

Organization behaviour case study

[Psychology](#), [Behaviorism](#)



Executive summary

In this report, a case of Morgan-Moe's drug stores will be studied. The company is suffering from a difficult economy situation, with stores being downsized and employees being dismissed. There is a huge problem concerning employee motivations. Therefore, the human resource team decided to change the management system, and they had conducted an experiment to test five newly designed programs. The outcome is analyzed based on sales revenues and employment turnover rate, and the most effective programs are selected accordingly.

At the same time, critical thinking is applied in this report. The process of the experiment is reviewed, and several factors are added into the consideration. Meanwhile, both practical and theoretical information is provided relating to the changing workforce, the importance of goal and directions, the construction of organizational culture, the employ involvement and empowerment, the changing resistance, as well as the justice and fairness of work place. Through these further analyses, a more comprehensive management system is suggested to Morgan-Moe's drug company.

Background information

Morgan-Moe's drug stores used to be the leading company in the retail industry with the firm owning hundreds of stores. However, there has been a dramatic declining in revenues recently based on a sharp decrease in the region's manufacturing economy. The company used to consider high-margin items as their major product, but they have to switch their focus on

low-margin commodities, and therefore the profit has been fallen rapidly. Out of frustration, the company has to cut down the number of stores, and dismiss the employees.

As the business going worse, there are some negative influences on the employees. Because of the insecurity of their jobs, employees had formed a pessimistic attitude against their daily work. Besides, the lack of advanced notice and communication, as well as the unsatisfied severance payments for departing employees, had caused the laid-off employees to have a radical emotion of angry. In this way, the working efficient of the daily operation was weakened, and the public image of the company has also been damaged.

To deal with the changes and to solve those problems, Jim Claussen, vice president of Human Relations, determined to set a new direction for the company, and the human resource management team decided to transform their performance management system. In order to come up the most effective management system, the HR team had come up with five options for the company, and each individual manager of the store is able to choose the most appropriate approach for their management purposes. An experiment had been conducted, and the results are analyzed in details in the following report.

Experiment approach

As mentioned above, there are five programs designed for this experiment (listed in the following table), and those programs can be considered as the variables. Program one is designed to be the same as the previous system, with sharing little or no information; program two and three provide

employees with information that is controllable (sick leave) or uncontrollable (sales and inventory replacement); and program four and five engage employees into the decision making process with employees providing suggestions for a better performance.

Program	No.
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Program 1	
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Continues to stay the course and providing employees with little to no information or opportunities for participation.	
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Program 2	
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Tracks employee absence and sick leave and shares that information with individual employees, giving them feedback.	
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Program 3	
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Tracks sales and inventory replacement rates across shifts	
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Program 4	
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Tracks the same information as Programs II and III. Managers communicate it in weekly bases, during which employees make suggestions for improving performance	
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Program 5	
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Keeps the idea of brainstorming, but doesn't provide employees with information about their behavior or company profits To achieve a comprehensive analysis of this experiment, we need to identify what the	
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independent and dependent variables are. According to Sechrest (1982), independent variables refer to factors of input which are able to be controlled, while dependent variable indicates the output or outcome which is determined by the dependent variable.

In this case, the independent variables rely on both the management and employee perspectives. Analyzing from the management perspective, the information sharing level, the empowerment level and management style will all have an influence on the outcomes. On the other hand, factors of employees should also be considered as independent variables. For example, the employment age, their positions in the company, the working condition or location will all affect the experiment results.

Our dependent variables focus on the outcome of those programs that we want to measure, and it can be classified as the average turnover rate, the sales profit, and the monthly staff cost time. Those dependent variables are determined by the independent variables, and the change of each independent variable will have an influence on the dependent variables and experiment outcomes.

Finding and discussion

The experiment was conducted within 299 retail stores, and the results are listed in the appendix. As can be observed, program four and five should be regarded as the most effective methods in generating revenues and reducing turnover.

First, we will focus on the revenue and cost aspects. As listed in the following chart, program one and two have a relatively low profit per month, which

indicates that the sales revenue of stores using program one and two is lower than those applying program four and five. In other words, stores which engage employee into the decision making process are able to generate more sales revenues in general. It can be seen that employee's suggestions could help the company to increase the profit and achieve a better performance.

Even though program four and five had generated the highest revenue during the experiment, they also caused the highest cost of staff time. On the other hand, since program one did not need to make any changes, there will be no staff cost. Staff cost means that the employees had to take some of their regular working hours into the information sharing and brainstorm meeting, so that the opportunity cost of those hours must be considered as well. Therefore, we need to deduct those costs from the revenue to get the net profit for each program. As can be seen from the following chart of net profit, program four and five still have a relatively higher profit of \$9, 580 and \$11, 250 than the other programs after remove the staff time cost from the revenues.

Another measurement is the employee turnover rate, which represents the percentage of employees who either quit or terminate their jobs. To maintain the experienced employees and to reduce the time cost of training newly recruited members, it is better for the company to keep a lower employee turnover rate. According to the experiment result listed in the following chart, program four and five have a relatively lower rate of employee turnover of 17% and 21%.

On the other side, program three has the highest turnover rate, following by program one. It can be figured out based on the results that a high level of employee engagement into the decision making process will have a positive influence to reduce the employee turnover rate. If the employee's opinions and ideas are encouraged and respected in the company, they are more willing to dedicate themselves into their working process.

As analyzed above, it is obvious that methods four and five are superior to the other methods, because they generated higher profits and lower employee turnover rates. On the contrary, program one is the least effective management system with regarding to a lower sales profit and a higher employee turnover rate. In this way, the company should be encouraged to modify their current management system, and systems like program four and five should be promoted to engage the employees into the decision making process.

However, there are some concerns regarding to the experimental approach. In this experiment, each manager was able to select the program which they think might be the most appropriate for the retail store. As can be seen in the following pie chart, almost one third of the managers choose program one which is to keep the status quo. Even though a relatively large number of managers choose not to change, it does not necessarily mean program one is a better solution. However, more than half of the managers are willing to bring changes into the organization and to offer empowerment to employees. Meanwhile, program four and five are approved to be the more effective methods based on the experiment results, so the majority of managers agreed with our conclusion.

Based on various management styles, managers would have different preferences, and therefore it is possible that the decisions were made with personal biases. In this way, the impartiality of the experiment would be negatively affected. To monitor the fairness of the experiment, a randomly assigned strategy could be recommended instead of the self-selection process. Critical analysis

Apart from the data and information that has been collected in this experiment, there are some other issues for the managers to consider. It is universally known that the world is continuously changing, and if a company wants to be the leading organization in the rapidly changing environment, it has to be adaptive and creative to fit into the new situation.

In this case, the manager had made his effort adapting to the current situation by designing the different programs. However, the requirement of diversified workforce (Langton, 2012) should also be seen as one of the new realities. It is undeniable that the employment of experienced workforce is more dependable than young workers, because they have accumulated more professional knowledge about the work.

However, in the current unpromising economic situation, the company might want to hire more diversified workforces. It will not only serve the different need of various customers, but also could generate more fresh ideas during the brainstorm meeting. Meanwhile, with diversified workforce, the employees will generally increase their skills and capabilities by sharing their knowledge.

Apart from adapting to the changing situations, the organizational goal and direction are also essential when making organizational decisions and motivating employees. Specific and achievable goals could improve employee's performance and help the management process. According to Langton (2012), a well-designed company goal is able to provide a direction for employee's actions, regulate their behavior and efforts, as well as increase their persistence during their working process. Meanwhile, goals and directions are also able to stimulate the development of administrative strategies, and it will dramatically increase the motivation of employees. Accordingly, the Morgan-Moe's drug stores should primarily design a specific goal to direct the employment behaviors.

As Lencioni (2012) represented in his book, once a company has accomplished setting their mission and goals, which he refers to as the "clarity", those directions must be emphasized and reinforced during the daily basis of the operation process. In other words, the tasks and jobs assigned to employees must be designed based on the major objective and goal of the company. Meanwhile, award and appreciation systems should be provided to employees to promote their motivations. Fairness and equity must be considered when offering employees rewards, and the rewards should be in alliance with organizational goals and personal performance.

In addition to organizational goals and objectives, organizational culture and value should also be created as a core factor within the organization. A satisfying culture could get employees to be engaged into the organization, and it will also have a positive influence in the employee's job satisfactory level, which might lead to a higher level of motivation. As

showed in the following chart (Round the Clock Resources, 2012), a sustainable organization should build up a solid system around an appropriate working culture, with other aspects constitute a framework guiding the business process.

At the same time, employment involvement and empowerment strategies must be implemented within the organization. Those strategies suggest a company to move some of the power from managing level into the general employee level, which indicates that employees should be inspired and encouraged into the decision making process. Based on Herzberg's motivation-hygiene theory (Langton, 2012), employees should be given greater responsibilities and more power to plan and control their work, and their motivation would be increased.

As in this experiment, program four and five are designed with empowerment activities, they engage employees into the brainstorm meeting to communicate the current situation and to generate ideas and suggestions of what they can do to for a better development of the company. Judging by the results, it is testified that giving employees moreresponsibilityis able to improve the sales profit, reduce employment turnover rate and increase the overall performance level of the organization.

When bring changes into an organization, not all employees are willing to embrace the transforming. There will be a resistance power caused by the fear of the unknown and uncertain future. As Torben Rick (2011) illustrates with his “ change cycle”, employees will experience several stages before they finally accept the conditions.

During the changing process, it is significant for managers to have a clear communication with the employees, and the directions must be clear and precise, so that the employees understand the current situation and their expectations. Meanwhile, managers must be fair and impartial to maintain the organizational justice, in which way a satisfied working environment could be established, and the employees are trusted and they will be more committed to the organization. Conclusion and recommendation

According to the experiment results, program four and five are considered to be most effective because they are able to generate relatively higher net profits and lower employment turnover rates. It means a regular brain storm meeting is beneficial for the improvement of organizational performance and employment engagement. Therefore, managers should actively encourage employees to be involved into the decision making process.

However, considering the current business situation, the managers should also embrace more diversified workforce, and different kinds of employees should be hired. Besides, a clear goal and direction should also be created by the management level to guide the behavior of employees. Apart from that, a favorable organizational culture should also be established to form an instructional working environment. At the same time, actions of employ involvement and empowerment should also be taken to increase motivation and employment responsibilities. During the management process, organizational justice and fairness should also be paid attention to, so that employee will be committed to the organization.