build up a company from scratch'. After the sausage rolls came personalised songs, including the name of the birthday boy or girl and small details like the colour of their eyes.

The songs still feature as part of the assortment offered by YourSurprise.com and they have been supplemented with gifts such as pillowcases with a personalised photo and text printed on them, cuddly toys with your child's

name on them, or road signs with texts like 'William is 50!' on them. These are just a few examples of the gift ideas on offer. Another option is for customers to edit their own photos on the website, add a suitable text and get the photo plus text printed on a range of different items. Clients can also preview their design on the YourSurprise.com website.

Gerbrand and Wouter seem to have come up with a winning formula here, as despite the financial crisis, their annual turnover has risen by 400% in just 4 years. Today, YourSurprise.com has a turnover of 'several million' and employs 45 members of staff.

'The first years were tough. Despite our desire to succeed, it was a very bumpy ride at first, and it was made even more difficult because we hardly had any income,' de Vries says. 'Back then, we looked after production, design, technology and even the website on our own. By keeping many activities in-house, we've managed to finance everything from the company's own cash flow.'

YourSurprise.com does have competition, because every country they deliver to has its own local versions of the same idea, versions which have to be borne in mind. However, YourSurprise.com is easy and quick to find in Internet searches. A lot is put into web-search marketing; almost anyone who is looking online for personalised gifts will encounter this company. YourSurprise.com has been supplying gifts to customers in Germany, France, Belgium and the United Kingdom for some time now and has recently added Austria to their list of target markets. Luxembourg and Switzerland will be next.

Source: *Emerce* magazine, December 2013



kaywa.me/FN993



1.1 INTRODUCTION

In the introduction to this book it was stated that the subject to be looked into is organisation and management. However the more widely used name for the field is much more original: organisational behaviour.

We can define organisational behaviour as 'an interdisciplinary science that is concerned with the study of the behaviour of organisations as well as the factors that determine this behaviour, and the manner in which organisations can be directed'. When talking about behaviour in this context, we understand this to include actions and reactions within the organisations that are being studied.

This definition of organisational behaviour encompasses two aspects of the subject, namely:

- 1 A descriptive aspect.** This is a description of the behaviour of organisations, including motives and consequences.
- 2 A prescriptive aspect.** This is advice about organisational design and the best course of action to follow.

This two-sided character can also be seen in other practical sciences, including medicine, psychology and the theory of education. However, the field of organisational behaviour is more oriented towards practical application and is more pragmatic than these in the sense that its methodology and theoretical basis is considered to be less significant than identification of the practical ramifications. The term 'interdisciplinary' is sometimes linked with organisational behaviour, although this term is often misused. To clarify this, it is clear that organisational behaviour contains many elements that originate from other sciences. The study of organisations therefore involves many disciplines from various scientific fields. Some examples of these source fields may include business studies which comprises such topics as accounting and bookkeeping, marketing, technical sciences, information technology, behavioural science, organisational psychology, sociology, and law.

If we bring together all the contributions from these fields that we need for research or project purposes, we will see that rather than an interdisciplinary approach being required, we are required to use a multidisciplinary approach. An interdisciplinary approach goes one step further. What we mean by this is that the various contributions from other subject areas are evaluated individually and are then used to develop a new insight, one which views the subject in its entirety. The old disciplines then cease to be recognisable in their original formats (in contrast, they remain the same in a multidisciplinary approach). This is therefore an ambitious approach. It is an ideal that is rarely reached. It is perfection. Often, even in organisational behavioural research, one does not get any further than a multidisciplinary approach.

Two other aspects of the definition of organisational behaviour are direction and effectiveness. The first of these can be described as 'targeted persuasion', or in a more specific organisational sense, the guiding activity that involves giving direction on a moment-to-moment basis when challenges take place or decisions are needed within an organisation. These directions should be aligned with a target that has been determined in advance. The processes are structured, and any development of and adaptation to the resulting structure forms an important area for management to focus on.

Organisational
behaviour

Descriptive aspect

Prescriptive aspect

Interdisciplinary

Multidisciplinary

Direction

Effectiveness

The extent to which such activities have succeeded is a measure of their overall effectiveness. We expressly leave aside the matter of who should carry out the tasks: it may be the organisation's own formal management, or a consultant, a member of the advisory board, or even an employee who comes up with a suggestion during a staff meeting.

Organisational behaviour is often concerned with obtaining an overall picture of an organisation, an organisational problem or a specific project. This means that gaining an overview must become the priority, while smaller details are of secondary importance. If this were not so, one would not be able to see the wood for the trees. An organisational expert may obviously often feel less at home than a specialist in some organisational fields. You could describe him as being more a generalist than a specialist. Alternatively, we could call him a 'general specialist', perhaps warranting the criticism that is sometimes made that organisational theory is fragmented. An expert in the field might be seen as a 'Jack of all trades, and master of none'.

It should not be forgotten that organisational behaviour is a young science that is still growing and developing. This is particularly evident if we realise that current debates look at a collection of approaches rather than a fixed system of knowledge and theory development. They have not yet formed a coherent whole in the way that approaches to mathematics and medicine have.

1.2 ORIGINS OF THE FIELD OF STUDY

The subject of contemporary organisational behaviour was born from the need to think in a structured manner about what to do in organisations and what goes on within them. In fact, the subject was first explored a long time ago. Back in the 4th century BC, Socrates and Plato put forward theories about leadership, task allocation and specialisation.

It was first taught as subject (although not yet in the present form) in the United States in the second half of the 19th century. After the industrial revolution, as businesses emerged and expanded, management became far more complicated and therefore required new and special skills.

One of the first people to suggest that management was a science that could and should be learnt rather than a position awarded based on an inborn talent or inheritance was Henri Fayol (1841–1925). (See Section 1.7 for further details about his work.)

In the Netherlands, organisational behaviour was introduced as a major study at technical colleges soon after the Second World War. The subject was initially called business organisation and it had more technical content than now.

Organisational behaviour as we now know it was introduced into the Dutch higher education system during the 1960s and 70s. Other disciplines such as business studies, logistics, behavioural sciences and law were incorporated into the subject. At the same time, the idea of an interdisciplinary approach grew up. The underlying reason for this was the ever increasing complexity and size of organisations, particularly enterprises, caused by significant technical developments and general economic growth. The management of such organisations required more than simple aptitude in one of the appropriate fields or the possession of leadership skills. The need therefore arose for people who could examine aspects of the various fields and draw conclusions from them, or in other words, the managers of new businesses needed a total overview.

Business organisation Organisational behaviour

Nyenrode: Founded in 1946 to create internationally oriented business leaders

Nyenrode Business University is the only private university in the Netherlands. It builds on the motto 'for and by business'. Situated on a 13th century estate, Nyenrode has a unique work and study atmosphere.

The roots of the Nyenrode Business Universiteit date back to 1946. Captains of industry from such leading Dutch corporations as KLM, Shell, Unilever, Philips and Akzo, supported by the late Queen's consort, Prince Bernhard, took the initiative of starting an educational institute called *Het Nederlands Opleidingsinstituut voor het Buitenland* (NOIB). The goal of the founders was to create new business leaders who were inclined to act and internationally oriented. Their pro-business ethos guaranteed that the institute would be infused with practical relevance. The main goal was to rebuild the economic position of the Netherlands and Dutch enterprises in the wake of WWII. In 1982, Nyenrode officially received university status from the Dutch government. Nyenrode – The

Netherlands Business School, as it was called then – changed its name to Nyenrode Business University in 2005.



goo.gl/RqAGi

Source: Nyenrode website 2015



The initial impetus for change came from within the business world. This is why the new field of study was called business administration. Later on, other organisations saw the advantages of the approach and applied many of the new insights to their own operations.

Degree courses in business administration exist in a number of universities and colleges today. The topic is also offered as a module within other courses at universities and colleges though it is sometimes given a different label: organisational behaviour, business organisation, organisational theory, management and organisation, organisation and management or simply management.

Organisation and management

1.3 THE DEVELOPMENT OF TRADING AND THE EMERGENCE OF MULTINATIONAL ENTERPRISES

Trading between various tribes in various cross-border geographical regions has been a consistent element throughout the growth of international enterprise. The earliest examples of international trade can be found in the time of the so-called 'trade routes'. The Silk Road, one of the oldest trade routes, was set up in the 1st

century BC. It connected Europe, the Middle East, and Asia, and therefore linked the large Roman and Chinese civilisations. The Silk Road ensured that commodities such as silk, fur, pottery, iron and bronze from Asia were transported to the west and exchanged for gold, other precious metals, ivory, wool and glass. This trading was mainly carried out by commission agents: middlemen who travelled a part of the route in caravans. The Silk Road went into decline as a trade route around 1400 AD. Other important commercial routes in history include the Roman trade routes (50 BC to 500 AD), the African trade routes (1000 AD to 1500 AD), the Indian maritime routes (from 800 AD), the Spanish trade routes (15th and 16th century) and the Portuguese trade routes (16th century).

The first international trading companies (or multinationals) were established with the support and financial backing of national governments who wished to support their commercial colonial policies. In 1600, the English East India Company was set up. Its prime aim was trading in East and South-East Asia as well as in India. In 1602, the Dutch East India Company (the *Vereenigde Oostindische Compagnie* – the United East Indian Company) was founded. The government of the day granted the Dutch East India Company an exclusive charter providing a complete monopoly on trade between the Republic of the Seven United Netherlands and what was then known as 'India', meaning all countries to the east of the Cape of Good Hope. During its 200 year existence, the Dutch East India Company developed into the largest company of its time, trading in such spices as cloves, nutmeg, cinnamon and pepper, and other products such as silk, tea and porcelain. The Dutch East India Company went into decline during the second half of the 18th century, primarily because of competition from the English and French. It ceased trading on 17 March 1798. Other important international trading companies were:

- The Danish East India Company (established in 1614)
- The Dutch West India Company (established in 1621)
- The French West-India Company (established in 1664)
- The Royal African Company (established in 1663)
- The Hudson's Bay Company (established in 1670)

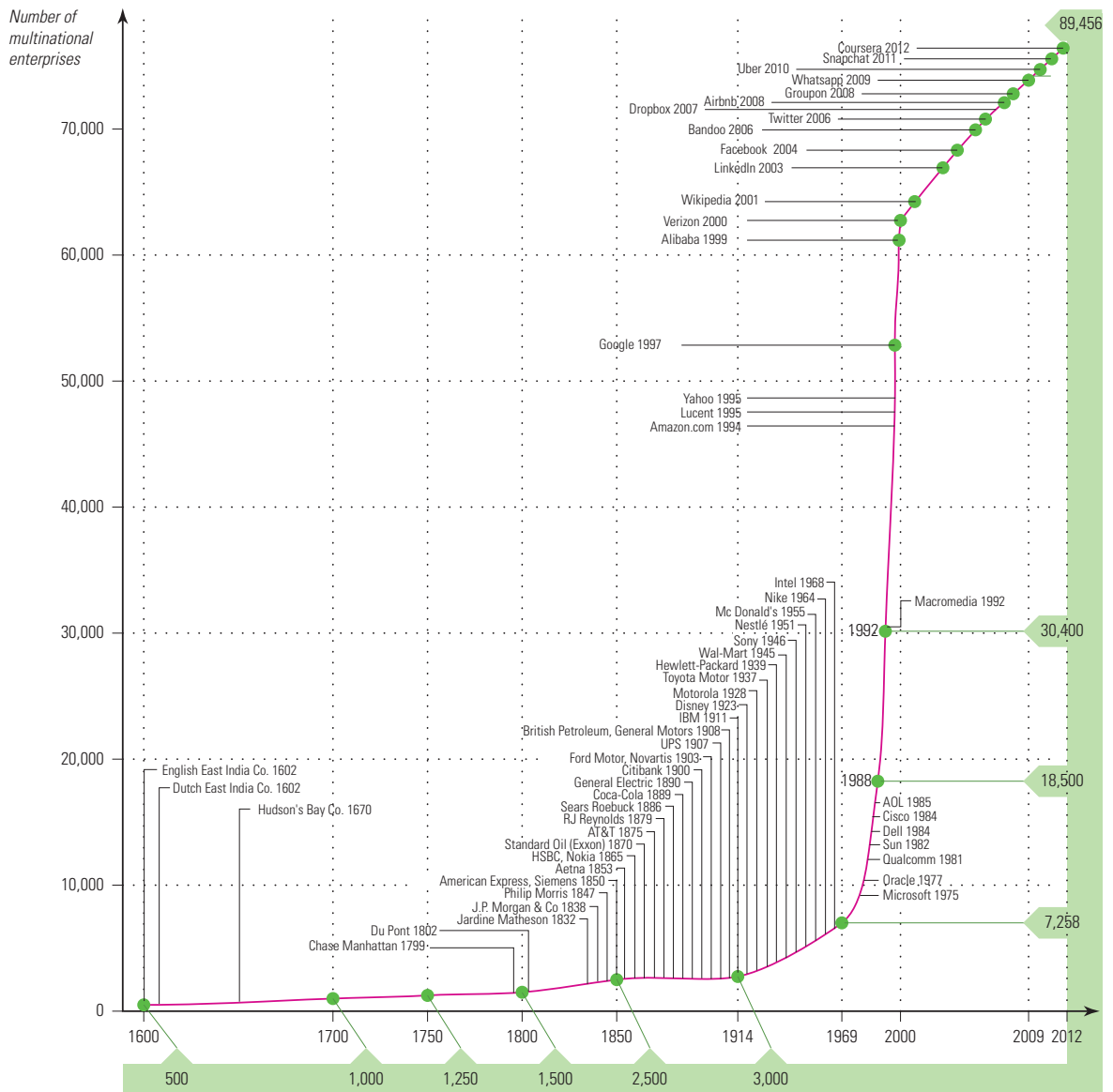
Between the establishment of the first international trading companies and the beginning of the 20th century, the number and size of so-called multinationals hardly increased at all. However, from then on, there was a dramatic increase: from approximately 3,000 multinational businesses at the beginning of the 1900s to approximately 89,456 in 2014. See figure 1.1.

There are a number of factors that can explain this growth pattern. Back in the 17th century, national governments exerted the main influence on trade, but this was no longer the case 300 years later on. Technological developments have also played a very important role over the past 100 years, shortening distances (transport), improving communication between people in different locations (telephone, satellite, Internet) and so on. Technology has also ensured that there is more and broader knowledge of different markets and diverse consumer groups. Enterprises have also shown themselves able to rapidly anticipate and react to global developments by making financial resources available for investments, opening offices and factories in various countries, and employing staff in many locations.

We use the term multinational enterprise for those organisations that operate internationally. Many of these enterprises have fewer than 250 employees yet fall into this category. Approximately 445 of the world's 500 largest businesses are in North America, Europe and Japan.

After this brief sketch of the development of trade and the birth of multinational enterprises, the rest of this chapter will be devoted to exploring the most significant schools of thought and personalities in the development of business organisation and management.

FIGURE 1.1 MULTINATIONAL ENTERPRISES 1600-2014



Source: Globalinc, websites companies 2014

DuPont 200+ years

DuPont is one of the oldest multinationals. Eleuthère Irénée du Pont (E.I.) (1771–1834) broke new ground on July 19, 1802, establishing the company that bears his name. He had studied advanced explosives production techniques with the famous chemist, Antoine Lavoisier. He used this knowledge and his intense interest in scientific exploration – which became the hallmark of his company – to continually enhance product quality and manufacturing sophistication and efficiency. He earned a reputation for high quality, fairness and concern for workers’ safety.

Early emphasis on employee safety

Safety in the workplace, a hallmark of the DuPont Company, became a major theme during the ordeals of World War I. Historically, being an explosives manufacturer had made DuPont more safety conscious than most other manufacturers. Especially significant progress in reducing accidents had been made in the years just prior to the war. However, the influx of tens of thousands of untrained workers into the munitions industry during the war created a potential for disaster. Explosions did occur in several American plants, killing hundreds. During the war, DuPont made safety an essential and permanent part of engineering and employee relations. After the war, the new company president, Irénée du Pont, intensified the company’s safety consciousness and began to award individual prizes for long accident-free performance.

Irénée became a major spokesman for the growing safety movement in America generally. By the 1930s, it was established company policy for safety to be just as much a part of industry as any other operating feature (quality and quantity of finished products, efficiency, methods, etc.). Today, DuPont operates in more than 70 countries and offers a wide range of innovative products and services for markets that include agriculture, nutrition, electronics,

communications, safety and protection, home and construction, transportation and apparel.

Source: <http://heritage.dupont.com>



goo.gl/SGFhG

The screenshot shows the DuPont heritage website with a navigation bar at the top. Below the navigation bar is a large image of a historical DuPont town. The main content area features a timeline with the following sections:

- 1802 - 99**: A Vision and Its Evolution
- 1900 - 26**: Growth and the New Consumer
- 1927 - 40**: Discovery
- 1941 - 69**: Changing Times
- 1970 - 89**: A Search for Direction
- 1990 - PRESENT**: The Path to Sustainable Growth
- EXPLORE ALL**

Key events highlighted in the timeline include:

- 1802**: E.I. du Pont breaks ground on the Brandywine River for his first powder mills.
- 1860**: First Dynamite. The Repauno Chemical Company, founded by Lamont du Pont, becomes the world's largest producer of dynamite by the 1920s.
- 1935**: Nylon. Wallace Carothers, Ph.D., invents nylon, the world's first true synthetic fiber and one of the most successful DuPont products.
- 1966**: Tyvek. After 15 years of development, Tyvek, a spunbonded nonwoven product is introduced.

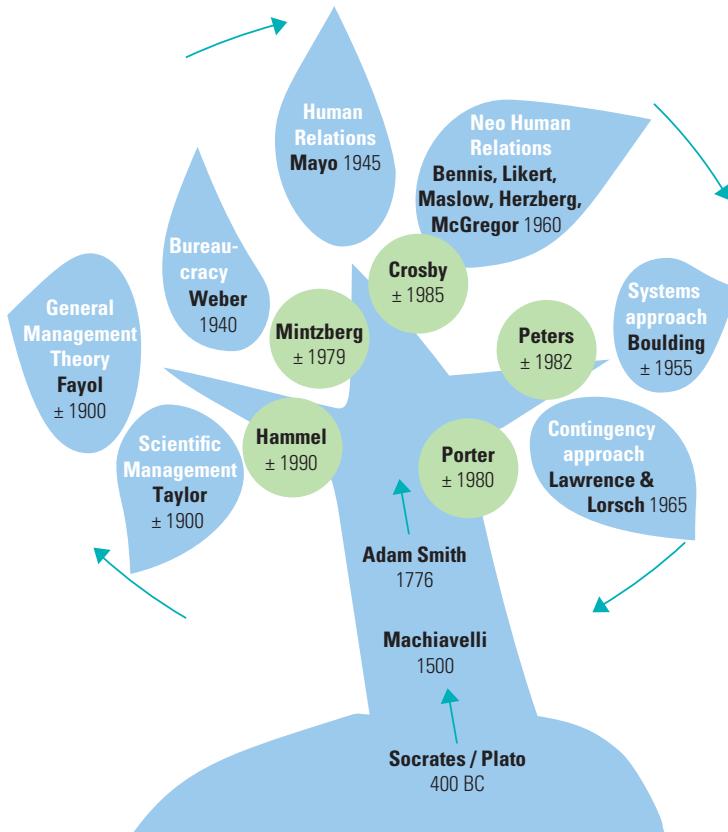
1.4 SCHOOLS OF THOUGHT AND PERSONALITIES

School of thought

Figure 1.2 places the most significant contributors in the history of organisational behaviour on a time line. These individuals often represent a particular idea or school of thought within the field of organisational behaviour. In the following sections, the schools of thought and personalities that have had the most influence on the development of organisational behaviour theory will be reviewed. But why are we delving into the past in this way? The reason is that these contributions still constitute part of the present theoretical framework of our field of study.

Although they often originated in a different era (and might therefore be considered somewhat dated), they contain valuable elements that have a timeless character. Theoretical views and personalities of more recent times will also be discussed, and the reader might notice that many of the new theories have had their roots in the past.

FIGURE 1.2 **IMPORTANT PEOPLE AND SCHOOLS OF THOUGHT IN THE HISTORY OF ORGANISATIONAL BEHAVIOUR**



The central issue has always been how best to achieve the goal through combined efforts. In addressing it, effective and coordinated division of tasks, selection of the most suitable leadership style, and utilisation of the most appropriate manner of communication play the main roles.

The contributions made by organisational behaviour gurus past and present have focussed on different aspects of organisations. Naturally, many of the theories have come from different starting points. Some theories have apparently arisen in reaction to a preceding one: it was subjected to critical examination and then called into question, or at least partly so. This produces a new explanation or approach, one which contrasts with the original idea though does not disprove the earlier contribution completely. As such, the theoretical framework of organisational behaviour has developed a rich and varied, albeit sometimes incoherent, character.

1.5 **EVENTS PRIOR TO THE INDUSTRIAL REVOLUTION (400 BC–1900 AD)**

As indicated in the previous section, notions about leadership, management and the design of organisations are, in fact, as old as mankind. Formal studies on these topics were, however, quite rare before the twentieth century.

Niccolo Machiavelli

Nevertheless, we can find some examples in the writings of the ancient Greek philosophers such as Socrates and Plato and much later on in the work of the Italian Niccolo Machiavelli (1469–1527).¹ In his book *Il Principe (The Prince)* he provides numerous guidelines for rulers and other leaders. These guidelines are especially directed towards the preservation and expansion of power. They are extremely opportunistic in nature, based on pure self-interest and unscrupulously taking advantage of the situation at any opportunity. *Il Principe* represents Machiavelli's accumulated experiences as an adviser to the government and as a diplomat in Florence.

Mercantilism

Until the second half of the 18th century, the dominant economic school of thought was mercantilism. One of its key beliefs was that the possession of bullion (gold and money) was the only measure of national wealth. The aim was therefore to export more than was imported in order to accumulate money which could be kept in reserve for times of war.



Adam Smith

This view started to change in 1776 when Adam Smith (1723–1790) wrote an influential book, called *An Inquiry into the Nature and Causes of the Wealth of Nations*. Amongst other things, it put forward the notion that productive work is the source of prosperity and that effective division of labour can raise levels of productivity. With the publication of these ideas, Adam Smith rejected the principles of mercantilism completely. From this time on, management would take a more systematic approach, with much attention being paid to efficiency.

In the 18th century, pioneers developed the pressurised coal-fired steam engine, making mass production in large factories possible and replacing manufacture of products in workers' homes or in small workplaces. The explosive growth of factories attracted large numbers of workers from the countryside. As a consequence, Western society changed from an agricultural to an industrial one. In the larger cities, the growing working classes lived in poorly built workers' houses. The pay was low and living conditions miserable. This development began in England, then after 1840, it spread across Western Europe and the United States.

By the end of the 19th century, American companies had grown dramatically in response to the ever-expanding consumer market. By now, the existing controls and checks were inadequate. The division of responsibility between supervisors and staff was unclear, production standards and wages were determined subjectively and an air of unpredictability prevailed. There was hardly any planning. The managers tried to push the workers to produce as much as possible, often using harsh methods. The workers reacted in an organised way by systematically stretching out their time. In such a situation, there was clearly a need for a more structured and systematic approach. The man who saw this and decided to do something about it was the engineer Frederick Winslow Taylor (1856–1915). With his publications and lectures, he laid the ground for what we now call scientific management.



Frederick Taylor

1.6 FREDERICK TAYLOR AND SCIENTIFIC MANAGEMENT (± 1900)

Frederick Taylor was the first to suggest a systematic, coherent approach to determine the manner in which factories should be organised. Rather than the manager as slave driver, it was proposed that a broader view should be adopted, allowing the manager to focus on planning, coordinating and overseeing, and checking of results.

Henry Ford on new production methods in 1927

'A Ford car contains about five thousand parts. During our first assemblies we simply put a car together at a particular spot on the floor. When we started to make parts it was natural to create an independent factory department to make that part, but one workman usually performed all of the operations necessary to create that part, however small. The undirected worker would spend more of his time walking about for materials and tools than he did working; he received less pay because pedestrianism is not a highly paid line. The first step forward in assembly came when we began taking the work to the men instead of the men to the work. We now have two general principles in all operations: that a man should never have to take more than one step if this can possibly be avoided, and that no man need ever bend over. We first trialled the assembly line around about April 1, 1913. We tried it assembling the flywheel magneto. We had previously assembled the flywheel magneto in the usual method. With one workman doing a complete job he could turn out from thirty-five to forty pieces in a nine-hour day, or about twenty minutes to an assembly. What

he did alone was then spread into twenty-nine operations; that cut down the assembly time to thirteen minutes, ten seconds.'



Source: Henry Ford, *Production and Prosperity (My Life and Work)*, World Library, 1927

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Key elements that have grown out of Taylor's theory of management of organisations (scientific management) are:

- 1 Scientific analysis of the activities that should be carried out and the time and motion studies to be used . (The results can be used to standardise and normalise the production process and the machines and materials used.)
- 2 Clear division of tasks and training for the workforce so that each task and operation can be precisely identified and allocated. This results in worker routines, leading to an improvement in production.
- 3 Close and friendly working relationships between managers and workers being regarded as essential.
- 4 Managers being held responsible for seeking and analysing appropriate working methods and for creating optimum conditions for production. Formerly, this was left to the implementation phase.
- 5 Use of careful selection processes to obtain the best person for the job.
- 6 Financial rewards being given for following prescribed methods in order to reduce production costs.

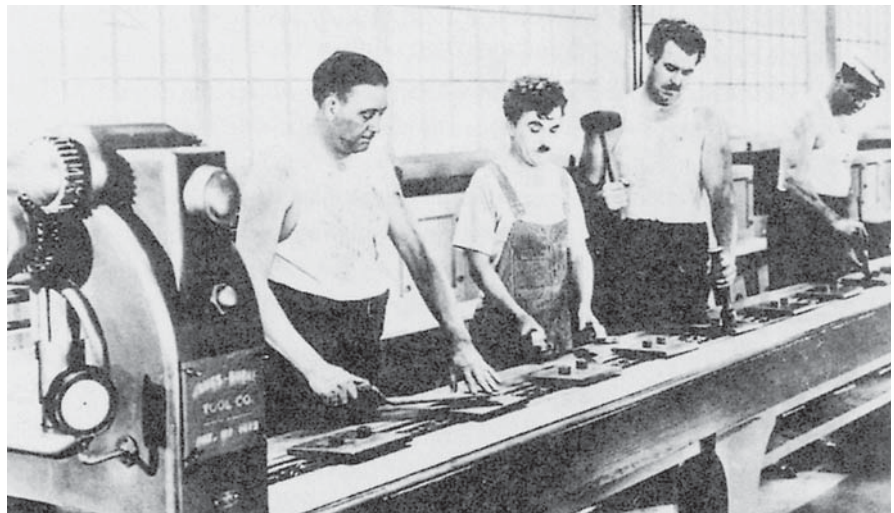
Scientific management

Furthermore, Taylor proposed a division of front-line supervisory responsibilities within the production department into eight separate areas. Each area and its tasks was to be the sole responsibility of a particular individual:

- 1 Time and costing
- 2 Task instructions
- 3 Order of work
- 4 Work preparation and allocation
- 5 Maintenance
- 6 Quality control
- 7 Technical guidance
- 8 Personnel management

Eight-bosses system This system has become known as the 'eight-bosses system'. Under Taylor's leadership the system worked, but it failed to become widely adopted elsewhere due to the many coordination problems and a lack of clarity for the workers.

Aside from his above theory of organisational forms, the influence of Taylor's ideas was enormous. Wherever his principles were applied, productivity shot up, and his ideas soon spread rapidly. However, the increased efficiency was rarely matched by an increase in wages or an improvement in relations with management, as Taylor had suggested should happen. The impact of such consequences, which the Charlie Chaplin film 'Modern Times' has immortalised and in which the names of Taylor and scientific management will forever be linked, was the idea of workers simply being an extension of a piece of machinery, with boring tasks, restriction of freedom and reduced job satisfaction.



Charlie Chaplin in 'Modern Times'

Another consequence of Taylor's ideas was improvement in administration and management of production departments all over the industrial world. Administration and sales departments took their lead from production, and they were soon using similar methods in their processes. Next, sets of standards were developed, not only for production but also for materials. Planning techniques were developed and applied more than before, with accompanying improvements in control. Labour studies, job descriptions and job classification can all be traced back to Taylor's ideas. He has fundamentally changed working methods in organisations and is an important figure in the history of organisational behaviour.



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1.7 HENRI FAYOL AND THE GENERAL MANAGEMENT THEORY (± 1900)

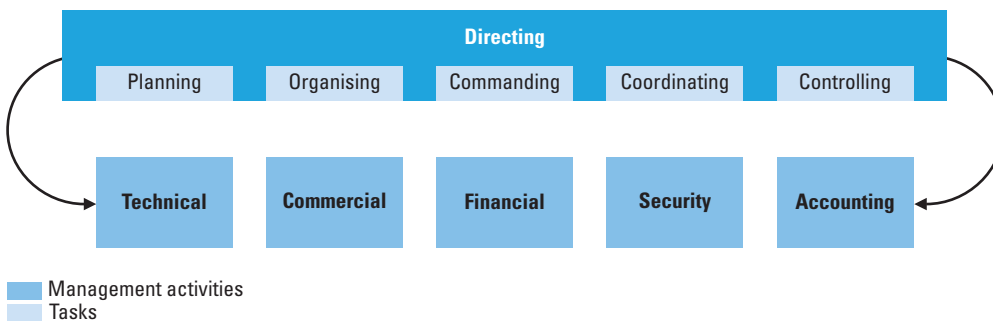
In Europe it was Henri Fayol (1841–1925) who first developed a coherent set of guidelines relating to the way in which organisations could manage their operations as a whole. His experiences as a manager of a mining company lead him to formulate his theory of general management, a theory which has affected entire organisations. In this respect, Fayol took a different approach to Taylor, who looked at systems primarily from the production angle. Fayol's theory was directed at organisations other than industrial enterprises. He thought that principles could be formulated that apply everywhere that people work together and that these principles should form the basis of a field of learning. His *general management theory* was intended to be an educational model. In it, he identified six independent management activities:

- 1 Technical
- 2 Commercial
- 3 Financial
- 4 Security (safeguarding people and properties)
- 5 Accounting
- 6 Directing

Activities 1 to 5 would be coordinated via activity 6 (Directing), which would consist of five tasks (see Figure 1.3):

- 1 Planning.** Setting up of an action plan for the future
- 2 Organising.** Structuring the organisation, its people and its resources
- 3 Commanding.** Leading in a way as to ensure full participation
- 4 Coordinating.** Gearing each activity to the plan
- 5 Controlling.** Ensuring that the results are as planned

FIGURE 1.3 RELATIONSHIPS BETWEEN MANAGEMENT ACTIVITIES IN THE 'GENERAL MANAGEMENT THEORY'



For Fayol, unity of command was the most important principle. Each employee should report to one immediate superior. Up until that time, this belief was accepted without question. It is evident in the army, where it is still the ruling principle to this day. Fayol's ideas are in agreement with this principle, a principle which clashes with Taylor's view, which broke away from convention in its functional organisational ideas and matrix structure.

Fayol's significance lies in his belief in the universal character of management and his strong support for training future managers formally in their chosen profession. His legacy includes more attention being paid to the tasks of managers.

Henri Fayol

General management theory
Management activities

Unity of command



Max Weber

1.8 MAX WEBER AND THE BUREAUCRACY THEORY (± 1940)

While Taylor was focussing on manufacturing companies and Fayol on management in general, Max Weber (1864–1920) was busy studying government organisations and large businesses from a sociological perspective. According to Weber, large organisations of the day should have the following characteristics:

- Clear and definite division of tasks
- A hierarchical command structure
- Carefully defined authority and responsibilities
- Impersonal relations between officials (the position is more important than the person)
- Recruitment on the basis of ability and knowledge instead of cronyism and contacts
- Promotion and reward on the basis of objective criteria and procedures
- The execution of activities according to clearly laid down procedures
- All information, procedures and details written down, so that full control of every aspect is possible
- The power of officials, even the most senior executives, bound by documented guidelines

Weber stated that when an organisation functions according to the above characteristics, it can be termed an ideal bureaucracy. In his opinion, this was the most efficient form for an organisation to adopt as everyone in such an organisation would function coherently: like a cog in a well-oiled machine.

Ideal bureaucracy The 'ideal bureaucracy' is not just a description of an organisation but also a theoretical model that is helpful in the study of organisations. A number of contemporary writers in the field of organisational behaviour (writers who will be looked at more closely later on in this chapter) have also published theories in relation to such ideal types.

We must see Weber's definition separate from the subsequent negative connotations that the word 'bureaucracy' has gained. It is common for us to link this word to ideas of inertia, red tape, an unending succession of pointless rules and so on. Weber's description was intended to be an objective scientific analysis of the dominant organisational form at the time. In it, he identified positive and effective qualities such as the execution of rules without personal bias, and the suitable operation of administrative tasks. He also highlighted some of the less effective, negative characteristics such as inflexibility and the lack of initiative and creativity.

He saw bureaucracy as a perfect means of reaching management targets as well as an organisational form that functioned so perfectly in itself that its permanent continuation also became a target. The emphases on technical perfectionism could lead, however, to the structure being considered as more important than organisational goals, which of course would have consequences for the continuity of the organisation.

Today, some of the characteristics of Weber's 'ideal bureaucratic' model are recognisable in some organisations, particularly in larger ones.

1.9 ELTON MAYO AND THE HUMAN RELATIONS MOVEMENT (± 1945)

The human relations movement arose at the time when scientific management, with its associated rational approaches to managing work in organisations, was the most widely accepted organisational theory. It was against this backdrop that some research was initiated in 1927 into the influence that various levels of light in the workplace had on the performance of production workers in General Electric's plant in Hawthorne, America. In one group, light levels were raised, while in a separate control group they were kept as they were.

Human relations movement



Hawthorne-plant

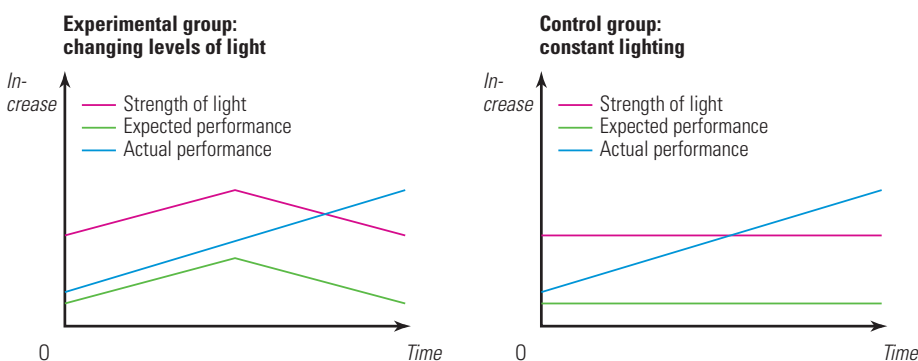
Production in the experimental group increased clearly, but to the amazement of the researchers, it also increased by approximately the same level in the control group. Then, when the lights were dimmed to a minimum level, the results showed an additional surprise, as productivity continued to rise! There was clearly a riddle here, and Elton Mayo (1880–1949) of Harvard University, was invited to find an explanation for the phenomenon.



Elton Mayo

Between 1927 and 1947 he carried out a series of experiments in order to examine the connection between improvements in working conditions (for example, shortening of the working day, increasing the number and duration of breaks, providing free soup or coffee in the morning break etc) and productivity. Each change led to an increase in production and reduction in employee fatigue. (See Figure 1.4.)

FIGURE 1.4 THE INFLUENCE OF LIGHT ON WORK PERFORMANCE



Source: De Wilde, *Stoeien met organisaties*, Kluwer 1999



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Audi drives innovation on the shop floor

Despite relatively high wages, long vacations, and strong labor laws and regulations, Germany remains a global leader in many manufacturing sectors. In 2013, automotive and industrial exports helped the country post a record surplus of 198.9 billion euros. One reason: automation.

Contemporary German auto manufacturing exploits advanced manufacturing technologies to increase productivity and profits. As a result, manufacturing employment has dropped. Between 1970 and 2012, the proportion of German employment in manufacturing fell by half, to around 20 percent.

At Audi's A3 bodyshop in Ingolstadt, the robots are roughly equal in number to the 800 employees. They do most of the heavy lifting, as well as potentially dangerous spot welding and bonding, and tediously repetitive testing. The benefits of automation include much higher productivity and reduced demand for untrained workers. At the same time, workers with more training and greater specialization are increasingly needed.

Audi works with KUKA, a leading industrial-robot maker based 84 kilometers away in Augsburg, which in turn works with the Fraunhofer Society, a group of over 60 applied research institutes, jointly funded by industry and the government, whose goal is to facilitate the sort of forward-looking research that a small or medium-sized company might not be able to fund on its own. The innovations that come out of

Fraunhofer projects filter back through the whole industry, and experts credit this network of small and large companies and public-private research groups with helping German manufacturing thrive in an era of intense global competition.

The vision is that data from each production step will not simply pass from one shop to another within a business – such as from Audi's body shop to its paint shop – but will eventually transit between different partnering companies, optimizing the production process without human input by altering speeds, predicting which components are likely to have been damaged during shipping or tooling, changing the order in which items are built, and reordering parts from suppliers.

Audi marries a high level of automation with a multitude of other advanced manufacturing technologies, including low-power lasers driven by optical sensors; innovative combined bonding and welding, which saves both production time and car weight; and regenerative braking in lift and conveyor systems to reduce energy costs. Audi cars are not entirely built by computers and robots. Some stages of physical production are still worker-intensive, whether because of the size or location of the parts involved or the need to perform certain tasks with a precision that robots aren't currently able to achieve. So far the robots can't do these specialized jobs, but they are working on it.

Source: *MIT Technology Review*, September 28, 2014



Objective aspects
Subjective factors

In the illumination experiments, the underlying cause for increased productivity appeared to be the increased attention that the staff were given during the experiment. Mayo proved his theory with this, and concluded that in addition to objective aspects, subjective factors such as attention, a feeling of security, belonging to a group, and appreciation had an effect on results. These subjective factors seemed even more important. According to Mayo, shared group determination exerted the greatest influence.

These thoughts – thoughts which have had a big influence on the development of organisational behaviour – were explored in his book *The Human Problems of an Industrial Civilisation* (1933).

The Hawthorne experiments generated a lot of research. A new form of management had been propagated, based on the social needs of workers in small groups. This went against the ideas of scientific management, which was strictly rational and directed exclusively towards the individual production worker. The human relations movement is based on the assumption that happy and satisfied employees are more likely to reach their maximum potential level of performance. Management must therefore ensure good interpersonal relationships within relatively small groups. They must also give adequate attention to groups and individuals, demonstrate their appreciation, and provide sufficient responsibility and freedom to individuals. Cooperation is the key, so the possession of social skills by managers is very important. The movement's most significant contribution is the discovery of the link between human factors and organisational effectiveness.

Cooperation

1.10 RENSIS LIKERT (AND OTHERS) AND THE NEO-HUMAN RELATIONS APPROACH (± 1950)

The period 1950–1955 saw criticism of the ideas of the human relations movement starting to appear. Many saw it as an overly idealistic view of organisations, one that portrayed them more as a social club, and one that would rarely if ever occur in practice. Moreover, the ideas were not supported unanimously by subsequent research results.

On the other hand, there was no desire to return to the ideas of scientific management. It was thus time for a synthesis of the two. Warren G. Bennis described the situation like this: the Taylor approach leads to 'an organisation without men' while that of the human relations movement generates 'groups of men without organisation'. He emphasized the need for a revision of the human relations approach, and from this, the term neo-human relations was born. Other writers undertook to bridge the gap between the two opposing ideas, including Likert, Herzberg, McGregor, Burn and Mouton. These writers all approached the issue from an entirely individual perspective.

It was Rensis Likert (1903–1981) who first attempted to bridge the two approaches. He looked specifically at the organisational structure and internal communication, and developed the so-called linking pin model. This is a structure containing a number of overlapping groups in which members of one unit are leaders of another, meaning that the leader of one group is also a member of a higher group (a linking pin). This person not only leads one group but also ensures that there is effective communication with the higher group (see Section 9.6 for further details).



Rensis Likert

Warren G. Bennis

Neo-human relations

Linking pin model

Another person who developed a theory in a similar direction was Frederick Herzberg.

His theory was in essence a further development of Abraham Maslow's hierarchy of needs triangle. This triangle is built up of five levels of distinctive needs, which, according to Maslow, we all try to satisfy. It can thus explain every aspect of human behaviour. Once a lower level need has been satisfied or mainly so, an individual's focus turns to the satisfaction of a need in the next level above.



Frederick Herzberg

In rising order, the needs are:

- 1 Physiological needs (eating, drinking, sleeping, sex)
- 2 Security and safety needs (protection, stability, regularity)
- 3 Love or belonging needs (friendship, family, group membership)
- 4 Status or esteem needs (prestige, position, success)
- 5 Self-actualisation needs (responsibility, personal development, making the most of one's abilities)



Abraham Maslow

Hierarchy of needs triangle

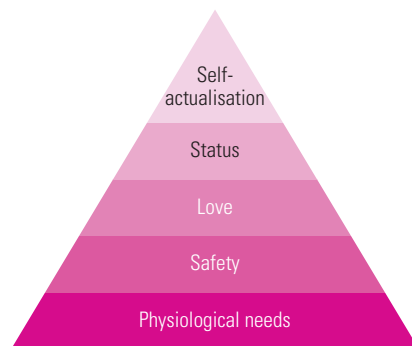


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Maslow presented these needs in the form of a pyramid (Figure 1.5).

Although the theory has gaps and does not address every situation conclusively, it has influenced many. Herzberg, for example, applied this theory to the study of the behaviour of people in organisations. He searched for factors that strengthened motivation in staff working in organisations, as well as factors that lead to dissatisfaction. He came to the conclusion that when insufficient attention was paid to Maslow's lower level needs (physiological needs, security, and belonging), dissatisfaction arose. He went on to say that dissatisfied people could not be motivated. Recognition, self development and acceptance are, according to Herzberg, motivation strengtheners, or motivators. Significantly, an absence of motivators does not lead to dissatisfaction, but to a lack of motivation.

FIGURE 1.5 MASLOW'S HIERARCHY OF NEEDS



Douglas McGregor

In his 1960 book *The human side of enterprise*, Douglas McGregor (1906–1964) presented two opposing views about 'the man in the organisation' that he named theory X and theory Y. With theory X, he outlined how most organisations at that time thought. These thoughts can be strongly linked to scientific management. With theory Y, McGregor explained his own vision about how employees in an organisation could cooperate. It should be pointed out that the X-Y theory says more about human perceptions than about the image of an organisation. Section 6.3.3 will look further at the X-Y theory.

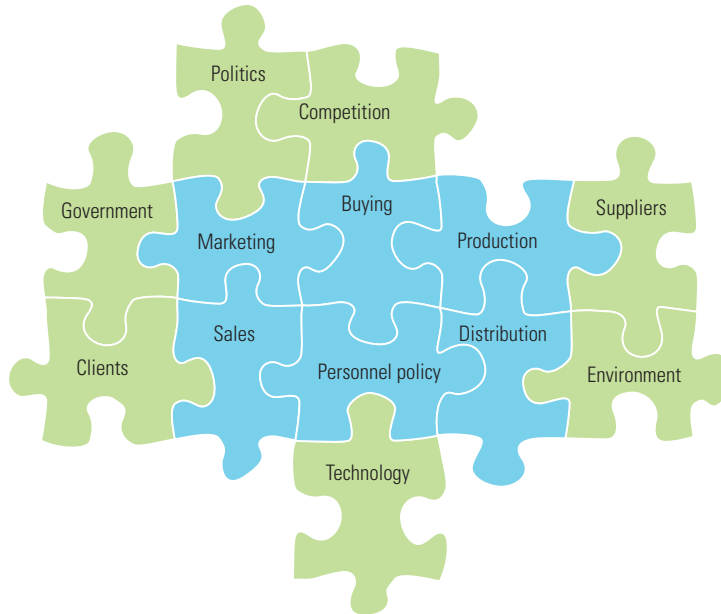
1.11 KENNETH BOULDING AND THE SYSTEMS APPROACH (± 1950)

After the Second World War, a number of neo-human relations supporters, including Kenneth Boulding (1910–1993), developed a theory in which organisations were seen as a system (meaning they were viewed as a whole made up of coherent parts). According to this theory, all activities in an organisation are closely connected with each other. Another important element of the system approach is that organisations interact with the outside world (the environment).

As Figure 1.6 shows, a system (an organisation) consists of a number of subsystems (divisions) ostensibly connected with each other. When the total result of all subsystems working together is greater than the sum of their individual results, this is known as synergy.

A system (organisation) is run with the help of information that is given (feedback) to the various subsystems (divisions).

FIGURE 1.6 THE ORGANISATION AND SURROUNDINGS AS ONE SYSTEM



According to the systems approach, management should tackle organisational problems in a consistent way. That is to say, one should not only look at a single part of the organisation when a decision is being made, but also at the effects on the total organisation. This sounds quite obvious, but frequently, local management staff try to find the perfect solution to problems in their own areas without understanding the consequences for other divisions. For example, a reduction in stock held will generate a saving in warehousing space but could lead to longer delivery times which could lose an enterprise some of its customers. This example shows the importance of using the systems approach in organisations.

Systems approach

1.12 PAUL LAWRENCE, JAY LORSCH AND THE CONTINGENCY APPROACH (± 1965)

At the end of the 1950s, Joan Woodward published the results of an investigation into a hundred English businesses. In the investigation, she looked at the effectiveness in practice of the organisational behaviour theories of Taylor and Fayol.

The research showed that there was no connection between the extent to which an enterprise had been organised according to the rules of scientific management and its economic success. This was a sensational conclusion because up until that time it had been believed that there was 'a best way of management'.

Paul Lawrence /
Jay Lorsch

Contingency



Jay Lorsch

Two Americans, Paul Lawrence and Jay Lorsch, supported these findings. They carried out their own research in 1967 and came to the conclusion that to obtain optimal performance, different circumstances will require different structures, task divisions, and working methods. The concept of 'contingency' that they introduced means 'determination by situation'.

According to the contingency approach, the choice of management technique deriving from an organisational behaviour theory is strongly influenced by the circumstances in which an organisation finds itself. Some management techniques can be extremely successful in some situations while in others, they may fail completely. The art is to discover in which circumstances which techniques can best be applied.

One of the most important elements of the contingency theory is the relationship between an organisation and its surroundings. It is of paramount importance that organisations have a clear focus on their surroundings. The contingency approach requires management to constantly be aware of how complex the interrelationships within their surroundings are and to seek the most appropriate strategy, organisational structure and so on for each situation.

In the past few decades, many new contingency studies confirming the fundamental findings of this theory have been carried out.

1.13 RECENT ORGANISATIONAL THEORIES (1980+)



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Since the 1980s, many different writers and consultants have carried out extensive studies of organisations and have then made significant contributions to the development of organisational theory. This has been of great interest to many organisations of the 90s and beyond. Many of these newly developed theories have not yet been fitted into a definitive 'school of thought'. A number of these theories and authors will be looked at briefly in the following section.

Philip Crosby and quality control

An important recent trend in organisational behaviour relates to quality control in organisations. The founder of theories on this subject was the American W. Deming, who applied his ideas to companies for the first time after the Second World War. One of the best-known contemporary 'quality gurus' is the American Philip Crosby (1926–2001) who developed a total quality management theory that is used extensively by companies in Japan, Europe and America. Philip Crosby was vice-president of the International Telephone and Telegraph Company where he was responsible for world-wide quality control for fourteen years. His company, Crosby Associates, is an important consultancy in the field of quality management. (www.philipcrosby.com)

Philip Crosby

Total quality
management theory
'Zero defects' rule

For Crosby, working according to the 'zero defects' rule was crucial. This means that in organisations, one must attempt to avoid mistakes in all processes. He disregarded the outdated view that quality control is only necessarily in production departments and not in the board room. Crosby believed that organisations could reduce their expenses by about 20% provided they treat quality control as number one within the work place.

Henry Mintzberg (b. 1939): organisational structure and strategic planning

The Canadian Henry Mintzberg stands out amongst his peers for his remarkable contributions to the fields of organisational structure, management, and strategic planning. He is Professor of Management Studies at McGill University in Montreal and a part-time professor at INSEAD In France.

Amongst the authoritative books he has written are *The Strategy Process*, *Structure in 5's*, *The Structuring of Organisations*, *Mintzberg on Management* (1991) and *The Rise and Fall of Strategic Planning* (1994). He has won the McKinsey Award for the best Harvard Business Review article twice.

One of his most important works, *The Structuring of Organisations* (1979), can be seen as an attempt to blend the main organisational theories of how organisations ought to be structured. According to Mintzberg, the success of organisations cannot simply be explained by their choice of 'the best' organisational structure. He tells us that it is not possible to generalise about the best structure for organisations. In reality, there are many roads to success.

Mintzberg suggests that organisations should not view their qualities separately from each other, but that they should bring these together in a common form or configuration. A configuration can be seen as an 'ideal typical organisation'.

He identified five basic configurations that he has since extended with two new forms, namely:

- a The entrepreneurial (start-up) form
- b The machine bureaucracy
- c The professional bureaucracy
- d The diversified form
- e Adhocracy (innovative)
- f The missionary (ideological) form
- g The political form

These forms or configurations each have their strong and weak points. Depending on the prevailing environmental factors, the degree of turbulence or stability, and the goals of the organisation, certain strengths will become clear.

Although the configuration descriptions refer to 'ideal types' that in reality rarely or never occur, Mintzberg believes that the study of these is certainly still worthwhile. Because of such study, one can develop an ability to understand other organisations more quickly. A close look at the strong and weak elements within one's own organisation also has obvious value. In Chapter 9, Organisational structure and design, extensive attention is given to Mintzberg's theories of organisational structure. In his book *The Rise and Fall of Strategic Planning* (1994), Mintzberg takes a swipe at traditional views of strategic planning. He concludes that strategy cannot be planned and that strategic planning often fails in organisations. Chapter 3 will look further at Mintzberg's views on strategic planning.

In one of his latest books, *Managers, Not MBAs* (2004), Mintzberg suggests that both management and management education are deeply troubled, but that neither can be changed without changing the other.

Mintzberg asserts that conventional MBA classrooms overemphasize the science of management while ignoring its art and denigrating its craft, leaving a distorted impression of its practice. We need to get back to a more engaging style of management, to build stronger organisations, not bloated share prices. According to Mintzberg, this calls for another approach to management education, whereby practicing managers learn from their own experience. He argues that we need to build the art and the craft back into management education, and into management itself. (www.henrymintzberg.com)



Henry Mintzberg



kaywa.me/
MlmY2

Configuration Five basic configurations

Blue Ocean Strategy

Companies have long engaged in head-to-head competition in search of sustained, profitable growth. Yet in today's overcrowded industries, competing head-on results in nothing but a bloody 'red ocean' of rivals fighting over a shrinking profit pool.

W.Chan Kim and Renee Mauborgne are challenging everything you thought you knew about the requirements for strategic success. In their book *Blue Ocean Strategy* (2005), the authors argue that based on extensive studies, tomorrow's leading companies will succeed not by battling competitors but by creating 'blue oceans' of uncontested market space ripe for growth. While most companies compete within red oceans, this strategy is unlikely to create profitable growth in the future.

Such strategic moves – termed 'value innovation' – create powerful leaps in value for both the firm and its buyers, rendering rivals obsolete and unleashing new demand.

Blue Ocean Strategy (BOS) provides a systematic approach to making competitors irrelevant. The Strategy highlights the six principles that every company can refer to in order to successfully formulate and execute their own goals. The six principles show how to reconstruct boundaries, focus on the big picture, reach beyond existing demand, get the strategic sequence right, overcome

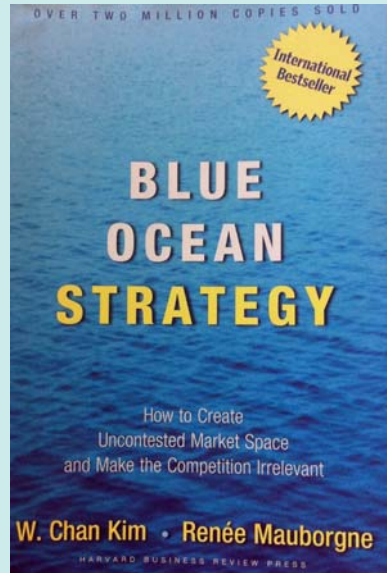
organisational hurdles, and build execution into strategy.

The Six Principles of BOS:

- **Reconstruct market boundaries.** Companies can make their competitors irrelevant by looking beyond the six conventional boundaries of competition and opening up commercially important blue oceans.
- **Focus on the big picture, not the numbers.** This is an alternative to the existing strategic planning process (often criticized as a number-crunching exercise) and focuses on planning risk and creating opportunities.
- **Reach beyond existing demand.** To create the greatest new markets, managers must challenge the conventional practice of aiming for finer segmentation in order to better meet existing customer preferences. This practice often results in increasingly small target markets.
- **Get the strategic sequence right.** Companies should follow a specific sequence to ensure that the business model they build will be able to produce and maintain profitable growth.
- **Overcome key organisational hurdles.** This principle deals with organisational risk. Tipping-point leadership shows managers how to mobilize an organisation to overcome these hurdles that block the implementation of a BOS.

- **Build execution into strategy.** By integrating execution into strategy making, people are motivated to act on and execute a BOS in a sustained way deep within an organisation. It deals with management risk associated with people's attitudes and behaviors.

Source: www.blueoceanstrategy.com



goo.gl/F3Smk



Tom Peters

Tom Peters (b. 1942) and management principles for excellent companies

Tom Peters is a management consultant and founder of the Tom Peters Group in California. He has carried out some applied scientific research to find a set of management principles for organisational development. In 1982, he published the results of a study into 43 American enterprises that had all shown outstandingly successful performance for twenty years. With his findings, he co-wrote a book with Robert Waterman called *In Search of Excellence*, which went on to sell more than four million copies.

To explain the success of the enterprises studied, which included McDonald's, Procter & Gamble, Boeing, IBM and Hewlett Packard, the researchers identified the following eight common characteristics that were found:

- 1 Strong action orientation.** Although many of the examined enterprises used to make decisions in an analytical way, this did not paralyse them. The overall way of working was characterized by 'Do it, fix it, try it'.
- 2 Close relationships with customers.** As an enterprise, you can learn much from your customers, and the most innovative enterprises took the best ideas for development of new products from their customers.
- 3 Entrepreneurship and autonomy.** One of the most significant problems for big organisations is that they are missing what originally made them large, namely: 'innovation'. The art is to be large and at the same time able to act small. For this reason, an 'entrepreneurial climate' must be created in which employees with a lot of creativity can work on innovation. In such a culture, space must be created for the development of 'unorthodox' ideas with so much freedom that the making of mistakes is not punished.
- 4 The employees are the most important source of productivity.** Enterprises that excel see their employees as a source of quality and productivity. One of the most fundamental points here is 'respect for the individual'. It is important to get the most energy and talent from employees.
- 5 Hands-on, value driven.** It is of great importance that an enterprise indicates where it stands, where the enterprise is strong and what employees are proud of. All excelling enterprises seem to have clear values and take the creating of values seriously.
- 6 Stick to what you know best.** Successful enterprises do not jump into areas in which they have no ability.
- 7 Simple structure and lean supporting divisions.** All enterprises had a simple and clear organisational structure, i.e. not a matrix structure (see Chapter 9). Supporting staff divisions were also kept small.
- 8 The structure is both centralised and decentralised.** Many enterprises that excel are run using both centralised and decentralised aspects. These enterprises control core issues from the top almost rigidly, while at the same time, divisions are given a large amount of freedom to use their entrepreneurial and innovative skills.

Entrepreneurial climate

Innovation

Recent history has shown that an enterprise that has had long-term success in the past is not guaranteed the same results in the future.

As an example, at the end of the 1980s, IBM was forced to cut its staff numbers by nearly 50%. Of critical importance is the ability of enterprises to continually keep abreast of changes in their surroundings.

In his 1987 book *Thriving on Chaos*, Tom Peters says that chaos has become the norm. Nearly every day, managers will be confronted with big changes that are linked to developments such as those in IT and telecommunications. Enterprises must show absolute flexibility in order to use chaos to meet new challenges in the market. In his book, Tom Peters gives 45 recommendations to management on how to do this.

Books published by Tom Peters since 1987 include: *Liberation Management* (1992), *The Pursuit of Wow* (1994), *The Circle of Innovation* (1997), the series *The Brand You50*, *The Professional Services Firm50*, *The Project50* (1999) and *Re-Imagine* (2003) – an immediate number 1 international bestseller. (www.tompeters.com)

Peter Drucker (1909–2005) and general management

Peter Drucker is thought of by many as the 'father of all management gurus'.² Since 1939, he has written 35 books and his work has been translated into 24 languages, leading to publication worldwide.



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Peter Drucker

Knowledge revolution



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Productivity in the knowledge and services sectors Knowledge work

According to Drucker, following the industrial revolution and dramatic increases in productivity, we have now arrived at the knowledge revolution. Knowledge has become the critical production factor, according to Drucker. The importance of nature, labour and capital lies mainly in the limitations that they impose. Without these production factors, knowledge can produce nothing.

Drucker estimated that the number of people currently employed in traditional industry sectors such as agriculture and industry has fallen by 20 to 25%. The remaining three quarters of the workforce can be divided into three approximately equal groups, namely knowledge workers such as high-quality specialists, professionals and technicians, highly trained service providers such as sales staff, instructors and civil servants, and less trained service providers such as cleaners, drivers and administrators, whose wages often remain below other groups.

Prior to 1990, management did not really direct much attention towards developments in productivity in the knowledge and services sector. Only now that the productivity revolution in the agriculture and industry sectors has come full circle can we see that an increase in productivity in the knowledge and services sectors is an absolute condition for further economic growth. A key characteristic of knowledge work is that the knowledge worker determines to a large extent the content of their job – and often without even paying much attention to productivity. Research suggests that about three quarters of the time is frittered away due to inefficient coordination or through the performance of irrelevant tasks. Productivity can be increased significantly if employees keep in mind what they are really being paid for. Anything else needs to be rejected. Other remedies suggested by Drucker for increasing productivity considerably are analyzing and restructuring of tasks, outsourcing of supporting service tasks (which promotes competition), and the forming of teams that are particularly suited to a particular type of work. According to Drucker, 'As well as there being an economic challenge to create higher productivity, there is a hidden social challenge to the dignity of (new) people with a lower education level who are employed in the services sector.

In his last book *Management Challenges for the 21st Century* (1999), Peter Drucker discussed how the new paradigms of management have changed and will continue to change our basic assumptions about the practices and principles of management. Forward-looking and forward-thinking, the management challenges of the 21st century include broad knowledge, wide practical experience, profound insight, sharp analysis, and enlightened common sense, according to Drucker.

Drucker's ability to question assumptions and see connections among disparate forces and data made him a visionary thinker in the field of management.

In *Management Challenges for the 21st Century*, he offers a head start on fundamental issues to anyone who is working with any sort of organisation in this new century.



Michael Porter

Michael Porter (b. 1947) and strategy

Michael Porter, a Harvard professor, has had a big influence on the development of strategic thinking and behaviour within businesses.

He is the author of 17 books and over 125 articles, and is a leading authority on competitive strategy and the competitiveness and economic development of nations, states, and regions.

The value of his work, as we will see in Chapter 3, has been in the creation of structures for the implementation of analyses that lead to successful strategies. Porter was the first to monitor the link between the meaning of managerial work and its effect on the success of an enterprise. In an award-winning 1979 McKinsey article entitled 'How Competitive Forces Shape Strategy', Porter uses his Five



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Academic who shares his values

The Harvard professor who changed business with his 'five basic forces' is attempting to revolutionize capitalism again.

Professor Porter's reputation has put him near the center of discussions with both chief executives and politicians on how to restore US growth and prosperity. He blames the depressed state of the economy in part on cyclical factors – the bursting of the real estate bubble, corporate boards' caution in relation to domestic investment – and in part on 'a more fundamental competitiveness problem'.

As long as 30 years ago, Porter wrote an article that outlined the 'five forces' that determine the state of competition in any industry (customer power, supplier power, the threat of new entrants, substitute products and rivalry between established competitors). Companies and countries found it a

simple and useful way to assess their own strengths and weaknesses. The US lost its competitiveness and efficiency as a productive place to do business. Skill gaps, poor infrastructure, and the burden of health benefits, regulation and litigation. Other countries have offered better value propositions. According to Porter, the five forces are still fundamentally important and visible. He revised his forces in 2008. After outlining the impact on strategy, he narrowed his focus to the competitiveness of locations and nations as well as to the business clusters that emerge around successful companies. He parlayed this into analyses of inner cities, the compatibility of environmental progress and economic growth, and his latest headline concept: 'creating shared value' (CVS), the idea that corporate activity which advances society will contribute to a positive

cycle that allows everyone to grow faster. CVS will underpin the creation of 'a next and more sophisticated view of what capitalism is all about'. It has stirred up some resentment in the established corporate social responsibility community. Advocates of CSR see Prof. Porter's concept as neither new nor different. Alongside China, globalisation and the economic downturn, Porter thinks that the world will look back and consider the development of CVS as 'one of the big discontinuities of this particular point of economic history'.

Source: *Financial Times*, September 26, 2011



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Forces model to demonstrate how enterprises can analyse the market and their competitors' behaviour. In his first book *Competitive Strategy* (1980), Porter discusses mainly the 'what' and 'why' of strategy. The book is in its 63rd printing and has been translated into 19 languages.

His second book, *Competitive Advantage*, focusses more on the 'how' of strategy. Porter puts forward the suggestion that companies must search for their own competitive advantage. According to him, examples of competitive advantage include operating at a lower cost than a competitor, or creating 'added value' so that the buyers will pay more for the product or service.

In his book *Competitive Advantage of Nations* (1990), Porter says that countries or regions create the factors that determine whether enterprises are successful. He outlines a number of criteria that can be used by an enterprise to judge the attractiveness of a location. Again and again, Porter comes to the conclusion that an organisation's surroundings are the source of ongoing competitive advantage. His book *On Competition* (1998) includes a series of articles on strategy and competition, including his *Harvard Business Review* article 'What is Strategy?' (1996). 'Strategy and the Internet' was published in 2001.

Michael Hammer (1948–2008) and re-engineering of business processes

Michael Hammer is one of the most authoritative management gurus of contemporary times.

He has been a professor of computer sciences at MIT in the United States and was a director of his own consultancy company. Together with James Champy, he wrote the very successful book *Re-engineering the Corporation, a Manifesto for*

Competitive advantage

Michael Hammer

Re-engineering



Michael Hammer

Business Revolution (1993). In this book he argued that over the last fifty years, business has been based on three principles, namely:

- 1 The basic unit of work is the 'task'.
- 2 Simple tasks should be performed by less educated people.
- 3 There is a distinction between 'doers' and 'managers' (hierarchy).

In a world that changed slowly and was characterised by predictability and continuity it was understandable that these principles worked well. However, in this turbulent time with rapid technological developments and the explosion of world-wide markets, organisations are having to pay more attention to flexibility, quality, service and a reduction of overhead costs.

It is no longer appropriate to use the classic 'task-based organisation' which subdivided each process into all sorts of sub-processes that then were distributed across the whole organisation. This would obviously lead to unnecessary inertia, bureaucracy and inflexibility.

Hammer and Champy argue in favour of a revolution within business. At the core of this is the idea that enterprises will have to work in a *process-orientated* way. A *process* can be seen as a succession of activities that create value for the consumer. For example, when an organisation receives an order from a customer, dozens of departments will be involved. The customer has no interest in all the internal administrative and organisational processes, but is only interested in the final outcome. The process must therefore become the organisation's starting point. In a process-orientated organisation, a significant part of administrative and management supervision disappears. Simple tasks will vanish. The difference between performers and managers will become less clear. Professionals and coaches will work in new organisations. The coaches will concentrate mainly on inspiring and motivating the professionals as well as designing the work environment.

According to the authors, this new organisational approach will lead to big cost savings: between 40% and 80%. Before this can become a reality, top management needs to be convinced of the need to make this change (see Chapter 8 for further details).

Michael Hammer latest book is entitled *The Agenda: What Every Business Must Do to Dominate the Decade* (2001). The most interesting idea in *The Agenda* is that re-engineering must go beyond knocking down the internal walls that keep parts of a company from cooperating effectively. Hammer argues that companies must knock down their external walls too, so they can cooperate seamlessly with all the companies involved in making a product, from the raw material stage to the point where a customer uses it.

(www.hammerandco.com)

Process-orientated process



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C.K. Prahalad (b. 1941–2010) and competition

Coimbatore Krishnao Prahalad was born in the town of Coimbatore in Tamil Nadu. He studied physics at the University of Madras (now Chennai), followed by work as a manager in a branch of the Union Carbide battery company, gaining management experience. He continued his education in the US, earning a PhD from Harvard. He has taught both in India and America, eventually joining the faculty of the University of Michigan's Business School, where he held the Harvey C. Fruehauf chair of Business Administration.

At Ann Arbor he met Gary Hamel, then a young international business student. Their collaboration ultimately resulted in *Competing for the Future* (1994). This book described how management was in transition. It was moving from the old



C.K. Prahalad

control-and-command model towards one where managers had to find new market opportunities. Much depended on markets and the delivery of customer satisfaction. This was a riposte to the concept of business process re-engineering, which told companies to look for core competencies.

In his most recent book (written with Venkat Ramaswamy), *The Future of Competition* (2004), Prahalad argues that companies have not made enough use of the opportunities provided by globalisation. There is an inability to realise that not only have the rules of the game changed but the role of the players has been transformed too. The 'customer' is more powerful and pro-active figure. They are no longer abstractions that have to be satisfied. Thanks to the Internet they are creative agents participating in transactions. The concept of value has also changed. It is not inherent in products or services. It cannot be instilled by producers or providers. It has to be co-created with consumers. They build this by experiencing it. The only way companies can compete successfully is through building new strategic capital. He desired a greater 'hands-on' approach to business. In 1997 he co-founded Praja ('common people' in Sanskrit), in San Diego. This Internet startup wanted to pull the Internet away from information-based content towards something more experiential. The company's fortunes were badly hit by the deflation of the tech bubble. Prahalad commented philosophically that this experience had taught him a lot.

Prahalad maintained a deep interest in the world's poor. This led him to write *The Fortune at the Bottom of the Pyramid* (2004). It stemmed from a 'long and lonely journey' to find a solution to the world's poverty. He identified the world's poor (the 'Bottom of the Pyramid' or BOP) as a potentially untapped market for companies, worth anything up to \$13 trillion a year. 'The real source of market promise is not the wealthy few in the developing world, or even the emerging middle-income consumers. It is the billions of aspiring poor who are joining the market economy for the first time'. A market at the bottom of the pyramid could be co-created by multinational and domestic industry, non-governmental organisations, and most importantly the poor themselves. They would then have choice over their lives and the products they used. He pointed to Hindustan Lever's success in marketing soap powder and detergents in smaller, cheaper units. This created prosperity downstream through new distribution mechanisms. The book is accompanied by a CD rom containing interviews with people whose lives have been improved. This has nothing to do with philanthropy. It is preferable to what has gone before. Poor people are too often patronised by certain aid agencies. He wants them to have real power in the marketplace.

The book also highlights the victimisation of the poor in some areas. In India, a 'poverty penalty' exists, where poor Indian families are forced into the arms of money-lenders charging interest rates in excess of 400 per cent.

Jim Collins (b. 1958) and corporate culture and leadership

Jim Collins was born in Boulder, Colorado. He studied business at Stanford and stayed on the faculty after graduating. Having taught at Stanford for seven years he returned to his home town to establish what he called a 'business research laboratory'. Here he has become 'a self-employed professor who endowed his own chair and granted himself tenure'. His laboratory examines business issues and structures from a statistical standpoint. 'Others like opinions', says Collins. 'I prefer data'.

His research work has involved looking at vast numbers of companies to find out what makes some good, others great, and others still downright awful. This involves a probe of how each company is managed, and the role of its CEO. This has resulted in four books, including *Good to Great* (2001).

Delivery of customer satisfaction



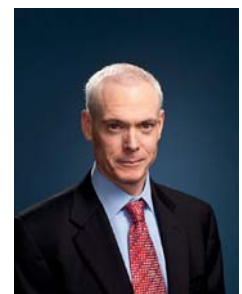
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New strategic capital



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Bottom of the Pyramid



Jim Collins

Good to Great emerged from a simple question: can a good company become a great company? Collins and his researchers' answer was yes – but it wasn't easy. Collins started with a data set of over a thousand companies, but whittled this down to 11 that had consistently outperformed their rivals. These companies had things in common, but not what conventional Business school wisdom said they should have. It was easier to see what they lacked: high profile CEOs, cutting-edge technology implementation, a business strategy or even change management. What Collins did find amongst the eleven was a common corporate culture that was big on the very outdated concept of discipline. This was not the discipline of the martinet, but the good type – self-discipline. The companies rewarded self-disciplined people who thought in a self-disciplined way.

Types of leadership

But the difference between the good and the great was also down to different *types* of leadership. Collins says he was initially a leadership skeptic: it was too simple to pin great success or grim failure on the lapels of a leader. However this is what his data was telling him. On further investigation he identified two levels of leadership – level 5 (the great) and level 4 (the good). None of this is cast in stone, and a level 4 leader can grade up. He cites Lou Gerstner as an example: a level 4 manager at R.J. Reynolds who became a level 5 manager at IBM – though not immediately. Level 5 people have an almost heroic commitment to the company and its mission. The company gets all their emotions – there is no room or energy for self promotion. This does not mean that Level 5 managers are shrinking violets. They simply put the company before, well, everything – family, friends, and probably their health. But they are never alone. They should have a good team around them. This is their responsibility. Part of the mettle of the level 5 manager is deciding who should be on the bus and where they should sit.

There are other qualities which set the great apart from the good. These include the performance of their companies. These can be measured by financial results. Collins is a keen believer in assessing success through the company's stock price. This indicates a preference for publicly-quoted companies.

A Level 5 leader must also have the respect of other business and industry players, such as competitors. (Respect, of course, has nothing to do with liking). They should make an impact on their company, maybe their industry, that outlasts them.

Visionary companies

In his research he also looked at the identity of CEOs. Those companies who chose their chief executives from inside the organisation did better than those preferring outsiders. He suggested that outsiders are ignorant of the company they are entering at the top, with no gestation or apprenticeship period. He also suggested that outsiders lacked the capacity for commitment to a long-term relationship along with its necessary sacrifices.

A good CEO should be neither too humble nor too proud. They should not be too charismatic. They should ideally stay in the job for a minimum of seven years, as it was not possible to have any impact in a lesser time.

In his latest book *Built to Last* (2002) Collins (along with Jerry Porras) continue their analysis of visionary companies, looking at eighteen. These are united by widespread brand recognition, are world famous, but have been in business for more than fifty years.

Collins' research stems from the corporate arena, but he reminds his readers that the lessons he puts forward are equally applicable in the non-corporate arena as well.

Kjell Nordström (b. 1958) and Jonas Ridderstråle (b. 1966) and changing businesses

Dr. Jonas Ridderstråle and Dr. Kjell Nordström are at the forefront of the new generation of European-based business gurus. They cut through the madness and hyperbole surrounding the economy and their appeal is truly global. Dr. Ridderstråle was an assistant professor at the Stockholm School of Economics and is currently a visiting professor at Ashridge Business School in the UK. Additionally, he acts as an advisor and consultant to a number of multinational corporations. Dr. Nordström is presently Associate Professor at the Institute of International Business at the Stockholm School of Economics.

They have achieved fame amongst the ranks of management thinkers through their books and their lectures, both of which are different. At their lectures (they prefer to call them gigs) they appear (should that be perform?) together, dressed in black. The similarities with the world of rock music are deliberate. Their delivery is fast and punchy. Another flamboyant presenter, Tom Peters (a big fan) might be described as a modern Country-and-Western performer; these guys are definitely hard-core heavy metal artists.

Their first book *Funky Business* (1999) caught the atmosphere of their gigs. It contained some stark and simple messages. The world of business had changed dramatically. What will work has to be different in a revolutionary way. 'Traditional roles, jobs, skills, ways of doing things, insights, strategies, aspirations, fears and expectations no longer count... We cannot have business as usual. We need business as unusual. We need different business, We need innovative business. We need unpredictable business. We need surprising business. We need funky business'. The successful organisations will be different too, unafraid of difference or creativity: they will seek emotion. The meaning of e-commerce must be changed into emotional commerce. Employees should be hired because they have some of that emotion. They can then be trained to carry out specific skills. They should be sought in unusual ways at pop concerts even, far removed from the traditional 'milk round'. Ideas are what will make a difference. Riches should be sought in niches wherever they are, amongst 'homosexual dentists or pigeon-fancying lawyers'. The workplace of the future will be Funky Inc. 'It isn't like any other company. It thrives on the changing circumstances and unpredictability of our times'. The future will be incoherent, dominated by movement and speed, by the imperatives of 'move it, move it fast, move it faster, move it now'. The strengths of an organisation will not be core competencies but core *competents*, people whose skills and knowledge make a difference. 'These walking monopolies will stay as long as the company offers them something they want. When that is no longer the case they will leave'. Today's world is a place of excess. This is the age of time and talent, both of which are commodities. Talent will allow firms to be unique. The challenge is: how are you make yourself more attractive, more sexy? In a world of economic Darwinism, survival is a question of being either fit or sexy. Competition takes place using models and moods. Fitness boils down to using market imperfections to your advantage. Masters of mood exploit the imperfections of man by seducing or sedating consumer. Excellent companies re-invent innovation.

Their second book *Karaoke Capitalism* (2004) was never going to be a dog-eared sequel to their earlier volume, a mere '*Funky 2*'. The two Swedes attempted to get political and ideological, and to ask what changes we can expect to emerge from a world dominated by super-fast and soulless machines. In places the book reads like a manifesto, a call to the barricades. The world is undergoing change on a scale



Kjell Nordström



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Jonas Ridderstråle

Emotional commerce

Core competents

Karaoke Capitalism

unknown before, greater than the move from an agricultural to an industrial society that took place in Europe two hundred years ago. That took well over a century and was accompanied by major changes in behaviour and religious observance, not to mention political changes too. Individuals now have more choice than ever. The world of Karaoke Capitalism is increasingly dominated by copy-cats bashing out cover versions of great originals. Only imagination, innovation and originality will place societies, organisations and individuals center-stage. The book talks about how to create capitalism with character, and how to live a fulfilling life while making a living. To develop the character of capitalism involves accepting individual responsibility. 'Look inside. Do you want to be a first-rate version of yourself or a second-rate version of someone else?'

Don Tapscott (b. 1947) and Wikinomics

Tapscott is one of the world's leading authorities on innovation, media and the economic and social impact of technology. He has authored 14 widely read books, including the bestsellers *The Digital Economy* (1995), *Growing Up Digital* (1997), *Wikinomics: How Mass Collaboration Changes Everything* (2007) and *Macrowikinomics: Rebooting Business, the World* (2010), *Macrowikinomics* (2012) and *Radical Openness* (2013).



Don Tapscott



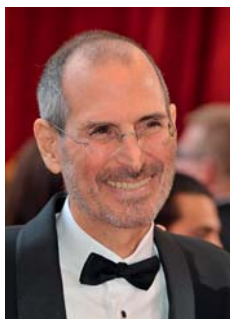
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The book *Wikinomics* revealed how mass collaboration (also called peer production) was reinventing the way businesses communicate, create value, and compete in the new global marketplace. The economic model called Wikinomics is a forward-looking model wherein connected individuals engage with companies in web-based communities which embrace a new art and science of productivity and innovation. According to Tapscott (and co-author Anthony Williams) open-source software and open-access publishing is necessary in order to achieve success. Wikinomics is based on four ideas: Openness, Peering, Sharing, and Acting Globally. In recent history, the use of mass collaboration in a business environment can be seen as an extension of the trend in business to outsource: externalize formerly internal business functions to other business entities. The difference, however, is that mass collaboration relies on free individual agents to come together and cooperate to improve a given operation or solve a problem. This kind of outsourcing is also referred to as crowdsourcing.

In *Macrowikinomics*, the authors prove that mass collaboration is now more powerful than ever and present not only in business, but across all our community sectors. In the new age of networked intelligence, businesses and communities are bypassing crumbling institutions. We are altering the way our financial institutions and governments operate, how we educate our children and how the healthcare, newspaper, and energy industries serve their customers. The power of collaborative innovation and open systems and their call to 'reboot' our institutions – business, education, media, government – has a big impact on our global economy. For financial services they developed new business principles, including transparency, integrity and collaboration. The wisdom of the masses is enhancing the amount of knowledge available to the common man. The authors argue compellingly that the rapid emergence of the wiki world has brought us to a turning point.

Steve Jobs (1955–2011): visionary of simplicity

Steven P. Jobs was an original. He was somehow able to blend iconoclasm, rock-and-roll, and chic industrial design with both the 'nerd' sciences and the unseemly profit motives of the corporation. Born into an era of rotary phones and room-sized



Steve Jobs

computers, he has contributed perhaps more than any other person to forging an age of personal computers, slick electronic tablets and slender mobile phones with a thousand times more computing power than the old mainframes. His products – iMac, iPod, iPhone, and iPad – changed the world, making people more connected in the virtual world.

Jobs was an American business magnate and inventor and the co-founder, chairman, and chief executive officer of Apple Inc. He was also co-founder and chief-executive of Pixar Animation Studios and became a member of the board of directors of the Walt Disney Company in 2006, following the acquisition of Pixar by Disney.



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In the late 1970s, Jobs, along with Apple co-founders Wozniak, Markkula and others, designed, developed and marketed one of the first commercially successful lines of personal computers: the Apple II series. In the early eighties, Jobs was among the first to see the potential of Xerox PARC's mouse-driven graphical user interface, which led to the creation of the Apple Lisa and somewhat later the Macintosh. After losing a power struggle with the board of directors in 1985, Jobs left Apple and founded NeXT, a computer platform development company specializing in the higher-education and business markets. Meanwhile he acquired the computer graphics division of Lucasfilm Ltd, which was spun off as Pixar Animation Studios. He was credited in 'Toy Story' (1995) as an executive producer. Apple's 1996 buy-out of NeXT brought Jobs back to the company he co-founded, becoming CEO from 2000 onwards.

Jobs believed the best-looking, easiest-to-use computers and devices were seamlessly integrated products where both the hardware and software were created by the same company. That conviction was out of fashion in the 1990s, when Microsoft ruled the land and companies like Dell and HP packaged computers around Bill Gates' operating system and Intel's microchips. The release of the iPod in 2001 was a triumph of his vision. When Jobs returned to the long-suffering Apple, he explained that they would first have to put aside its all-too-consuming fixation with its dominant rival, Microsoft. A cold calculation by Jobs was that Apple did not need to win the old battle for the PC. He recognized that an industry dominated by Microsoft and Intel would not adapt smoothly in the era of personal media and communication devices. The opportunities were in the digital media devices and the Internet. Jobs bet that they would not innovate rapidly or radically enough, since their profits relied on the preservation of the old regime. He also understood that in the evolving technology business, new technologies are constantly dislodging the established winners. With the iMac, iPod, iPhone and iPad, Apple forever changed the way people communicate, entertain themselves and even the way they absorb information. Elements like separate keypads, floppy disk drives and computer mice with two buttons were banished and removed and with the help of chief designer Jonathan Ive, he ushered in candy colors, gleaming metals with rounded edges and cone-shaped Wi-Fi base stations. Apple's commitment to industrial design was infectious. Design became a strategic tool. Cool products demanded cool pitches. He continued to work with Chiat/Day, an ad agency that resulted in the 1997 'Think different' campaign. Apple's market capitalisation went from \$3 billion at the start of 1997 to \$350 billion in 2011 – more than the value of Microsoft and Dell combined – making it the second most valuable company in the world.

Not every battle was won. In 2000, the Power Mac G4 Cube, a minimalist, miniaturized computer encased in plastic with no display, keyboard or mouse,

flopped. But the aesthetic, clean surface and ease of use was used again in the iPod, the cigarette-pack-size digital music player made of white polycarbonate introduced in 2001. Even though there were smaller and cheaper MP3 players on the market, the looks and the way it worked seamlessly with its iTunes music service made it an object of desire. Jobs himself said in Steven Levy's book *The Perfect Thing* that the success of Apple lies in the combination of its incredible technology with the legendary ease of use and its awesome design. Millions of people bought iPods and became more willing to consider an iMac, or to walk into one of Apple's proliferating stores, a go-it-alone retail strategy that Jobs unveiled in 2001. A profitable part of Apple's business is iTunes. The music labels succumbed, offering their songs for 99 cents over iTunes. Jobs was able to add TV shows and movies to iTunes in 2006. The introduction of the iPhone in 2007 was even more revolutionary. The device's large display and touch screen, as well as its seamless connection to the App Store, would alter the world of cell phones. By the end of 2010, Apple had sold 129 million iPhones, which accounted for about 40 percent of its revenue. Inspired by the success of iPhone, with its simplified operating system and multi-touch technology, the iPad, a tablet computer, was introduced in 2010. The idea behind the iPad was 'not shrinking the real inside of the Mac, but growing the iPhone'.

In only 15 years, Jobs turned Apple from a floundering company into one of the most influential and valuable corporations in the world. He has changed culture, commerce and the very relationship that people have with technology. His innovations have likely touched nearly every aspect – computers, movies, music and the mobile/cell phone – of our lives. However, Jobs' greatest legacy is arguably his **7 rules of success**:

Steve Jobs 7 rules of success

- 1 Do what you love.** People with passion can change the world for the better. Passion is everything.
- 2 Put a dent in the universe.** Jobs believed in the power of vision. Don't lose sight of the big vision.
- 3 Make connections.** Creativity is connecting things. People with a broad set of life experiences can often see things that others miss. Don't live in a bubble. Connect ideas from different fields.
- 4 Say no to 1,000 things.** When Jobs returned to Apple in 1997, he took a company with 350 products and reduced them to 10 products in a two-year period. So he could put the 'A-Team' on each product.
- 5 Create insanely different experiences.** What are you doing to enrich the lives of your customers? The Apple Stores are a good example: creating an emotional connection between you and the Apple brand.
- 6 Master the message.** You can have the greatest idea in the world, but if you can't communicate your ideas, it doesn't matter. Jobs was the world's greatest corporate storyteller.
- 7 Sell dreams, not products.** Jobs captured our imagination because he really understood his customer. If you help your customer reach their dreams, you'll win them over.

Apple: one more thing

Steve Jobs's office remains Steve Jobs's office. After his death in 2011, Tim Cook, his friend and successor as Apple chief executive officer, decide to leave the sparsely decorated room on the fourth floor of 1 Infinite Loop untouched. Almost everything else on Apple's campus in Cupertino, California, is different. The workforce has almost doubled: construction crews are building the massive foundation for the 'circular spaceship' campus that will accommodate 12,000 workers when it's completed in a few years.

On September 9 2014, Tim Cook laid out much of what Apple has been working on over the past few years: the new iPhone 6, supersize 6Plus, Apple Pay and the Apple Watch. The immediate aftermath is that Apple is swamped by a record number of preorders for the new phone. Bank of America and other major banks and financial institutions, plus the major credit companies and nationwide retailers have embraced the new mobile payment system Apple Pay. Even the Apple Watch, the company's first attempt at launching an entirely new product category in the Cook era, has garnered an encouraging early response.

Behind the product announcements is a different story. When Cook took over from Jobs three years ago, the chances he could continue Apple's epic run appeared slim. The company Cook inherited was broken up into specialized groups devoted to things like hardware engineering and software

design, all working separately and sharing little information with each other; they didn't need to because the overarching vision resided in Jobs's head. Cook's plan was to break down walls and extinguish infighting, executed with precision. Collaboration may be a virtue, but Cook insists it's more a strategic imperative. The result is only now becoming apparent with services that work across different Apple devices. Embedded in the iPhone 6 and the new iOS 8 and Mac OS X Yosemite operating system is a feature called Continuity, which lets users start an e-mail or some other task on their Mac, pick it up on their iPhone, and then move to their iPad or even the Apple Watch. Cook's focus is on products that combine hardware, software, and services. As Cook says: 'The things we should be doing at Apple are things that others can't.'

Another of Cook's mantras is that Apple should 'default to open' on issues of corporate responsibility and engage on causes that are important to customers. The company struggles with conditions at its factories in China, with an internal audit documenting use of underage laborers and abuse of migrant workers. There's another kind of openness at Apple as well. Cook is willing to acknowledge weaknesses in its business and, when necessary, seek outside partnerships to boost demand for products. The company linked up with IBM to sell iPads and iPhones to large companies and develop industry-specific productivity apps.

Source: *Bloomberg Businessweek*, September 18, 2014



Daniel H. Pink (1964) and the changing role of work

Daniel H. Pink (1964) is the author of several provocative, bestselling books about the changing world of work, the changing workplace.

His latest book is *To sell is human: the surprising truth about moving others* (2012), which uses social science, survey research, and rich stories to offer a fresh look at the art and sciences of sales. But more important is his book *Drive: the surprising truth about what motivates us* (2009). Pink uses 50 years of behavioural science to overturn conventional wisdom about human motivation and offer a more effective path of high performance. In *Drive*, Pink says for 21st century work, we need to upgrade to autonomy, mastery and purpose. When it comes to motivation, there



Daniel H. Pink

is a gap between what science knows and what business does. Our current business operating system – which is built around external, carrot-and-stick motivators (reward and punish) – doesn't work and often does harm. We need an upgrade, and science is showing the way. This new approach has three essential elements:

- 1 Autonomy.** the desire to direct our own lives.
- 2 Mastery.** the urge to get better and better at something that matters.
- 3 Purpose.** the yearning to do what we do in the service of something larger than ourselves.

Jobs have also changed dramatically in the 21st century. They have become more complex, more interesting and more self-directed. Companies need to adopt a revised approach to motivation which fits more closely with these more complex and creative modern jobs and businesses, basing it on self-determination theory (SDT). SDT proposes that human beings have an innate drive to be autonomous, self-determined and connected to one another, and when that drive is liberated, people achieve more and live richer lives. Organisations should focus on these drives when managing their human capital and create settings which focus on our innate need to direct our own lives (autonomy), to learn and create new things (mastery), and to do better by ourselves and our world (purpose).

The use of rewards and punishments to control our employees' production is an antiquated way of managing people. To maximize their enjoyment and productivity for work, we need to upgrade our thinking.



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Clayton M. Christensen

Clayton M. Christensen (1952) and disruption

Clayton Christensen (1952) is the Kim B. Clark Professor of Business Administration at the Harvard Business School, where he teaches one of the most popular elective classes: 'Building and sustaining a successful enterprise.' He is regarded as one of the world's top experts in innovation and growth and his ideas have been widely used in industries and organisations throughout the world.

Christensen is the best-selling author of seven books, and best known for his study of innovation in commercial enterprises. His first book, *The innovator's dilemma*, articulated his theory of disruptive innovation. Disruptive innovation, a term coined by Clayton Christensen, describes a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up-market, eventually displacing established competitors.

Disruptive innovation

As companies tend to innovate faster than their customers' needs evolve, most organisations eventually end up producing products or services that are actually too sophisticated, too expensive, and too complicated for many customers in their market. Companies pursue these 'sustaining innovations' at the higher tiers of their markets because this is what has historically helped them succeed: by charging the highest prices to their most demanding and sophisticated customers at the top of the market, companies will achieve the greatest profitability. However, by doing so, companies unwittingly open the door to 'disruptive innovations' at the bottom of the market. An innovation that is disruptive allows a whole new population of consumers at the bottom of a market access to a product or service that was historically only accessible to consumers with a lot of money or a lot of skill.

Some examples of disruptive innovation include:

Disruptor	Disruptee
Personal computers	Mainframe and mini computers
Mini mills	Integrated steel mills
Cellular phones	Fixed line telephony
Community colleges	Four-year college courses
Discount retailers	Full-service department stores
Retail medical clinics	Traditional doctor's offices



kaywa.me/tnE8o

Another groundbreaking book is *How will you measure your life?* (2010, originally a speech at Harvard Business School, then a famous article in the Harvard Business Review), in which Christensen offered a series of guidelines for finding meaning and happiness in life. He used examples from his own experiences to explain how high achievers can all too often fall into traps that lead to unhappiness. He wrote this book at a time of intense personal reflection: Christensen had just overcome the same type of cancer that had taken his father's life. In the book, he offers profound advice about priorities; specifically about the importance of investing in family, about living a life of integrity and having metrics that make it easier to make the right decisions.

France

How the French organise and process information

The French will readily accept information for the purpose of debate and may change their minds quickly, but strong ethnocentrism will not allow the acceptance of anything contrary to the cultural norm. Ideas are very important to them, and they approach knowledge from an analytical and critical perspective. They look at each situation as a unique problem and bring all their knowledge to bear on it.

What the French accept as evidence

Arguments tend to be made from an analytical, critical perspective with eloquent rhetorical wit and logic. There is a great love of debate, striving for effect rather than detail and image over facts. Feelings and faith in some ideology may become part of the rhetoric.

The basis of behaviour

Pride in their heritage sometimes makes them appear egotistical in their behaviour. Value systems in the predominant culture – how right is distinguished from wrong, good from evil, and so on – are described under the next three headings.

The locus of decision-making

The French are strongly individualistic and have a centralized authority structure that makes quick decisions possible. The relationship between the participants becomes a major variable in the decision-making process. One's self-identity is based on his or her accomplishments in the social realm. Education is the primary variable in social standing. Individual privacy is necessary in all walks of life.

Sources of anxiety reduction

The French seem to be preoccupied with status, rank, and formality. Contacts are of utmost importance. Their attachment to a public figure gives them a sense of security. Nevertheless, individuality is preferable to conformity. They are reluctant to take risks, so little long-range planning is done, as the future is uncertain. One is allowed to show both positive and negative emotions in public.

Issues of equality / inequality

There is a highly stratified class system, but most people are middle class. However, there is much hostility between social groups. Superiors demand obedience from subordinates in all walks of life. Power is a basic fact of society, and leaders with the ability to unify the country or group are highly prized. Sex roles in society are fluid, and one's status is more important than one's sex.

Ten examples of French business practices

- 1 The French are known for their formal and reserved nature. A casual attitude during business transactions will alienate them.
- 2 During negotiations, the French may make you seem to be the *demandeur* (petitioner), thus putting you in the weaker position.
- 3 Hierarchies are strict. Junior executives will pass a problem on to a superior. Try to cultivate high-level personal contacts.
- 4 Do not mistake a high-pitched voice and excited gestures for anger: they usually just mean great interest in the subject.
- 5 Business can be conducted during any meal, but lunch is best.
- 6 Respect privacy. The French close doors behind them; you should do the same. Knock and wait before entering.
- 7 Always shake hands when being introduced or when meeting someone, as well as when leaving. In general, the woman offers her hand first. In social settings, with friends, expect to do *les bises*, or touching cheeks and kissing in the air.
- 8 Find out the titles of older French people you meet, and address them in that way both during the introduction and in the course of conversation. Even simple titles like Madame should be used as you converse, whether in English or in French.
- 9 Do not use first names until you are told to do so. Do not be put off by the use of surnames; it does not mean that the French are unfriendly. If you speak French, use the *vous* form until you are asked to use *tu*.
- 10 Good gifts include books or music, as they show interest in the intellect. Bring best-sellers, especially biographies. The thicker and more complex the book, the better; simplicity is not a virtue in France.

Source: *Kiss, Bow, or Shake Hands: How to Do Business in Sixty Countries*, by Terri Morrison, Wayne A. Conaway and George A. Borden, Adams Media, 2006



Summary

- ▶ Organisational behaviour is an interdisciplinary science that focusses on the study of behaviour in organisations. Key areas studied include factors that determine this behaviour, and the most effective ways of directing organisations.
- ▶ The history of this field goes back to the time of Socrates and Plato. In the 1960s and 1970s, organisational behaviour as we now know it appeared in the Netherlands.
- ▶ The schools of thought and personalities mentioned in this chapter have all had an influence on developments in the field of organisational behaviour. The developments are both historical and recent.
- ▶ We have provided a summary of the featured personalities and schools of thought based on major characteristics and key philosophies:
 - Niccolo Machiavelli (1469–1527)
 - Adam Smith (1723–1790)
 - Scientific management (around 1900)
 - Henri Fayol (1841–1925)
 - Max Weber (1864–1920)
 - Human relations (around 1945)
 - Neo-human relations (around 1950)
 - Systems approach (around 1950)
 - Contingency approach (around 1965)
 - Philip Crosby (1926–2001)
 - Henry Mintzberg (from about 1979)
 - Tom Peters (from about 1982)
 - Peter Drucker (1909–2005)
 - Michael Porter (from about 1980)
 - Michael Hammer (1948–2008)
 - C.K. Prahalad (1941–2010)
 - Kjell Nordström and Jonas Ridderstråle (from about 1999)
 - Jim Collins (from about 2001)
 - W. Chan Kim and R. Mauborgne (2005)
 - Don Tapscott (2006)
 - Steve Jobs (1955–2011)
 - Daniël Pink (1964)
 - Clayton Christensen (1952)
 - Power and opportunism
 - Division of labour and productivity
 - Production organisation and efficiency
 - General management theory
 - Bureaucracy and the ideal type organisation
 - Informal organisation and subjectivity
 - Synthesis of scientific management and human relations: the division between people and organisation
 - The organisation as a system and in its interaction with its surroundings
 - The application of management techniques dependent on the situation
 - Quality management in organisations
 - Configuration theory and seven configurations
 - Management principles for outstanding companies
 - Knowledge as an essential production factor
 - Strategy and competitive advantage
 - Re-structuring of business processes
 - Competition
 - Corporate culture and leadership
 - Changing business
 - Blue ocean strategy
 - Wikinomics
 - Vision and simplicity

Definitions – Introduction & Chapter 1

§ 1.1 Induction The development of theories primarily derived from experience and facts gained from practical situations.

Deduction The development of theories primarily derived from hypotheses that are subjected to further reasoning before specific conclusions are drawn.

Organisation A group of people working together towards a common goal.

Organise The creation of effective relationships between people, resources and operations, controlling and managing production factors in such a manner that organisational goals are reached.

The field of organisation and management The theory of human collaboration in any form and the direction it is taking.

Management The theory of directing an organisation.

§ 1.2 Organisational behaviour An interdisciplinary science that is concerned with the study of the behaviour of organisations as well as the factors that influence this behaviour and the ways in which organisations can be most effectively managed.

Behaviour of organisations The way organisations act and react.

Descriptive aspect A description of the behaviour of organisations showing motives and consequences.

Prescriptive aspect Advice to be followed concerning course of action and organisational design.

Interdisciplinary Organisational behaviour contains many elements that originate from sciences such as business studies, marketing, technical sciences, behavioural science and law.

Multidisciplinary The various contributions made by the various sciences are weighed up, compared with one another and then used to develop a new approach – one in which the subject is seen in its entirety.

Direction Guiding the processes that take place in an organisation.

§ 1.3 Silk Road	The Silk Road was one of the oldest trade routes. It was set up in the 1st century BC and encompassed Europe, the Middle East and Asia. It linked the great Roman and Chinese civilizations.
§ 1.6 Scientific management	A systematic, coherent managerial approach relating to the manner in which production should be organised. A manager must have a broad view of his organisational tasks, including planning, coordinating, overseeing, and checking of results.
§ 1.7 General management theory	A coherent system of views relating to the manner in which organisations as a whole should be run. It has to do with universal principles that apply everywhere people work together.
§ 1.8 Human relations movement	The basic premise of the HR movement is that happy and satisfied employees perform better. Management must therefore give adequate attention to groups and individuals, demonstrate appreciation for appropriate behaviour, and give individuals sufficient responsibility and freedom.
Linking pin structure	The organisation consists of groups that overlap in such a way that the leader of the group is also a member of a higher group. He must lead the group, and also ensure good communication with the higher group.
§ 1.9 Systems approach	An approach whereby an organisation is seen as a system, i.e. a whole unit made up of coherent parts. According to this approach, all activities in organisations are closely connected to each other. The systems approach proposes that management adopt an integrated policy when tackling organisational problems.
§ 1.10 Contingency approach	Pertains to choosing the most appropriate specific management technique. The approach derives from organisational theory and is strongly influenced by the circumstances in which an organisation finds itself. The art is to discover in which circumstances certain techniques can best be applied.
§ 1.11 Configuration	Organisations should not view their qualities separately from each other but bring these together in a common form or configuration. A configuration can be seen as an 'ideal typical organisation'. The following qualities are significant: organisation members, coordination mechanisms, design parameters and situational factors.
Process	A process can be seen as a series of activities that create value for the customer.

Exercises

Statements

Decide which of the following statements are correct or incorrect and give reasons for your answer.

- 1 Organisational behaviour is primarily a multidisciplinary science.
- 2 Effectiveness means a high extent of efficiency.
- 3 Unity of command means that every employee has only one immediate boss.
- 4 An organisation with a linking pin structure is likely to experience a lot of horizontal discussion.
- 5 'Theory X and Y' describes how organisations (rather than humans) are seen.
- 6 According to the contingency approach, certain management techniques can be very successful in some situations, whereas they will fail completely in others.
- 7 With reference to his seven configurations, Mintzberg has indicated how an organisation can be best structured in different situations.
- 8 Competitive advantage can be measured in absolute terms.
- 9 According to Michael Hammer, nowadays it is necessary to adopt a process-orientated work system instead of one that is based on function.

Theory questions

- 1 An employee has some problems and cannot meet the normal productivity standards. Describe how a manager should deal with this using the following techniques:
 - a Scientific management
 - b Human relations approach
 - c Neo-human relations approach.
- 2 Give an explanation for the increase in the number of multinational businesses from approximately 3,000 at the beginning of the 20th century to approximately 63,000 at the start of the 21st century.
- 3 'Within organisations that are very technologically oriented, one finds more of the features of scientific management than in a service organisation'. Give your opinion on this statement and back it up with supporting arguments.
- 4 'An organisation that has been developed following the bureaucratic model is by definition characterised as stiff, lacking initiative and missing creativity'. Give your opinion on this statement, backing it up with supporting arguments.
- 5 Describe the connection between Michael Hammer's business processes restructuring theory and Michael Porter's theory of 'added value'.

Mini case study

The DHL Network – world-wide fast information

The company name DHL comes from the initials of its three founders: Adrian Dalsey, Larry Hillblom and Robert Lynn. In 1969, the three partners took a small step that would have a profound impact on the way the world does business. The founders began to send shipping documentation by air from San Francisco to Honolulu, beginning customs clearance of the ship's cargo before the actual arrival of the ship and dramatically reducing waiting time in the harbour. This idea laid the foundations for a new business sector: international air express, the fast delivery of documents and shipments by air. DHL is the global market leader in international express, overland transport and air freight. It is also the

world's number 1 in ocean freight and contract logistics. DHL offers a full range of customised solutions – from express document shipping to supply chain management.

DHL statistical details

- Number of employees: around 285,000
- Number of offices: around 6,500
- Number of hubs, warehouses & terminals: more than 450
- Number of gateways: 240
- Number of aircraft: 420
- Number of vehicles: 76,200
- Number of countries & territories: more than 220
- Shipments per year: more than 1,5 billion
- Destinaotions covered: 120,000

In order to be able to transport the enormous volume of documents, standardization of activities and processes is needed. Only then is DHL able to deliver packages quickly and accurately to the required destinations. Furthermore, DHL aims to deliver a made-to-measure service to their customers. This might seem contradictory: 'Taylorism' and free trade seem to go quite well together in practice.

Source: <http://www.dhl.co.uk/publish/gb/en/about/history.high.html>

Question

- 1 Do 'Taylorism' and the freedom to trade really possess conflicting characteristics?

E-mail case study

To: Karina Thomson
Cc:
Bcc:
Subject: The NW Group

Message: Dear Karina,

As you know, one of ABN AMRO's key activities is mortgage lending, and traditionally we have enjoyed a high market share. However, this market share has fallen during the last few years and our initial investigations suggest that the NW Group is becoming a significant competitor within the Dutch market.

In one way or another we must improve our management procedures and adapt. But how? On behalf of the management of the mortgage department, I would like to ask you to produce a report on the NW Group. In your investigation we'd like you use the management principles formulated by Tom Peters as a guide.

Karina, please analyse where the NW Group stands in relation to each of the eight characteristics that make an organisation successful. We can then take a leaf from the Scottish bank's book, improving and adapting our own management processes.

Kind regards,
Piet Dankers
ABN Amro