2016 MET IIA PAPER 4 A.Parlikad, T. Minshall, R. Wiedner

Module 3P6: ORGANISATIONAL BEHAVIOUR
(Section A)

Module 3P7: MANAGING BUSINESS AND PEOPLE
(Sections B and C)

SECTION A

1. A good answer will define key terms, such as ‘team’, ‘teamwork’ and ‘organizational performance’. It will also discuss the types of tasks that are more or less suitable for teamwork. Additionally it will give a balanced account of the potential benefits (related to efficacy and belonging) and problems (such as accountability and the time it may take to negotiate structures) that teams may face. Excellent answers will discuss why teamwork has become popular in many cultures and establish links to topics covered in the course such as motivation, power & politics, learning, group formation, decision-making, etc.

   The following is used as a general marking guide:

   a. Definitions of relevant concepts, such as ‘team’, including discussion of different types (max 15%)
   b. Discussion of types of organizational tasks and whether teamwork has the potential to result in better performance than individual work (max 15%)
   c. Discussion of benefits of teamwork (max 15%)
   d. Discussion of potential problems associated with teamwork (max 15%)
   e. Links to other topics covered throughout the course (max 15%)
   f. Discussion of further contingencies and/or popularity of teamwork in modern, Western societies (max 10%)
   g. Overall coherence of argument (max 15%).

2. A good answer will analytically dissect the term ‘bad decisions’ and discuss issues related to decision-making at multiple levels of analysis, including individual biases, group dynamics and processes at the organizational level. Excellent answers will refer to theories and approaches, such as the behavioural theory of the firm and the ‘garbage can model’ of decision-making.

   The following is used as a general marking guide:

   h. Definitions of relevant terms, such as ‘bad decisions’ and ‘organizations’ (max 15%)
   i. Distinction between different levels of analysis (max 5%)
   j. Discussion of individual decision biases and heuristics (max 15%)
   k. Discussion of decision making issues at the group level, such as group polarization, groupthink and group cohesiveness (max 15%)

l. Discussion of organization-level issues, such as power, politics and the organization of decision-making, including mentions of ‘escalation of commitment’ and ‘muddling through’ (max 15%)
m. Use of theories and theoretical approaches (max 15%)
n. Links to other topics covered throughout the course (max 5%)
o. Overall coherence of argument (max 15%)

3. A good answer will define key terms, including ‘environment’ but especially ‘change’, discuss different approaches of how organizations and their environments may be related to one another, and the potential benefits and issues associated with frequent ‘bottom-up’ forms of change and ‘top-down’ driven change programs. Very good answers will discuss issues of timing, resistance and psychological (or social psychological) effects of change.

   The following is used as a general marking guide:

   p. Definitions of key terms, such as ‘change’ (including drivers and initiators), ‘continuous change’, ‘environment’, ‘adapt’ (max 20%)
   q. Discussion of relations between organizations and the environment (max 10%)
   r. Discussion of potential benefits of continuous change (max 15%)
   s. Discussion of potential issues associated with change and continuous change (max 20%)
   t. Use of theories and theoretical approaches (max 15%)
   u. Links to other topics covered throughout the course (max 5%)
   v. Overall coherence of argument (max 15%)

4. A good answer will define the term ‘cultural issues’ and discuss theories of organizational culture, as well as relevant concepts, such as ‘strong’ and ‘weak’ culture. Excellent answers will (1) discuss differences between popular management and critical approaches to culture, (2) differentiate between, as well as relate ‘national’, ‘organizational’ and other forms of culture, and (3) discuss the ‘culture clash’ phenomenon that is, for instance, often associated with mergers and acquisitions.

   The following is used as a general marking guide:

   a. Definitions of key terms, such as ‘culture’ and ‘organisational failure’ (max 15%)

b. Discussion of theoretical approaches, such as Schein's model of culture (max 15%)
c. Discussion of differences between popular management and critical approaches (max 20%)
d. Discussion of national, organizational and other forms of culture (max 15%)
e. Discussion of why some cultures may not be compatible with one another (max 10%)
f. Links to other topics covered throughout the course (max 10%)
g. Overall coherence of argument (max 15%)

Rene Wiedner

SECTION B

(5) (a) Describe the differences between the transactional and the relationship view of marketing.

***Basic answer*** *should be able to describe key elements from this table:*

| ***Transactional View*** | ***Relationship View*** |
|---|---|
| *Purpose of marketing is to make a sale* | *Purpose to create a customer* |
| *Sale is the result of success* | *Sale is beginning of relationship; profit is measure of success* |
| *Business defined by products and factories* | *Business defined by customer relationships* |
| *Price determined by market forces – it is an input* | *Price determined by negotiation – it is an outcome* |
| *Communications aimed at aggregates of customers* | *Communications targeted and tailored to individuals* |
| *Marketer valued for products and prices* | *Marketer valued for problem-solving ability* |

***Better answers*** *would also add additional material on the impact of this trend. I.e., the Transactional View is relatively short-termist and assumes that changing one variable in the Marketing Mix is often all that is necessary to change consumer perceptions. The Relationship-base View takes a longer term, more holistic view of the business and focuses on factors that influence the development and maintenance of customer loyalty*

(b) Explain why firms in some markets might choose to continue to use a transactional approach to marketing.

***Basic answer*** *would discuss situations where firms just wish to focus on meeting short-term sales targets, with no assumption of necessarily ever selling to that customer again, hence there is no need to 'waste time' building a relationship. All efforts are focused on managing the 4Ps to make the sale. Might be more typical in a product-only environment. Examples could include home shopping channel, some home improvement firms, PPI insurance, and certain other financial products.*

***Better answers*** *might discuss whether many firms really do maintain a transaction only approach to marketing, and is there always an element of relationship building to ensure that customers do at least recommend that seller to someone else. It could also be argued that on-line sales has increased the likelihood of more firms moving to a relationship approach as the act of on-line purchasing often establishes a link between the buyer and seller that allows the seller to develop the relationship with the customer. Could discuss whether this is more prevalent in product or service environment, and the role of increased servitization.*

(c) Discuss the potential implications of a shift from a transactional-based approach to a relationship-based approach on the sales and marketing operations of a long-established manufacturing firm.

***Basis answer** would discuss what happens in a transactional environment (e.g. sales and marketing operations set up around the 4(7)Ps and each of these manipulated as appropriate to ensure short-term sales targets are met), and contrast this with how relationship-focused environment would be developed (e.g. focus on customer identification, understanding and addressing of needs, retention, use of CRM sytems, et al.). Answer should then focus on the specific environment given, where the nature of the business (long-established, manufacturing) might mean that it has developed systems appropriate for a transactional environment, but with the trend towards relationship-based approaches, it might struggle to cope with the changes required. Issues would include not only changes to systems, but also skills required and even the culture of the business.*

***Better answers** might start to discuss issues of servitization (product service systems) for a manufacturing firm, how this might accelerate the move to relationship based approaches, but the challenges that it might present in terms of transforming the business operations.*

(6) *'Rolls-Royce share price plunges after latest profit warning'. The Guardian 12/11/15. 'Uber's Financials Show Huge Growth'. Forbes 12/01/16.*
Discuss the differences between the strategic and operational challenges facing:
(a) a large publicly-traded manufacturing company such as Rolls-Royce plc;
(b) a rapidly growing privately-owned, service-based start-up firm such as Uber.

**Basic answer** would draw on standard strategic and operational challenges between small and large firms (drawing on material from the table below, but also considering the fact that one company is under great pressure to change its strategy and transform its existing, massive operations, while the other is a relatively new, non-capital intensive but rapidly growing business.

| | **Start-up company** | **Established company** |
|---|---|---|
| Processes | Informal; ad hoc; rapid | Formal processes; slow paced (e.g., design review; document control |
| Systems | Few | Many systems, tried and tested (e.g., technical database, financial systems) |

| | | |
|---|---|---|
| Activities | Heroic individual efforts; chaotic; initiative based | Cross-functional teams; managed tasks; delegated authority; coherence |
| People | Many creator / innovator types; role flexibility | Managed balance between types; clear job descriptions |
| Management style | Hands-on, informal; bold decisions taken on incomplete information | Delegated, professional style; risk assessment; staff development |
| Communication and documentation | High dependence on verbal communication and memory; ‘everyone knows everything’ | Greater use of written communication; controlled dissemination; ‘need to know’ |
| Market information | From intuition, insights and belief; reliance on feedback from small sample of (potential) customers | From experience and market research; statistical sampling of customer needs and price sensitivity |
| Competitors and IPR | Limited competitor awareness; limited IPR protection | Very aware of competitors; careful and strategic use of IPR. |

**Better answers** would pick up on more contextual details relating to the two firms. This could include:
(1) ownership issue - RR is publicly traded and this its performance is under constant scrutiny from its shareholders and analysts; Uber as a privately held company is not required to be as open and hence can focus on addressing the needs of its VC investors;
(2) nature of core business - RR is a manufacturing firm with a huge range of assets that need to be fully utilised to ensure return on capital invested, but they operate in a wide range of sectors and several of these are under pressure – so how does RR deal with multiple changing markets with its substantial fixed assets? Uber is a service based firm that is growing incredibly fast but there are now huge expectations that it will continue to grow and hold off the competition – as a service business there are quite low barriers to entry.

Tim Minshall

SECTION C

7

(a) Equality Law 2010 provides provides protection against discrimination for a number of “protected characteristics” – age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage & civil partnership, and pregnancy & maternity. The different types of discrimination against which protection is provided are:

1. Direct discrimination – Someone is treated less favourably than another person because of a protected characteristic (PC).
2. Discrimination by association – Direct discrimination against someone because they associate with another person with a PC.
3. Discrimination by perception – Direct discrimination against someone because others think they possess a particular PC.
4. Indirect discrimination – Can occur when you have a rule or policy that applies to everyone but disadvantage a particular PC.
5. Harassment – Employees can now complain of behaviour they find offensive even if it is not directed at them.
6. Harassment by third party – employers are potentially liable for harassment of their staff by people they don’t employ.
7. Victimisation – Someone is treated badly because they have made/supported a complaint or grievance under the act.

(b)

**Overall approach**

Principle – resolve at lowest level of formality

- Establish the facts of the case
- Inform the Employer/Employee of the problem
- Hold a meeting to discuss the problem
- Allow the employee to be accompanied
- Decide on appropriate action
- Provide employees with an opportunity to appeal
- Where disciplinary and grievance procedures overlap suspend disciplinary or, if related, hold concurrently

If informal action does not resolve the issue, the different options available for dispute resolution are

- Mediation

- Conciliation (cases related to Employment tribunal)
- Arbitration

Mediation can be done by internal or external parties. The choice between the use of internal and external mediators are illustrated in the table below.

| Internal | External |
|---|---|
| (+) Knows and understands the organisation culture<br>(+) Potentially requires less briefing<br>(+) Little or no cost<br>(-) May not be perceived as impartial<br>(-) May have historical baggage<br>(-) Experience level may be low | (+) Comes with little or no knowledge of the organisation or parties in dispute<br>(+) May be a more experienced mediator with the ability to pick up issues quickly<br>(+) Likely to gain trust of parties more readily<br>(+) Able to provide the organisation with fresh view of possible cultural or organisational issues<br>(-) Charges for services |

**Conciliation**

- Independent and impartial outsider discusses issues in dispute between parties
- Sometimes separately, sometimes together
- Aim is a solution both parties can accept

**Employment tribunal**

Parties allow independent and impartial outsider (the arbitrator, or arbiter in Scotland) to determine the outcome

- Differs from conciliation and mediation because arbitrator acts like a judge, making a firm decision
- Hear cases involving employment disputes
- Less formal than a court, but decisions legally binding
- Usually panel of three
  - An employment Judge
  - Two non-legal (lay) members
- Witnesses can be required to attend
- No charge to claimant, but can incur costs (for “unreasonable behaviour”)
- Applications within three months of relevant event, or end of employment

**Good candidates** will provide responses that directly address the issue in question. The fact finding step will include examining whether the problem is caused by a single (or a few) people in the organisation, or whether it is a systemic problem. Investigation is necessary to examine if necessary training and policy guidance is provided against discrimination. If it is found that the problem is caused by a single person, appropriate action as set out in the advised approach needs to be taken. It might very well be possible that the person responsible is not even aware that their actions are discriminatory.

(c)

The key approaches to prevent conflict are:

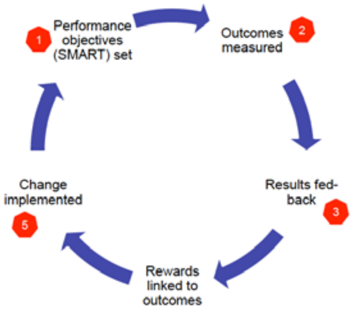
- Put systems and procedures in place
  - Establish formal procedures
  - Explain plans
  - Listen
  - Reward fairly
  - Work safely
- Develop relationships
  - Value employees
  - Treat fairly
  - Encourage initiative
  - Balance personal and business needs
- Work together and build trust

Good candidates will expand on these issues and explore them in the context of discrimination. They will suggest having a clear company policy for discrimination and providing training to managers to prevent discrimination.

8

(a)

The performance management process consists of the steps shown in the figure below.




The key elements of performance appraisal are:

- Measurement
  - Assessing performance against agreed targets and SMART objectives.
- Feedback
  - Providing information to the individual on the performance and progress
- Positive reinforcement
  - Emphasizing what has been done well and providing constructive criticism
- Exchange of views
  - Regarding performance improvement and support needs
- Agreement
  - Joint understanding of next steps

There are a number of different approaches to measure employee performance:

- Self-appraisal
  - Not useful on its own, but the norm as a starting point
- Verbal or ‘Free text’
  - Subjective and difficult to measure
- Checklist of knowledge, skills, competencies, and behaviours
- Ranking of performance against pre-defined criteria or traits
  - Need to tailor the criteria according to job roles and responsibilities, and hence can be very complex and makes it difficult to compare different employees

In the case of the start-up company, a combination of checklist and ranking can be used. This will ensure employees have the right skills, traits and personalities; and also ensure that their performance can be measured quantitatively. Note that the checklist might provide better results than quantitative measurement in the case of small companies where often the "right personality" is highly important.

Note: **Basic responses** will describe the process of performance appraisal and provide an elementary guidance on the appropriate approach to be taken in the case of the company in question. Such responses will at least discuss the need for setting SMART objectives, provision of effective feedback, and the need to ensure the appraisal process is mutually beneficial. **Good responses** will extend this by providing good examples of objectives, skills/traits/personalities needed in employees of startup companies. Such responses will suggest that the key principle in appraisals in this context will be informality and less paperwork. **Excellent responses** will be innovative, e.g., suggesting the use of social media tools for continuous performance measurement and management. This is particularly useful in the case of a technology start-up company.

(b)

Bad appraisals are characterised by the following:

- focuses on a catalogue of failures and omissions
- is controlled by the appraiser
- ends with disagreement between appraiser and appraisee
- leaves the appraisee feeling disengaged or demotivated by the process.

In addition, the following types of biases may occur during appraisal:

- Central tendency effect
    - Leniency or mid-way scoring
- Halo/Horn effect
    - one piece of information used to evaluate unknowns
- Recency effect
    - relying on memorable info
- Anchoring and Adjustment
    - failing to adjust initial impression in the face of evidence
- Comparison effect
    - Compares performance to an employee performing other tasks

In order to avoid the above problems, the appraisals should be done such that:

- appraisees do most of the talking; appraisers listen actively to what they say
- performance is analysed, not personality
- the whole period is reviewed and not just recent or isolated events
- achievement is recognised and reinforced
- the meeting ends positively with agreed action plans to improve and sustain performance in the future.

It is also advised to set up performance logs to:

- Record performance on an ongoing basis
- Include positive and negative behaviours
- Write observations, not assumptions (or rumours)
- Keep out biased language
- Be as specific as possible
- Track trends, look out for patterns and abnormalities
- Measure only those traits/behaviours that are relevant to the job and company values

(c)

Appraisals have two key purposes:

(1) Administrative
   a. Pay and benefits – design an appropriate pay package that rewards current and future performance in addition to a basic pay element.
   b. Promotion – good appraisal processes can be used to identify potential leaders. In the case of the startup company where there is little hierarchy, this might not be immediately relevant. However, as the company grows, this information can be used to identify employees with growth prospects.

(2) Developmental
   a. Feedback – identify weaknesses and strengths, and provide timely feedback to employees so as to give them an opportunity for improvement. For employees that are performing well, this feedback can be good encouragement. The information gained during appraisal can also be used for task allocation – matching skills to the requirements of the tasks.
   b. Identifying areas for improvement – in particular where training is necessary. Again, in the case of startup companies, note that this might not often be feasible.

Ajith Parlikad