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Part One

MANAGING PEOPLE IN ORGANIZATIONS

INTERACTIVE EBOOK ICON KEY

1

MANAGING AND ORGANIZATIONS

OPENING, THINKING, CONTEXTUALIZING

LEARNING OBJECTIVES

This chapter is designed to enable you to:

- identify the impact that changes in the contemporary world are having on *managing* and *organization*
- be introduced to trends in the digital organizations in which much contemporary *managing* and *organization* occurs
- understand *managing* and *organization* as sensemaking
- grasp the managerial rationalities that constitute much contemporary *managing* and *organization*
- familiarize yourself with some significant global shifts for future *managing* and *organization*.

BEFORE YOU GET STARTED

'When digital transformation is done right, it's like a caterpillar turning into a butterfly, but when done wrong, all you have is a really fast caterpillar.'

George Westerman | Principal Research Scientist with the MIT Sloan Initiative on the Digital Economy

INTRODUCTION

This introductory chapter seeks to familiarize you with some of the major trends of recent times that pervade the context of contemporary managing and organizations. Some of these will be familiar; others you may not have thought about. Managing and organizations are dynamic elements of the contemporary world, changing rapidly. Little stays the same, other than the processes that underline what managers do. What managers do is to make sense of these changes and other stimuli in the environments in which they find themselves. Doing this is called sensemaking. Sensemaking is one of a number of closely allied terms, including sensegiving and sensebreaking, which are constitutive of managerial work, irrespective of its substantive content.

We can differentiate between *managing as a practice*, as something that we do, and *organizations as goal-oriented collectives*, in which we are *organized*. To be organized means being an element in a systematic arrangement of parts, hopefully creating a unified, organic whole. Management is the process of communicating, coordinating and accomplishing action in the pursuit of organizational objectives, while managing relationships with stakeholders, technologies and other artefacts, both within as well as between organizations.

It would be both wrong and dangerous to consider management as a neutral activity that can simply be considered in terms of its capacity to deliver objective gains in productivity/efficiency. It is also a socio-political activity, which implies the need to adhere to societal, political and ethical responsibilities.

CONTEMPORARY MANAGING AND ORGANIZATIONS IN A CHANGING WORLD

You might think that there is a great deal of difference among organizations doing different things – organizations with different missions. For instance, the mission of schools and universities is to educate people; charity organizations support people in need; while church organizations nurture spiritual life and provide ritual for life's points of transition, such as marriage and death. Some of these organizations will be for-profit organizations – that is their mission. Others will be not-for-profit organizations, while others still will be supported through taxation as a public service. There is growing consensus that the practices involved in organizing share a high degree of commonality. In this view, the differences in mission are subordinate to the practices involved in managing and organizing. It is these practices that this book will inform you about.

EXTEND YOUR KNOWLEDGE

READ THE ARTICLE

In Bromley, P. and Meyer, J. W. (2017) '"They are all organizations": the cultural roots of blurring between the nonprofit, business, and government sectors', *Administration & Society*, 49 (7): 939–66, which is available at the companion website https://study.sagepub.com/managing-andorganizations5e, the authors argue that the distinctions between what were once seen as individual sectors are blurring and it is increasingly difficult to distinguish between these historically separate entities because of global cultural shifts characterized by a growing emphasis on science. The scientific emphasis renders the world subject to systematic principles and to the expansion of individual rights, responsibilities and capacities. Focusing mainly on non-profits, this approach suggests that all sectors are changing in similar ways in the current period.

Organizations are tools: they are purposive, goal-oriented instruments designed to achieve a specific objective. A tool, traditionally, is an extension of human agency: a hammer enables a hand to hammer, a screwdriver to screw and an iron to iron. The tool extends the power of the human agent using it. Organizations extend human agency, as Perrow (1986) argues. As such, for those who are able to control them, organizations are practical tools for accomplishing their goals. Sometimes these goals can be benign, such as healing the sick, housing the homeless or assisting refugees in finding a home. At other times, especially where the interests of the rich and powerful are in control, these goals can be more particularistic, as Barley (2007) argues.

In the large organizations of the post-war era, people were managed through their career aspirations. An inability to fit in, to comport oneself in the appropriate way or to simply blend in, especially in terms of politics and gender, was a sufficient reason for a person's career aspirations and fitness for available opportunities to be questioned and restricted. A journalist, William H. Whyte, captured the spirit of the times in a bestselling book, *The Organization Man* (Whyte, 1956). Whyte observed executive behaviour that was risk-averse because no single individual was responsible for any decision. Consequently, career progression meant authority and a career for life as long as one kept one's nose clean. Not only did large-scale bureaucracies create managerial careers that employed many millions (mostly men), but these corporations also produced technological innovations in abundance, such as computers, fibre optics and satellites. These innovations would creatively destroy much of old corporate America, with the rise from the 1980s onwards of the new economy of **digitalization**, creating the world that we now live in.

Digitalization is the use of digital technologies and of data (digitized from non-digital sources or originally created as such) to manage organization processes.

Many of the jobs of the future are likely to be created and filled by **digital nomads**. The BBC in May 2018 had a Business Briefing programme dedicated to digital nomads – young people armed with a laptop and connected to Wi-Fi who can move around doing their work wherever the fancy takes them – usually in warmer places that are less expensive to live in, with good beaches and surfing, such as Portugal. Indeed, Lisbon is the capital of cool in digital terms in Europe. Some nomads housesit for a few months and then move on to another opportunity to do it again, elsewhere, or perhaps using Airbnb. Of course, being highly mobile, with no fixed abode, digital nomads create problems for tax authorities: they can contrive not to be anywhere long enough to be liable for taxation and it is very easy for them to 'fly under the radar' of national tax authorities, especially in the European Union (EU), where borderless travel and the free movement of labour mean that there is little in the way of control of passage. Additionally, the BBC note, they tend to distort local housing markets,

Digital nomads are mobile workers armed with a laptop and Wi-Fi, connecting anywhere and choosing mobility rather than a fixed abode.

driving up rents and conversions to Airbnb in cool inner-city areas, such as the Alfama in Lisbon (Bloom, 2018).

READ MORE ABOUT DIGITALIZATION

It is not only that there are new types of workers, such as these digital nomads. Even organizations, who are the clients of such workers, are changing, irrespective of their mission, as a result of the possibilities afforded by digitalization. For instance, charities earn money through using call centre staff and robot dialling in cheap labour markets. The public-sector administration of activities such as replacing driving licences and passports is now conducted online. Tablet devices stuck on tables are replacing wait staff; checkout workers in supermarkets are being replaced by self-service machines; even jobs that involved many hands, such as miners, truck and train drivers and dockers, in shifting ore from mines to port to ships are now more often one integrated and automated process. Robots are carrying out mundane work, providing opportunities for open/platform-based collaboration and transactional management that facilitate a market-based form of coordination, making organization less reliant on hierarchies, and – as a consequence – on long-term relationships with a trusted workforce.

WATCH AN INTERVIEW

There are policy implications for digital developments that might seem surprising. The objective of policy should be gradually to make labour more expensive. More expensive labour is not only a personal good for those that receive it but is also an institutional good. In the face of rising costs, those industries that thrive only because of low-cost labour will either be outsourced to countries where workers have fewer rights and protections, or increasingly adopt robotics and artificial intelligence (AI). Bill Gates has suggested that such productivity-enhancing devices should be taxed. The main argument against taxing robots is that it might impede innovation, but this is the case only if the option of a low-cost workforce is available: limit the opportunities for that through earnings legislation and enforcement and the objections would be dissolved. Enterprises that in the past relied on the super-exploitation of low-cost labour would either die as they were priced out of the market or would adjust structurally through increasing investment in productivity enhancements that would improve working conditions, wages and productivity. To the extent that they decamp elsewhere, all well and good: they will, in all probability, lift average wages where they land and, provided there is an active labour market policy funded in part by an exit tax on de-campers, the overall level of skill formation and domestic income may be raised.

Organizations in the digital age are switching from managing through 'hard power' in the form of imperative commands to 'soft power' through indirect methods, such as induction into an organizational culture, training and strategy workshops, or leadership courses. The targets of these more subtle management tools are not old-style blue-collar shopfloor workers, a diminishing breed in advanced economies, but highly skilled knowledge workers whose complex skills cannot be easily supervised. They will be people like you, practising skills that you may not even have thought of at present. Your future career may well not have been invented yet. Things are not what they used to be and this is true of managing and organizations as much as anything else.

The stress on managing through practices such as organizational culture is not new. Top managers embraced Peters and Waterman's (1982) arguments about how to hone the organization tool through leadership and culture, as did many scholars who produced studies on the keys to excellence in organizations (e.g. Athos and Pascale, 1981; Deal and Kennedy, 1982; Kanter, 1984, 1990). They argued that improvements in productivity and quality would accrue when corporate cultures systematically align individuals with formal organizational goals.

The idea of the organization as a culture not only had private-sector resonances; it also became a theme for reforming the public sector. In government and public sector circles, the view of organization as a cultural tool was led by something called **new public management**. The adoption of new public management started in the early 1980s; its reforms were informed by neo-classical economic theories relating to marketization and increased adoption of private-sector management techniques.

New public management replaces public sector bureaucracy with public managers and citizens with customers, managed by targets and audits.

Across Anglo-American polities, there has been an underlying assumption that private-sector business management is better than its equivalent in the public sector (Box et al., 2001; Kettl, 1997; Light, 2006; Nigro and Kellough, 2008; Thayer, 1978). It is widely seen as being the only tool in the box. The quest for efficiency and effectiveness in the public sector along the lines of the private sector was evident (Arnold, 1995; Kettl, 1997; Light, 2006; Nigro and Kellough, 2008; Pautz and Washington, 2009). Rather than use a traditional organization theory of bureaucracy, such as that of Weber (1978), the reformers of the new public management were inspired by classical microeconomic theories that had a strong 'normative influence' on public-sector reforms (Box et al., 2001: 611; Nigro and Kellough, 2008).

WATCH AN EXPLANATION

Microeconomic theory anchored in a 'market-based model' advocated downsizing government, applying private-sector management principles to public-sector administration, viewing citizens as customers, divorcing policy making from administration implementation and viewing government as akin to a 'business within the public sector' (Box et al., 2001: 611; Kettl, 1997). Influenced by right-wing 'think tanks' and two popular texts, *Reinventing Government* (Osborne and Gaebler, 1992) and *Banishing Bureaucracy* (Osborne and Plastrik, 1997), the reinvention movement of public-sector reform (Brudney et al., 1999; Brudney and Wright, 2002; Calista, 2002) flourished.

At roughly the same time that public sectors were being urged to abandon bureaucracy and adopt private-sector efficiencies, the decline of bureaucratic corporations was being charted by Davis (2016a), noting that the number of American companies listed on the stock market dropped by half between 1996 and 2012. These corporations were, as he says, once an integral part of building the middle class, offering millions of people lifetime employment, a stable career path, health insurance and retirement pensions – the civil benefits of well-designed bureaucracies – the latter two especially important in a non-social democratic society with minimal citizenship rights, such as the USA. Many famous corporate names from the past have become bankrupt and those that survive mostly employ fewer people than was the case. Davis (2016b) argues that this decline in corporate jobs is a root cause of contemporary income inequality, as well-paid jobs in career bureaucracies with clear routes to promotion were eviscerated.

The decline varied from country to country; in the UK, large-scale companies that had been created through government fiat, such as British Leyland and British Steel, both of which were 'nationalized' to become 'publically owned', were neither sufficiently integrated nor efficient enough to compete against more robust, better-invested-in and managed, as well as larger, foreign competition. As national champions, they became political footballs kicked around by union leaders, politicians and ideologues with little understanding of the strategies and skills required to make these concerns successful.

Favourable economic policies for the rich, such as low taxation, minimal control of offshore accounts as tax havens, the ease of intergenerational wealth transmission through inheritance laws, free mobility of capital and anti-union laws, all implemented as part of a neo-liberal agenda, to minimize regulation and maximize markets, have been widely adopted in the English-speaking world. These translated into the rhetoric of trickle-down economics in Australia and the UK, for instance. In the most recent example of this policy – at the time of writing – the Trump administration in December 2017 signed into law significant change to the American tax system, which includes a permanent 40 per cent corporate tax reduction, substantial rate cuts for the wealthy and modest (and, in some cases, non-existent) temporary cuts for the majority of the population.

At the same time that governments practised austerity for the masses, they have praised tax cuts for the elites on the grounds that lower income taxes would encourage economic activity and the benefits would be distributed in the form of enhanced employment opportunities and a trickle-down effect of increased wages paid by more successful businesses. Ruiz, Peralta-Alva and Puy (2017), in an important International Monetary Fund (IMF) paper, argue that tax cuts do not work as expected. Looking at longitudinal data from the USA, they argue that while lowering tax rates for the rich stimulates the economy, it does so at the great cost of increased inequality. The IMF study modelled the impacts of tax cuts on a US-style economy and found that income-tax cuts reduced tax revenue across the board. While growth was stimulated by increased employment and wages, it did not offset revenue lost from lower marginal tax rates. More growth occurs when cuts are made to the highest level of taxes but high-income tax cuts 'lead to increased spending on goods and services, which in turn could improve wages for those lower-income earners who provided those goods, but it would also cause prices to rise and would need to be paid for by either other tax increases or cuts to government spending' (Jericho, 2017). Economic growth occurs but at the cost of increased inequality as those on lower- and middle-class incomes adjust to rising prices by consuming less. If the tax cuts are targeted at middle- and lower-class incomes, there is less overall growth but reduced income inequality, as those from lower-income households are able to spend more on life's necessities.

Linked to these findings is another IMF article, from the journal *Finance and Development*, by Ostry, Loungani and Furceri (2016), that argues that 'austerity policies not only generate substantial welfare costs due to supply-side channels, they also hurt demand – and thus worsen employment and unemployment'. So the combination of tax cuts and austerity is toxic for national economies and the majority of people. Where taxes are lowered for the wealthy and corporations, then government deficit increases substantially which serves as a pretext for government spending to be cut. The latter has prevailed and organizational wellbeing has suffered in consequence.

WHAT WOULD YOU DO?

Diagnostically, the predominant view held by politicians influenced by neo-liberal economics was that the state, and the public expenditure that supported it, had become too large. The desire was for a smaller state to be achieved by cutting public expenditures. As the largest fraction of these expenditures went to support elements of the 'social wage', such as unemployment benefits, welfare and related expenses, these policies led to an increased rhetoric opposed to government spending in these areas, as well as a policy focus targeted at levels of public-sector debt reduction. Rather than growing the size of the surplus through government investments that would lift economic activity and thus increase tax receipts, as would have been the prescription of Keynes, the focus was very largely on the expenditure side of the equation.

What would you do if you were a policy maker?

Do you think that there might be feasible alternatives to managing debt by cutting social and welfare expenditures?

CONTEMPORARY ORGANIZATIONAL CHANGES

The upshot of the political and economic changes that occurred from 1980 onwards was a significant shift in the wages/profits share of the economy; for instance, in Australia less than 10 cents in the dollar of GDP goes to workers (Patty, 2017). People who are employees have lost out, big time, to people who are shareholders. Also amongst the losers were state employees staffing large-scale public-sector bureaucracies largely centred on the processing of people and information. These organizations suffered from a shortage of investment, efficiency drives and ideological attack for their lack of market disciplines. This is where neo-liberal economics bit hard: given that market metaphors were privileged in their rhetoric, state expenditure was stigmatized. Reliance on non-market and non-individually secured resources was positioned as a sign of moral failure, of weakness. In the private sector, market disciplines were increasingly channelled, rhetorically and practically, through a theory that developed during the period of neo-liberal economic dominance. This theory was known as principal agency theory and became a key tenet of managerial rationality.

Principal agency theory (Jensen and Meckling, 1976) has a fundamental premise that the provision of capital by shareholders is a risk-based endeavour in which the risks can be minimized if the agents that are managing individuals' capital at a distance are also themselves shareholders. Having principals and agents aligned with a common interest in share values, it is argued, will create more efficient organizations because they are focused on the privileged goal of increasing shareholder value. While these ideas initially flourished in the USA, they became widely applied in the design of shareholder capitalism in the newly emerging 'gangster capitalism' of the ex-Soviet and state socialist economies, in which previous apparatchiks of the state bureaucracies practised kleptocracy and cronyism on a grand scale as they rewarded themselves for their previous incumbency and 'good' connections with huge bundles of shares in the newly-privatized industries.

With the fall of the wall in Berlin and the demise of the Soviet system, there was an air of triumphalism in the West after 1989. Capitalism, seemingly, was vindicated as the only game in play. Fukuyama (1992) saw the signs as positioning liberal democracy and a society of markets as the most rational and evolved form of human government. Advisors flocked east to bring the capitalist revolution (Berger, 1987) to the citizens of formerly totalitarian states. As the state, as the principal agency in social life, was reformed and markets were created, new principals and agents were introduced into the mix, drawing on notions that had been brewing in the USA and the UK during the neo-liberal era.

Jensen and Meckling's (1976) influence derived from a quasi-scientific rationale for de-institutionalizing the corporation into nothing but a nexus of contracts that existed to create shareholder value. The process was one of wish fulfilment. Corporations that were quite obviously social institutions were being invited to deconstruct. '[T]he 'nexus' imagery served as a useful provocation, a lever to bust up the unwieldy and shareholder-hostile conglomerates built up over the prior decades. This was a theory perfectly designed to legitimate a bust-up takeover wave' (Davis, 2016b: 509). Agency theory, theorized in a small and, at the time, seemingly inauspicious article in an insignificant journal, spawned changes in practice on a grand scale. The consequences, in terms of the deconstruction of the corporate model of employment relations as a norm in the dominant global economy, have been profound.

The growth and application of agency theory to practice over the last 40 years or so, particularly but not exclusively in the financial sector (Mallaby, 2010), has seen agents become rewarded as principals that don't even have to risk their own capital. In tying their agency to that of the principals, they have voted themselves stock options, thus becoming significant principals in their own right. In most companies in the USA, the CEO tends to enjoy a considerable imbalance of power compared to the nominal authority of the board that appoints the CEO and to which they are legally accountable. Hence, the growing control of CEOs in governance on company boards has vested them with an ability to set, up to a point, their own salaries as well as to nominate stock options.

The immediate post-war period saw some equalization in income across the board in the USA, the UK, France and elsewhere but, historically, the period proved to be exceptional. During the period from the end of the Second World War to 1980, a number of factors inhibited the tendency to increasing inequality. These included proactive measures such as the progressive taxation of capital income and wealth as well as the physical destruction of capital as a result of the war; innovation and economic growth also decreased the concentration of wealth by enriching previously non-wealthy individuals. The post-war period up until the 1980s was an exceptional era in which the rate of return on capital (after tax) was less than economic growth, hence the reduction in income inequality. From the 1980s things changed, especially in the USA.

Drawing on Davis and Mishel (2014), we can see that after 1979 those earning more than 99.9 per cent of all wage earners, the top 1 per cent of US executives and the top 0.1 per cent of US households saw their income shares double in the period to 2007. Since 2007 profits have reached record highs while the wages of most workers (and their families' incomes) have declined (Mishel, 2013; Mishel et al., 2012). From 1978 to 2013, CEO compensation, adjusted for inflation, increased 937 per cent. Not only was this rise more than double stock market growth, it was 90 times greater than the 10.2 per cent growth in a typical worker's compensation over the same period. In 1965 the CEO-to-worker compensation ratio was 20-to-1, increasing to 29.9-to-1 in 1978, growing to 122.6-to-1 in 1995, peaking at 383.4-to-1 in 2000, and was 295.9-to-1 in 2013; if Facebook is included, whose executives are extraordinarily well-compensated, the ratio rises to 510.7-to-1.

CEO compensation has grown far faster than that of other highly paid workers: they earn more than 99.9 per cent of other wage earners put together. CEO compensation in 2012 was 4.75 times greater than that of the top 0.1 per cent of wage earners, a ratio 1.5 times higher than the 3.25 ratio that prevailed over the 1947–79 period. CEO pay grew far faster than pay of the top 0.1 per cent of wage earners not because of the greater productivity of executives but because of their ability to set the terms of their remuneration: their relative power.

CEO compensation grew strongly throughout the 1980s but exploded in the 1990s and peaked in 2000, increasing by more than 200 per cent between 1995 and 2000. Chief executive pay averages peaked at around $20 million in 2000, a growth of 1,279 per cent from 1978. This increase even exceeded the growth of the booming stock market, the value of which increased 513 per cent as measured by the S&P 500, or 439 per cent as measured by the Dow Jones Industrial Average from 1978 to 2000. The most recent report (Mishel and Schneider, 2017) looking at CEO compensation notes that in terms of stock options realized in 2016 CEOs in America's largest firms made an average of 271 times the annual average pay of the typical worker. Compared with the annual earnings of the average very-high-wage earner (an earner in the top 0.1 per cent), CEOs in a large firm now earn, on average, 5.33 times more.

What is known as 'shareholder value' is the rationale behind this inequity – placing emphasis on short-term share-value performance as a measure of success and aligning the interests of managerial 'agents' with the 'principals' holding shares, by making stock options a part of the overall remuneration. The increasing inequality might be best documented in the USA but the effects are wider, especially in the other Anglophone neo-liberal economies. The implications of these neo-liberal models are especially acute for developing countries and emerging economies because the dominant models are neither capable of generating the large number of corporate jobs that were the basis for post-war development in the major OECD economies nor of sustaining efficient state sectors.

In 2016 the data shows that just 62 people owned as much as the poorest half of the world's population, down from 388 in 2010 and 80 in 2015. As the Oxfam Canada (2016) publication, *An Economy for the 1%*, shows:

> [T]he wealth of the poorest half of the world's population – that's 3.6 billion people – has fallen by a trillion dollars since 2010. This 38 per cent drop has occurred despite the global population increasing by around 400 million people during that period. Meanwhile the wealth of the richest 62 has

increased by more than half a trillion dollars to $1.76tr. Just nine of the '62' are women.

Source: The material from 'An Economy for the 1%' (Oxfam Canada, 2016) is reproduced with the permission of Oxfam, Oxfam House, John Smith Drive, Cowley, Oxford OX4 2JY, UK. www.oxfam.org.uk. Oxfam does not necessarily endorse any text or activities that accompany the materials.

As Bauman (2013) argues, the richness of the few does not benefit the many, a sentiment shared by Freeland (2013), who argues that we are now living in the age of the global plutocracy, as a result, in part, of `lower taxes, deregulation, particularly of financial services, privatization, weaker legal protections for trade unions', all of which `have contributed to more and more income going to the very, very top'. According to Freeland, the main reasons for the rise of the new global plutocracy, however, are the twin elements of 21st century globalization and the digital technologies that enable it. From sparks of innovation with algorithms and applications entrepreneurs can become extremely rich extremely quickly through being able to be born globally with minimal friction.

WHAT WOULD YOU DO?

WHAT WOULD YOU DO?

The wealth amassed by the elites has not 'trickled down', neither nationally within specific states nor globally, in the relations between states. In terms of world inequality, the extremely wealthy are becoming holders of more concentrated wealth, while the poor, both nationally and globally, are becoming relatively, and in some cases absolutely, poorer: 'Moreover: people who are rich are getting richer just *because* they are rich. People who are poor get poorer just *because* they are poor' (Bauman, 2013).

What would you do if you were a policy maker? Think of the issue, especially, in terms of corporate taxation policy.

Do you think that cutting corporate tax rates creates more wealth for investment that trickles down through increased employment?

DIGITAL ORGANIZATION

An increase in knowledge-intensive work means that organizations have to employ – and manage – different kinds of employees. Brains not brawn, mental rather than manual labour, are the order of the day. Employees need to be capable of working with sophisticated databases, software and knowledge-management systems. These have to be related to customer and client requirements, often on a unique and tailored basis that deploys a common platform while customizing it for specific requirements. Thus, technical and relational skills will be at a premium.

Tacit knowledge enables you to speak grammatically or ride a bike: you can do it but it would be hard explaining how to a novice.

Knowledge-intensive work, according to Alvesson's (2004) research, depends on much subtle **tacit knowledge** as well as explicit mastery. In such a situation, working according to instruction and command will not be an effective way of managing or being managed, especially where the employee is involved in design and other forms of creative work on a team basis, often organized in projects. In such situations, increasingly common in contemporary work, 'because of the high degree of independence and discretion to use their own judgment, knowledge workers and other professionals often require a leadership based on informal peer interaction rather than hierarchical authority' (Sandberg and Targama, 2007: 4). As we will explore in Chapters 4 and 5, some of the old theories and approaches to leadership and project work need updating.

Knowledge workers, almost universally, are digital workers. The digital economy is a terrain with rich pickings for those who know how to exploit it. For instance, in the digital economy Facebook friends and likes are a valuable field because they comprise a network premised on assumptions of identity and, as Lakoff (2014) notes, people vote and buy in terms of their identity, their values and those they identify with. Messaging and websites that affirm that sense of identity as they disaffirm the identity of those significant others that one opposes and that oppose one have become commonplace. In such a context, whoever has the most resources of money, domain names, data, bots and technology has stacked the best odds for effecting closure to their advantage.

Electronic media buttresses digitally enhanced 'tribalism', in which boundary maintenance is accomplished through the network of like-minded feeds that occupy the targeted groups' social media and preferred websites, creating what Merleau-Ponty (1964) referred to as a bubble. As Bauman (2017: 50) suggests, it is the emotional significance that is important. What provides legitimacy is inscribed within the digital bubble and the shared imagined experiences of those who subscribe to it. What are produced are bubbles of highly situational emotionality in which reason, in the classical sense, has little purchase because legitimacy increasingly is inscribed in a shared sense of emotionality rather than a shared rationality. These bubbles can also be exploited commercially through building brand loyalty, as Apple has done so well.

The emergence of a digital platform economy enables broad recourse to a market type of governance by organizations, using spot contracts, dramatically reducing transaction costs and making it easier to assess the contribution of providers. Today, the digital economy employs far fewer people than the old corporates: for instance, Uber has over 160,000 'driver-partners' in the USA but recognizes only about 2,000 people as actual employees. The sharing economy is not an employing economy – at best, it develops self-employment and self-exploitation. Freedom and participation in the platform economy come at the cost of a reduction in responsibility and accountability for those who are the contractors/platform managers. The rise of 'freelancing' platforms can enable subjects who might otherwise be excluded from the market to accumulate experience and visibility, at the cost of a commodification and marketization of everything. The main contractors in the platform economy neither acknowledge nor bear any responsibility for the wellbeing of their providers. In the platform economy, the transaction the providers enter into is everything: if transactions dry up, so does the money.

There is also a parallel 'currency' to that of money, based on vanity and popularity, which automatically assesses the 'value' of an organization or individual's contribution. Money does not have to be invested in resources for editorial selection as the audience selects what is 'worthy', while the platform provider extracts value from the generated 'traffic'. Individuals are offering their labour not in exchange for money but for visibility, public approval, 'likes' and 'fame'. However, these assets appear to be very perishable: the owners of the game keep on accumulating hard currency and the surplus value they appropriate increases, since they can pay a great portion of the labour cost with the contemporary equivalent of 'beads for the savages'. Contemporary expressions of this are the rise of the **gig economy** and the employment of unpaid interns, seeking favour, rather than wage earners.

Gig economy participation in a labour market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.

Considerable opportunity arises from within the digital economy. An increasing reliance on input and meta-data from users and customers means that organizations now have to handle the blowback that comes with the ability of critics and opponents to ironize or critique strategic choices made with marketing strategies. Managerial fiat can be widely and easily challenged. New media generate sharing, idea creation, participation and criticism that dissolve distinctions between organizations with their strategies and environments as objectively external determinants. The boundaries of the firm dissolve. New media can enable both discerning customers and ardent critics to become involved in framing or even co-producing management's strategic choices. It affords a powerful source of pressure for different conceptions of good strategy that can directly reach customers, users, employees and suppliers.

Control is increasingly distributed across a network of actors, including new media and their users. It is a diminishingly private sphere of management control alone. Hackers can seize an organization's social media projections; they can critique, ridicule and ironize them, and they can disrupt them through sabotage. Equally, digital affordances mean that distinct organizations can work together, provided there is trust, empathy and commitment on all sides. Boundaries, choices and control are all shifting in the direction of increasing fluidity and plurality. Moreover, it is evident that, in these days, if we are bereft of our digital devices and their affordances, we are less than fully human – McLuhan's (1964) hypothesis that the media become extensions of our nervous systems holds even more so than when first formulated. The nature of being an individual is changing as anyone can be connected anywhere, anytime through social media. On the one hand, social media can build rapid momentum in mobilizing blocs of voters or consumers; on the other hand, it can be used as a means of distraction and appeasement. We use digital devices to make us members of those communities we co-create and share; they network our proclivities, interests and desires; they create the digital bubbles in which we live. These networks evolve as communities over time (Fosfuri et al., 2011).

Digital affordances have been the means through which some organizations, such as Zappos, an American shoe manufacturer (see the case study later in the book), have embraced self-management, known as 'holacracy'. Behind Zappos' endorsement of self-management stands a company called HolacracyOne, which has been developing organization design based on self-managing circles since 2007. In holacracy, vertical hierarchy is replaced with overlapping and concentric circles dedicated to specific functions in which circle members can pursue other projects if the circle's work is completed. There might be an overall circle of marketing, for instance. Within this circle, there might be a team dedicated to improving user experience – the UX team.

WATCH A VIDEO ABOUT HOLOCRACY

Digital affordances are important for holacracy. In an interview, Tony Hsieh (2017), CEO of Zappos, talked about how the organization had developed self-management on a digital platform:

> Our org chart is available in real-time online and changes probably 50 times a day, and every one of our 1,500 employees can transparently view what every employee's purposes and accountabilities are. We have self-organized governance methods and meetings that happen on a regular basis, and it's all browsable and updateable online, along with, occasionally, policy updates – all of which enables any employee to contribute to the evolving structure of the organization. (*McKinsey Quarterly*, October 2017)

These digital affordances align with a definite organizational approach that seeks to empower all 1,500 employees to be 'sensors' – active sensemakers – who can bring the gap between what is and what is possible to the attention of the other sensemakers in the organization. Deeply embedded in Zappos, according to CEO Hseih, are core values that were crowdsourced internally and refined. These help make common sense in interpreting the gaps between the actualities and the possibilities. There is a strong sense of purpose at Zappos as well, aligned with an internal market for ideas and innovation: 'different internal teams become customers of each other. We're building an internal currency as well as the internal tools and systems to support an underlying infrastructure to allow for multiple participants, fast feedback loops, and things like crowdsourced participation', says Hseih. To make the internal currency more engaged and active, employees are concentrated in spaces for conviviality, where chance encounters can occur, ideas swapped and projects started.

Kallinikos (2006) argues that digital technologies allow tasks that were previously embedded in the 'fixed space' of traditional organizations (for example, accounting, inventory management, production operations or financial management) to be dissolved and recomposed as 'informatised' modules or services (Kallinikos, 2006: 96), such as Zappos' circles became. Digital technologies are implicated in an historic shift dissolving bureaucratic organization. The major advantage of digital technologies for business and organizations is their virtual possibilities for disaggregating existing designs. Increasingly, organizations are able to segment activities that are critical to their competitive advantage and to specialize elsewhere those that are not in low-wage-cost countries, or by substituting machines for human intelligence.

Machine intelligence is based on algorithms. What algorithms do most easily is to capture and replicate routines; that is why algorithms increasingly replace human labour in, for example, booking flights or hotels, or searching for basic information. Algorithms are better than laborious, slower and less skilled human energy at accomplishing routine tasks. What happens to the people whose jobs are displaced? Basically, they will have to participate in education and training that boosts their skill formation, or fall by the wayside as labour surplus to contemporary requirements.

Algorithms afford no room for critical reflection or for adjustment based on the acknowledgement of the (often unforeseen) consequences of our actions such as the distortions of the gig economy. Hence, they represent the purest form of technically rational management. On the other hand, human management (may) involve emotions, such as compassion, which emerge as a safeguard against the effects of the separation between decision, action and (moral) consequences.

WATCH THE TED TALK

Algorithms, built by extraordinarily creative mathematicians, can disrupt and transform whole industries: Uber is the most obvious example. Even more dramatically, intelligent machines can use inference based on patterns established by machine learning in big data. How these patterns are identified may well be inscrutable to the expert programmers who initially programmed the machines. The machines are just too smart. The merger of physical, digital and biological technologies is already producing a new breed of robots, which are discussed in a fascinating Ted Talk by Leila Takayama.

The clearest example of what artificial intelligence means comes from the outcome of a series of Go games, the traditional East Asian game. Unlike chess, which machines can be programmed to play through deductive logic that is based on the explicit rules of chess, Go is a game with an almost infinite number of possible moves. The winners of Go games have highly intuitive pattern recognition that they use to play their moves. The game in question occurred on 15 March 2016 when a Go grandmaster, Korean Lee Sedol, lost a Go tournament 4–1. What was remarkable was that he was not beaten by another grandmaster but by an AI program designed by Google engineers, called AlphaGo. AlphaGo was a smart intelligence – an arrangement of artificial networks analogous to neural networks – that developed its Go strategy by playing millions of games against itself and building a repertoire of pattern recognition in unsupervised learning.

What are the implications for future organizations? Two researchers, Frey and Osborne (2017), argued that half the jobs in the US economy were likely to be eliminated by algorithms for big data based upon pattern recognition that can readily substitute for labour in a wide range of non-routine cognitive tasks (Brynjolfsson and McAfee, 2011; Phillips, 2013). Combined with the fact that advanced robots are gaining sensemaking capabilities and manual dexterity, the nature of work across industries and occupations is likely to change dramatically. On this basis, they identified nearly 50 per cent of existing jobs as being under threat of routinization and disappearance within a decade.

The modelling that Frey and Osborne (2017) conducted predicted that most workers in transportation and logistics occupations, the bulk of office and administrative support workers, labour in production occupations and a substantial share of employment in service occupations, the site of the most recent US job growth (Autor and Dorn, 2013), are highly susceptible to computerization, the growth in the market for service robots (Phillips, 2013) and the concomitant gradual diminution of any comparative advantage human labour might have in tasks involving mobility and dexterity (Phillips, 2013; Peters, 2017).

READ MORE ABOUT ADOBE

Adobe hosted a colloquium on the future of work in early 2018 that is available on the Internet, in which a range of views exploring possible futures can be heard. The discussion takes off from the premise that profound advances across physical, digital and biological realms are ushering in the Fourth Industrial Revolution (4IR) which, unlike previous eras, is not driven by a single technology but by the convergence of developments in AI, machine learning, biomedical technology, virtual reality and other areas.

MANAGING AS SENSEMAKING

For the past 40 years or so, the predominant sense of what an organization should be has been modelled on lean and efficient private-sector organizations that are profit-oriented. In organizations modelled as thus, managing involves top management teams seeking to set a common frame within which organization members, customers, suppliers, investors, and so on, can make common sense of the organization – what it is and what it does. This is called **sensemaking**.

sensemaking is the process through which individuals and groups explain novel, unexpected or confusing events

Weick (2008) defines sensemaking as the ongoing retrospective development of plausible images that rationalize what people are doing.

Sensemaking, or the process through which individuals and groups explain novel, unexpected or confusing events, is critically important in the study of organizations (Maitlis and Christianson, 2014). We are constantly making sense, revising past rationalizations in the light of new information, knowledge and events that were not previously available to us. Sensemaking brackets and labels as the flow of events is broken into blocks of 'sense' that can be categorized and described with language. Meaning is constructed in an ongoing process where past experience informs the present (Maitlis and Christianson, 2014). Sometimes organization leaders bring new phenomena to the attention of people; at other times, events are so disruptive it is impossible not to register the phenomena that they bring to attention. Interaction with others is essential to constructing a shared view, if coordinated action is to occur through shared scripts and coterminous accounts (Steigenberger, 2015).

Considering the definition of sensemaking given in the margin above, we can explore each of its terms in a little more detail:

- *Ongoing*: We are always making sense – we never stop doing so, even when asleep – our dreams are ways of making sense of deep issues that we must deal with in our wakeful moments. Our sense of what we are experiencing is always of the moment – fleeting, experiential, changing and contextual.
- *Retrospective*: We make sense of something as it is elapsing and we are constantly reviewing the sense we make in terms of additional sense data.
- *Plausible*: We never make perfect but rather provisional sense, sense that is good enough for the matter and people at hand. It allows us to go on with what we are trying to do. While accuracy may be desirable, reasonable constructions that are continuously updated work better as directional guides, especially when things are changing fast.
- *Images*: We often work with representations of things – models, plans and mental maps – as we navigate our way around unfamiliar territory. We hear what the other is saying and try to accommodate it to things we already know and carry round with us as our stock of knowledge.
- *Rationalize*: We rationalize the meaning of things that are confusing to make them clearer and justifiable.
- *People*: Although organizations contain many things that act which are not people – such as computers and keypads – it is people who do the sensemaking.

- *Doing*: We do things through thinking and action, which define one another. Weick uses a rhetorical question, 'How can I know what I think until I see what I say?' The point he is making is that when people act they discover their goals, which may be different even when we think we are dealing with the same cues. Enactment is the key: what I enact may be very different from what you enact.

In doing sensemaking, the identity of the person making sense is important: who the person is, their role and the legitimacy that others attach to their capabilities for making sense will frame the reception of the sense made. Sense will be enacted through storytelling, usually expressed as a narrative account of experience, perceptions and sensemaking (Weick, 1995). Such narratives are usually shared and constructed in conversations with others as a *social activity* (Hernes and Maitlis, 2010; Maitlis, 2005).

In organizations, managers want to try and have their employees make the same sense. However, you make individual sense of what's happening around you. You use your sense data – sight, sound, touch, taste and smell – to assemble impressions of unfolding events and then use your cognitive capacities to make a pattern from the data. The sense you make is always *your* sense but you never do so in isolation. You use many cues to make sense: past experience, what others say they think is happening, likely stories that you are familiar with that seem to fit the pattern that appears to be forming, and so on. People will not use these cues in a uniform way, because they are individuals and, as a result, people can make wildly different senses from the same set of cues. A significant part of managing is to try and cue people in similar processes of pattern making to fit clues and cues together and make common meaning out of them. Managers create a frame, enabling things to be connected together to make coherent sense. Once we have the frame, we can make sense. Managing entails **framing**.

Framing By framing we decide on what is relevant from the infinite number of stimuli, behavioural cues, sense data and information that surround us.

A frame is a term that comes from the cinema: a director frames a shot by including some detail and omitting other detail. A frame defines what is relevant. All managing involves framing: separating that which deserves focus from that which does not. One thing that managers have to do all the time is to differentiate between the relevant and the irrelevant.

Framing involves the creation of devices that assign meaning to organizational situations (Fairhurst, 1993). Framing entails the ideational use of metaphors, the repetition of stories, the citing of traditions, the articulation of slogans and the material creation of artefacts to highlight or contrast a particular organizational issue (Deetz et al., 2000). Framing is what leaders do, especially when they are seeking to reframe in the case of organizational change (Fairhurst and Sarr, 1996). Framing mobilizes followers through the judicious use of images, symbols and language. Framing occurs not only through sensemaking but also through sensegiving and sensebreaking.

Sensegiving attempts to influence the sensemaking of others so that others come to accept a preferred meaning.

Sensebreaking occurs when organizational members disrupt existing sense in order to make alternative sense.

IN PRACTICE

Darkest hour

A recently released movie, *Darkest Hour*, directed by Joe Wright (2017), captures some of the most famous framing in British history. The occasion was 4 June 1940, with the evacuation of British and allied French troops from Dunkirk in full swing in the face of an overwhelming advance by German troops. The scene was set in the House of Commons when the prime minister, Winston Churchill, rose to make a statement in which he said the following:

READ THE FULL SPEECH

We shall fight them …

Even though large tracts of Europe and many old and famous States have fallen or may fall into the grip of the Gestapo and all the odious apparatus of Nazi rule, we shall not flag or fail.

We shall go on to the end, we shall fight in France, we shall fight on the seas and oceans, we shall fight with growing confidence and growing strength in the air, we shall defend our Island, whatever the cost may be, we shall fight on the beaches, we shall fight on the landing grounds, we shall fight in the fields and in the streets, we shall fight in the hills; we shall never surrender, and even if, which I do not for a moment believe, this Island or a large part of it were subjugated and starving, then our Empire beyond the seas, armed and guarded by the British Fleet, would carry on the struggle, until, in God's good time, the New World, with all its power and might, steps forth to the rescue and the liberation of the old.

The framing that Churchill produced communicated the current predicament and set an agenda for possible futures (Fairhurst, 1993).

Questions

1. Who do you think were the audiences for this speech, in addition to the MPs to whom it was addressed?
2. What are some of the reasons that you think it was as effective as it was in stiffening the resolve of a country that, at this stage, was alone in the European theatre in its struggle against Nazi Germany, as neither the Soviet Union nor the USA had yet entered the war on the Allied side?
3. What sensebreaking and what sensegiving was it providing?

Leaders often employ sensegiving during strategic change (Gioia and Chittipeddi, 1991) and this was obviously part of Churchill's intent. In part, he also sought to defeat, by sensebreaking, those in his government who entertained the prospects of a treaty with Germany and a negotiated surrender.

Churchill was breaking the sense made by prominent proponents of appeasement in his government, such as Lord Halifax and his predecessor as prime minister, Neville Chamberlain, who in the lead-up to the outbreak of war had favoured allowing Hitler to extend German territory through occupation. In the speech cited, he reaffirmed his commitment through unequivocal sensemaking in favour of 'no surrender'. In emergency situations, such as the UK faced in 1940, the real sense of emergency aids common sensemaking. In such situations, a leader's role is to make, break and give sense to events. Churchill did all three. In terms of sensebreaking, Churchill broke any sense of appeasement as a strategy, a position that he had long argued for as a relatively lonely voice in Parliament. He made sense of the defeats in France in such a way that did not see them leading to ultimate defeat but to further fighting on the part of a country that would never surrender. He gave sense by signalling to the USA – the New World – that it should join the struggle. Leader sensegiving shapes processes of organizational sensemaking and the process of constructing accounts by directing attention to specific cues (Maitlis and Lawrence, 2007).

Sensemaking has both social and cognitive elements (Maitlis and Christianson, 2014). Issues such as the performative role of emotion in strategic conversations are important (Liu and Maitlis, 2014). A leader's sensemaking has a strong emotional element (Helpap and Bekmeier-Feuerhahn, 2016; Maitlis et al., 2013). The stentorian tone and physical embodiment of Churchill's voice, sonorous and deep, conveyed emotionally the gravity of the situation and the steeliness and resolve of the response. Emotion matters in sensegiving: information served up dispassionately, perhaps in a text, is very different from information transmitted with theatrical skill, performative ability and dramatic intent – qualities Churchill had in depth.

IN PRACTICE

The Crown

Organizations that endure, that enjoy longevity, have the opportunity to draw on deep wells of past sensemaking to ensure their continuity with the past, at least rhetorically, and to guide their progress into the future – as long as the future is not subject to disruption by disjunctive radical innovation. We usually call the kind of sensemaking such organizations rely on 'tradition'. The enactment of tradition is central to historically long-lived organizations, such as monarchies, churches, universities and also some businesses. Some of you may have seen the television series dealing with the British monarchy after the death of George VI and the ascension of Queen Elizabeth II to the throne, called *The Crown*. In the earlier episodes, where the young Elizabeth is coming to terms with the complex role that she must now occupy as the heir to the throne, there is considerable emphasis placed on the role and indeed the sanctity of tradition in defining the institution of the monarchy. Courtiers are the vital organizational agents who translate theses traditions for the young queen who finds herself as much constrained as empowered by her elevation in status.

Review

Review episode 7, series 1 if it is available to the class. Pay particular attention to the role played in relation to the new queen by Sir Alan Frederick 'Tommy' Lascelles, her private secretary. Note the title of the episode: it successfully weaves together several thematically related conflicts in different areas of the new queen's life. Of particular interest is her attempt to define what her power and her role actually consist of when it comes to questions of protocol and hierarchy. The queen is trying to negotiate between old systems of tradition and new ones that don't even fully exist yet. Tommy is the custodian of the institution in which the queen strives to be more than a cipher and their power relations mirror a reality other than the organizational ritual.

Question

1. What are the organizational and power relational implications of the role Tommy Lascelles plays?

Tradition is one basis for sensemaking, as MacLean, Harvey, Sillince and Golant (2014) found when doing archival and oral history research on organizational change at Procter & Gamble from 1930 to 2000, focusing on periods of transition. They examine historical narrative as a vehicle for sensemaking by top managers and find that the past is constantly used as a recurrent lever of strategic manoeuvres and re-orientations. Executives (re)interpret the past to author the future, ensuring ideological consistency over time, much as do the courtiers that attend the monarch. Another is to assert the legitimacy of rational sensemaking, in accordance with professionalized knowledge, compared with other points of view, as we shall explore next.

MANAGERIAL RATIONALITY

When managers claim to be able to make decisions that deny legitimacy to other forms of knowledge based on their generalized managerial competence, this is termed **managerialism**. Managerialism often seeks to justify the application of managerial techniques to all areas of society on the grounds of managers' expert training and exclusive possession of managerial knowledge (Klikauer, 2013: 2–3). The belief in management as a means capable of solving any problem elevates the necessity of management into an **ideology** of the modern world.

Managerialism claims managers manage on the grounds of exclusive education and the possession of codified bodies of knowledge.

An **ideology** is a coherent set of beliefs, attitudes and opinions. The meaning is often pejorative, with a contrast drawn between ideology and science.

Managers that espouse the ideology of managerialism assume that organizations should be normatively integrated by a single source of authority, legitimacy and decision-making embedded in the managerial hierarchy that controls the organization. Hence, despite the fact that organizations often have multiple sources of official formal meaning, they seek to constrain sensemaking within only the managerial frame. For instance, many organizations contain members who are represented by unions, which will formulate views that may well conflict with that of management. In a pluralist organizational setting, it is recognized that management and the unions will often hold competing but legitimate views on an issue. Unions are formal organizations that need to be managed; just as other organizations, they use IT, maintain websites and offer benefits and services to members.

Economic rationalism argues that markets and prices are the *only reliable* indices of value, delivering better outcomes than states and bureaucracies.

Managerialism is essentially a construct that emerged in profit-making organizations as an expression of **economic rationalism**.

For many students and teachers in business schools, the whole point of sensemaking in business organizations is to be economically rational, signified by making a profit. Profit is what accrues to the owners of organizations after all the costs of using **capital** have been met, such as interest charged, debt repayment, wages and salaries, supplier costs and taxes.

Capital is an asset owned with the intention of delivering a return to the owner, implying a complex set of relations of ownership and control.

It is not just financial capital that needs to be managed, however. As well as *financial capital*, required to ensure that an enterprise is a 'going concern', there is also, very importantly, *symbolic capital* (above all, that intangible thing called 'reputation') as well as social capital that refers to whom you know and how you are known rather than what you own or what you know; social capital is the set of relations and knowledge embedded in those relations that you are able to mobilize. For instance, in business schools students not only learn from the formal curriculum but also make social contacts that they can relate to later in their business career. It is through this knowledge and the tools that are learnt in the classroom as well as the contacts made that management students will become accomplished sensemakers, running organizations with broad-based know-how and know-who.

READ THE ARTICLE

EXTEND YOUR KNOWLEDGE

In Andreas, S. (2018) 'Effects of the decline of social capital on college graduates' soft skills', *Industry and Higher Education*, 32(1): DOI: 0950422217749277, which is available at the companion website https://study.sagepub.com/managingandorganizations5e, the author argues that through building social capital, college students gain the cultural and behavioural information and sensitivity they need to learn soft skills. She sees a worrying decline in this learning occurring, due to the decrease in building social capital through face-to-face interaction.

Metaphors frame sensemaking by using terms other than those of the subject under discussion to describe that subject, such as aiming for the 'premier league'.

Capital is literally liquid assets; social capital is a **metaphor**. Creating a metaphor always involves the literal meaning of a phrase or word being applied to a new context in a figurative sense. Metaphors influence the way we describe, analyse and think about things. As Morgan (1986) has argued, it is the metaphor of the machine that is most preponderant in its application to managing and organizations. So, when rationality is attributed to managers and organizations, it is often done in terms of machine-like properties, such as 'the organization runs like clockwork'. Managers commonly use metaphors in practice. One study, by Latusek and Vlaar (2015), found that the common metaphors in use by a cross-national selection of managers, in respect of their day-to-day interactions in relationships with suppliers and clients, was to see them as if they were performing acts, playing games and fighting battles.

Other research has pointed to the ways in which employees are increasingly exhorted to become 'brand ambassadors' for their organizations. These metaphorical phrases provide linguistic framing for internal branding and simultaneously convey conflicting messages to different stakeholder groups. These metaphors describe internal branding as empowering employees to be autonomous and encouraging them to take control over the brand, while also pointing to a hidden value system that values brands higher than employees. The metaphors in use reflect a value system in which the financial value of brands is paramount.

EXTEND YOUR KNOWLEDGE

In Müller, M. (2017) '"Brandspeak": metaphors and the rhetorical construction of internal branding', *Organization*, 25 (1): doi/abs/10.1177/1350508417710831, which is available at the companion website https://study.sagepub.com/managingandorganizations5e, the insidious organizational use of seemingly innocuous metaphors is explored.

READ THE ARTICLE

Most organizational life is lived through highly professionalized routines. Organizations that are highly professionalized host many different forms of specialist knowledge, each with their specific rationalities. Consider the example of hospitals, places that can be surprisingly dangerous for patients. One reason for this is that the patient's body becomes the point of intersection of many different professional practices, such as radiography, anaesthetics, operative care, post-operative care, and so on. At each handover point, there will be inscriptions – readings, charts, data printouts, briefings – that are passed from one team to another. Unfortunately, these present lots of opportunities for people to make different sense of the situation. Sometimes inscriptions will be misunderstood, sometimes improperly read or communicated, at other times they will be faulty, and sometimes just plain wrong. Organizations are full of handover situations: when inspection comes into play; when training takes over; when memos are sent and instructions issued from one subunit to another. All of these offer ample opportunity for recipients to make plausible sense of incomplete details – and, hopefully, not have to be subsequently accountable for the sense that they did or did not make at the time (Weick and Sutcliffe, 2003).

Relationally, sensemaking, sensegiving and sensebreaking are different ways of mediating the flow of sense data that provides your informational environment. Sensemaking is the formulation of accounts of what's going on; sensegiving is the strategic attempt to frame others' perceptions to accord with the sense that you are making; and sensebreaking is the strategic attempt to disrupt existing flows of sensemaking and sensegiving. Sensemaking, sensegiving and sensebreaking have all become popular topics in the management literature, especially sensegiving, perhaps for the reason that it maps on to leadership competencies most evidently. Leaders are expected to frame the sense that others make, recruiting and enrolling them as followers in their sensemaking. Sensegiving has been researched in academic environments (Gioia and Chittipedi, 1991), amongst business leaders (Maclean et al., 2012), within a British division of a multinational company (Balogun et al., 2015) and in a corporate spin-off (Corley and Gioia), amongst many studies too numerous to enumerate. There are numerous studies of middle managers managing change by sensegiving (Balogun, 2003; Hope, 2010; Huy, 2002; Rouleau, 2005). Sensemaking and sensegiving amongst employees have been researched in various contexts: animal shelters (Schabram and Maitlis, 2017), a design consulting firm (Stigliani and Ravisi, 2012), a Fortune 500 retailer (Sonenshein and Dholakia, 2012), an empowerment programme for nurses (Bartunek et al., 2006), practices of communication professionals (Cornelissen, 2012), ethics training (Brown et al., 2008); and a number of articles seek to make sense of sensemaking by surveying the literature (for example, Brown et al., 2008, 2015; Helms Mills et al., 2010).

Sensemaking is a particularly acute issue in moments of crisis. The origin of much of the sensemaking literature was in Weick's (1993) analysis of the Mann Gulch Incident, in which some firefighters lost their lives because they did not drop their tools in the face of a forest fire moving at speed towards them. Dropping their tools would have enabled them to run for cover behind a ridge. Sensemaking continues to be a concern in crisis situations. Certain occupations have a strong need for accurate sensemaking, for instance in monitoring equipment upon which split-second life and death decisions need to be made. Pilots are a case in point, as analysis by Berthod and Müller-Seitz (2017) explores in the analysis of a brief failure of one item on the display of the information system (IS) on Flight AF 447, wreaking havoc in the coordination between the pilots and the aircraft, leading to the loss of all 228 lives on board.

READ THE ARTICLE

EXTEND YOUR KNOWLEDGE

In Berthod, O. and Müller-Seitz, G. (2017) 'Making sense in pitch darkness: an exploration of the sociomateriality of sensemaking in crises', *Journal of Management Inquiry*, 27 (1): 52–68, which is available at the companion website https://study.sagepub.com/managingandorganizations5e, the authors explore how the instruments supposed to ensure our safety and make organizations more reliable can lead a team to destruction. Reliance on instrumentation in highly automated systems can develop an attitude of 'mindful indifference' (i.e. the capacity for experienced operators to distinguish problems that could turn into critical ones from problems that can be tolerated on account of the overall system reliability) that provokes emotional distress, focusing the pilots' attention on the machine, instead of triggering an organizational process of sensemaking, in a crisis situation.

Organizations are full of plausible stories – rumour, gossip, official statements, business plans and websites – each making sense in its own way but none necessarily coherent with the others. People talk all the time at work. Much of what they say is formal: the transmission of instructions and information; the making and taking of orders; the analysis of data and artefacts; debating issues in meetings, or making speeches and presentations. Yet, *even more is not formal*, which is to say that it is neither constitutive of, nor mandated by, the occupational and organizational roles that organization members fill, such as gossip, which is, nonetheless, a vital part of organizational life. The gossip surrounding the 45th incumbent of the most important organizational role in the world, president of the United States, is a case in point.

Stories are a major medium of communication, circulating and changing with the telling. Managing means implementing schemes, themes and dreams for the future, contained in the official stories, the business plans, the missions and visions. These are some of the tools of management. Managers use many tools to get things done: accounting systems, resource planning models, and so on. These tools are designed to be rational instruments to aid managing. But management tools only work insofar as they are made sense of. If managers are not successful in positioning their tools as decisive in sensemaking, then it may well be stories circulating smears, fears and nightmares that define the future.

READ ABOUT TRUMP & GOSSIP

Sometimes tools work smoothly and paper over the little cracks that may occur in different understandings of a situation. However, while trying to fix everyone's sensemaking on management's terms is a powerful device, it can create a fair degree of cynicism and contestation on the part of other stakeholders when managerial interpretations are argued to be the only ones that count. An example of this is when presidential accusations of unwanted sensemaking are termed 'fake news'. The adage 'If you cannot bring good news, then don't bring any', makes a good concluding line to a song (Dylan, 1967) but a bad assumption for a senior manager to make, especially a president.

Omniscience is a not a wise claim for any manager to make. The most rational managers never have perfect knowledge of alternatives. They do not have a calculus for every action nor can every action be accounted for in quantitative terms. Some actions have value that is expressed morally, ethically and socially rather than economically, as matters of instinct or habit. Most organization and management theorists are sceptical about the capacity of human decision-making to be utterly rational. Instead, they prefer to see people as only ever rational within the bounds of their knowledge and ignorance; that is, they see people characterized by **bounded rationality**.

Bounded rationality means producing satisfactory rather than optimally rational decisions, a process referred to as 'satisficing', meaning accepting decisions that are both sufficient and satisfying.

Conditions of uncertainty are often characteristic of decision-making situations. In situations of uncertainty, individuals act inconsistently (and thus other than wholly rationally). We discuss this further in Chapter 3. The crucial thing is to *appear to be rational* by having all of the symbols of rationality in place.

Managerialist rationality places managers in control, symbolizing that they know what they are doing and positioning them as authoritative. Sometimes, as some feminist critics suggest, managerial rationality seems a peculiarly masculine view of the world (Ferguson, 1984), which we discuss in terms of gendered communication in Chapter 9. The rational attributes of decision-making are equated with male characteristics in contrast to the way that women have been represented as being emotional, capricious, unsystematic and irrational (also see Calás and Smircich, 2006).

A belief in rationality can become a self-fulfilling prophecy, a myth of rationality: if what managers define as rational is resisted then the resistance simply shows the irrationality that has to be reformed (Fleming and Spicer, 2008). For instance, when managers implementing reforms encounter widespread **resistance to change**, they tend to see the resistance as irrational. Resistance serves as additional evidence for managers of the rightness of the reforms being resisted and so

Resistance to change consists of those organizational activities and attitudes that aim to thwart, undermine and impede change initiatives.

a vicious cycle of more control generating more resistance often ensues. Hence, it is not surprising that resistance to change is a widely observed phenomenon in organizations. Such resistance can be overt, in the form of wildcat strikes, campaigns or other forms of collective action, or it can be covert, through attempts at undermining change programmes by the widespread adoption of cynicism, irony and ambivalence.

Resistance can sometimes be thought of as an attempt to assert an alternative rationality. Claims to management knowledge that position it as rational often assume all other claims are merely the promotion of sectional, self-interested and irrational strategies. A unitary view of organizations is a major strategy in promoting managerial rationalities. Often, the argument is that where there is resistance, more work must be done in building commitment on the part of HRM (see Chapter 5); otherwise, people would not resist! According to this view, if reason prevailed there would be total commitment and no resistance.

People make sense through their understanding of the world, their interpretations of other people and those things that populate their world. Some of the categories and devices that are used for making sense will be shared with other members of the organization and some will not. Some will be regarded as legitimate by the organization while others will not. Organization members will build their practices on their understandings (Baunsgaard and Clegg, 2013). Rationalities will always be situated in different practices and accounts, some of which will have far more legitimacy in certain contexts than will others. From this perspective, plural rationalities that do not necessarily agree will be the norm.

Many managers manage as if the world depicted and represented in their view of rationality was actually as controlled and controllable as they think is the case. Rarely, given the ingenuity that different stakeholders bring to sensemaking, can this illusion be sustained, because we rarely share a common sense. Employees, customers and suppliers work from different interests. Doing this makes managing a highly politicized and contested activity. One reason it is highly politicized and contested is that management is always dealing with change; things never stay the same.

GLOBAL SHIFTS

One implication of the growth in artificial intelligence, as Takayama suggests, is the development of much more team-based working in which robot intelligence is an integral part of a team that is often project-based and globally connected, whose members require skills of empathy, the ability to listen and learn from others and to be creatively curious. Rather than leadership skills being the preserve of an elite of authorities, they will need to be flexible elements of the way different team members' work.

Associated with organizational decomposition is a parallel spatial decomposition. The global division of labour, the associated asymmetry of power relations and the social systems hosting them are the result of an always-unfolding spatial process (Löw, 2009). Each long wave cycle of accumulation is associated with a spatial configuration, a global pattern of interdependent technologies, infrastructure, institutions, networks and social relations and ideologies that structure the distribution and direction of global flows of capital and labour (Albrecht, 2014).

Spatially, we have been accustomed to a long cycle of US dominance, with the two post-war countries of Germany and Japan sharing in the profits.

Times are changing: the new centre of manufacturing employment in the global economy is tilting towards Asia, especially China and its semi-periphery states in East Asia. Europe and the USA are ceding centrality, once again, to Asia (Darwin, 2007). The global realignment of the economic centre, peripheries and semi-peripheries means that the major regions of capitalist investment are no longer in the Western world but are in Asia, under the conditions of capitalisms that differ markedly from those of the liberal and social democracies of the West. Global changes have local effects. Wages have stagnated or gone down in the West for over three decades as hundreds of millions in Asia and Eastern Europe have entered the global workforce. Such a massive increase in the supply of labour, which depressed wages in the core countries of the advanced economies, was great news for capitalists but not so good for most people outside the metropolitan cities of the global economy. Adding to these pressures is the cult of disruptive entrepreneurship that threatens the livelihood and serenity of millions who work in the 'gig economy', providing only an 'entrepreneurial option', one that, in practice, is the equivalent of either a lottery ticket or a disguised precariousness.

Meusburger (2006) argues that symmetric social relations of power, dominance and control manifest themselves in spatial disparities. Both functionally and symbolically, knowledge and power tend towards spatial concentration, whereas low-skilled routine activities in production and administration show a trend towards dispersion and decentralization. The former comprise the core components of the global spatial economy, not only in terms of the financial and related capabilities concentrated in the major global cities but also in terms of design capabilities. Design and capital dominate and locate in the cores; networked and subcontracted manufacturing populates the margins in a network society. Managerial rationality laces the network together.

There are consequences for jobs when much of the routine is extracted and repositioned through artificial intelligence. The remaining core staff will need to be more skilled than before. They will be working in technological environments subject to rapid and radical change. They will be globally connected, working with people remotely as well as face to face, from many different languages, ethnicities, cultures and religions. New competencies and skills will be required. Managing will mean more developmental work oriented to renewing staff's specific skills and general competencies, rather than issuing imperative commands and generally exercising authority over lower skilled labour. Managing will mean negotiating the use and understanding of new technologies, contexts and capabilities, and facilitating the understanding of those who will be operating with the new tools and environments. Sensemaking will be increasingly digitally and technologically mediated.

Digital technologies and a growing international division of labour between economies specialized in services and production make the world economy increasingly globalized. Competition is based less on traditional comparative advantage as a result of what economists call 'factor endowments', such as being close to raw materials, and more on competitive advantages that arise from innovation and enterprise. Global competition goes hand in hand with outsourcing in industries, as firms exploit technology to disaggregate 'back-office' routine functions and locate them in cheaper labour markets, as we discuss in Chapter 15.

Just as much service work has been disaggregated into lower value-adding elements such as call centres that can be located anywhere, or has been transformed by machine intelligence. Much of what was once produced by a domestic blue-collar labour force in the heartlands of Europe or the USA is now produced globally, often in China, in contexts in which machines and humans do most jobs together in a combination of high machine learning capabilities with highly skilled personnel (Manyika et al., 2017).

One consequence of the shifting international division of labour is that employment and organizations in the developed world are increasingly based on the production of services rather than goods. Material things – such as computers, clothes and household goods – are being produced in the developing world, while the most developed parts of the world economy switch to services, such as financial services. In the developing world, peasants are rapidly becoming factory workers; in the developed world, there has been an explosive growth in what is referred to as knowledge work, done by knowledge workers in knowledge-intensive firms. Chief among these are global IT firms, consultancy, law and accounting firms, as well as the universities, technical colleges and schools that produce the new knowledge workers.

For the past 200 years, Europe and North America have dominated the global world but now civilizations and cultures that have, for the past two centuries, been marginal and minor players on the world stage are now at its centre. The capitalist development of countries such as China and India, with over one third of the global population, as well as other newly emerging states such as Indonesia and Brazil, will transform our future. If the future managers reading this book want to have stimulating and successful careers, they are as likely to be forged in these countries as in Europe or North America. The managers that you will become will have to be truly global in experience and outlook.

Doing business internationally in real time, enabled digitally, produces ample opportunity for cultural *faux pas* and misunderstanding. Work groups may be working in serial or in parallel with each other on projects that are networked globally. Global organization means managing diversity: it means developing appropriate ways of managing people who may be very different from each other – from different national, ethnic, religious, age, educational, social status and gender backgrounds (Ashkenasy et al., 2011). One consequence of globalization and diversity is that HRM must be both increasingly international and equipped to deal with diversity, as we will see in Chapter 5.

Diversity is increasingly seen as an asset for organizations: people with diverse experiences can contribute more varied insights, knowledge and experience than can a more homogeneous workforce. (In the terms that we use in Chapter 9, we can say that it is a good thing to introduce more polyphony into organizations but it can also introduce more conflict: see Chapter 7.) An evident reason is that if a business wishes to sell globally it must understand all the specificities of the local markets into which it seeks to trade. One good way of doing this is to ensure that the organization has employees that understand that market. Moreover, in certain markets, such as the Middle East, where etiquette and rituals are of considerable importance in everyday interactions, it is enormously beneficial to have employees that have an intuitive cultural understanding rather than learning through making costly mistakes. Moreover, as we will see in Chapter 14, organizations whose members are not representative of the populations the organizations draw on and serve risk being seen as discriminatory in their recruitment policies. There are ethical issues concerned in managing diversity as well.

Time and space are two fundamental coordinates of the way we relate to the world and the ways in which we do so are socially constructed. Today, the concern is with the simultaneity and immediacy of access to global web spaces at any time. Today, with a computer, camera and broadband connection any organization member can simulate immediacy with anyone anywhere in the world similarly equipped. In such a situation, time and space are eclipsed. Organizations can be global, navigating anywhere. Digital communication, rather than face-to-face meetings by appointment in the same space and time, gives the technologies and objects that mediate interaction far more importance than they had in the pre-digital era.

Immediacy through the eclipse of space presents problems. Work is much more accountable and transparent as others can be online anytime, anywhere, challenging the understandings that the other has developed. Often, these understandings will be embedded in a sense made in a cultural, linguistic, religious, ethnic, age and gendered context that is simply foreign to partners elsewhere. Great cultural sensitivity, as well as a capacity to handle circadian rhythms, is needed in the interest of global business. In such contexts, there will be a great deal of doing by learning as managers seek to make sense of others whose cues are not only unfamiliar but often mediated by the limitations of digital communication. Managing communication in these circumstances poses special challenges, as we will see in Chapter 9.

Communication differs enormously across generations. Older generations can remember when the phone was a luxury that was installed and had pride of place in the home. Middle-aged people may recall the excitement of having an early mobile phone. Millennials would hardly regard talking as the prime or only means of direct communication: Snapchat, Instagram and even old-time Facebook all offer alternative models of communication that eclipse space instantly. As we will see in Chapter 2, the issues of commitment and motivation are increasingly central to managing. The Millennial generation has been seen to be more cynical than its predecessors and less likely to accept rhetoric from management that is not backed up by actions. Using traditional management control and command devices will not work well to manage people who desire to be creative and innovative, as we explore in Chapter 11.

If there is one value that binds disparate generations together, it is the sense that previous generations have really made a mess of the planet; green values are very strongly held by Millennials, with saving the environment through sustainability high on the list of value preferences. Consequently, as we discuss in Chapter 12, issues of corporate social responsibility, especially those addressed to sustainability, are high on the values agenda. Such changes pose major implications for how organizations attract, select, retain and treat employees, as we see in Chapter 5.

READ MORE ABOUT ACTIVISM

IN PRACTICE

Have you ever wondered why some companies seem more politically engaged than others? When campaigns demand that a company change its practices, corporate executives tend to weigh up the costs and benefits of complying. They may estimate the risk they face to their brand image against the benefits of mitigating this risk and improving this image. Costs include shifting and monitoring their supply chains. Benefits may include accessing new markets and enhancing the marketability of the brand.

The ways in which they engage with activists will also be influenced by the corporate culture of the company. Is it a company that engages with political issues? A company that prides itself on its attitude to sustainability?

Finally, when the activists bring issues to the company, on whose desk do they land? Is there a Department of Corporate Social Responsibility (CSR)? If there is, does it wield much influence?

The answers to these questions will vary. But we can intuitively see why companies that have engaged with activists in the past are more likely to do so again in the future.

For one, companies are more at risk of activist 'attacks' if they have previously responded, even in other issue areas. They are on the activists' radar. This happened with Nike, which has been experiencing renewed pressure from activists who suspect the company is slipping back towards poor practices.

The same goes for Tiffany. The company's proactive response to blood diamonds made it a prime candidate for leading the charge against dirty gold – and a prime target for the activists planning the campaign (though, in this case, Tiffany beat them to it).

Companies that have also responded to past issues probably go on to boast about their sustainability credentials, making them susceptible to accusations of hypocrisy if caught backsliding. They will already have analysed sourcing strategies and supply chains, so they have the systems in place when new issues pop up. They are also more likely to have a CSR department – or consider it important enough to be handled directly by the CEO. And their corporate culture is more likely to include sustainability concerns, as they have now become part of the company's practices.

Perhaps most significantly, their leadership is more likely to reflect this corporate culture, as culture and leadership enjoy a mutually constitutive relationship of sorts. People are important, and having these people within the firm becomes more likely.

While the details will differ among individual companies, past engagement with activists can make future engagement more likely. The role of activists in driving the expanding role of business in global environmental politics becomes clear.

Business and activism

Corporations and activists are collaborating through these battles, building institutions – from CSR to certifications – within firms and across industries to tackle environmental problems. They are finding solutions to some problems and, in doing so, shifting expectations about the role and responsibility of the private sector and those who work within it. This is a good thing.

But corporations are also largely dictating the terms of their response. Activists are rarely able to force companies to do their bidding. Business is simply too powerful and consumers too complacent. This means that sustainability is made to fit within the parameters of their business models, and not the other way around.

In the hierarchy of priorities, the needs of markets are too often placed above those of people and the planet. And this can be a very bad thing indeed.

So, while there is a case for cautious optimism here, there is an even stronger case for continued vigilance when evaluating this expanding role of business in global environmental politics. And that means a strong case for continued activism.

READ THE ARTICLE

In the terms of Aguinas, H. and Glavas, A. (2017) 'On corporate social responsibility, sensemaking, and the search for meaningfulness through work', *Journal of Management*, https://doi.org/10.1177%2F0149206317691575, which is available at the companion website https://study.sagepub.com/managingandorganizations5e, activists introduce extraorganizational sensemaking into the arena of the organization. Thus, they are a source of innovation.

Question

1. Using Bloomfield's (2018) article from *The Conversation* (boxed above) and Aguinas and Glavas (2017) as guides, can you explore an industry in which activists have succeeded in making organizations more responsive to corporate social responsibilities?

CONCLUSION

The evidence is in on the neo-liberal economic experiment and it is overwhelming: almost everywhere in the developed world it has produced an economy that is more polarized and more prone to crisis and run by less regulated organizations. One effect of the loss of bureaucratic regulation in the private sector has been the diminution of opportunities for well-paid careers, while in the public sector the impositions of austerity and the slow war waged on welfare and bureaucracy have seen the erosion of standards and opportunities. Increased inequality results as the range of middle-class occupations supported by bureaucracies diminishes, while benefits and salaries going to the wealthiest increase disproportionately. The changes are often assumed to be inexorable – the result of the market, efficiencies, economic rationality, globalization, and so on. They are, however, always the result of 'strategic choices' (Child, 2002 [1972]) made by those people comprising political, public and private elites.

USING MANAGING AND ORGANIZATIONS

The basic themes of this text are now established. In this book, as we have foreshadowed, we will introduce you to the main lines of contemporary management and organization theory, and we will situate these in the major changes marking the present-day world. These, we will argue, make the ideal of the wholly rationalistic organization ever more difficult to believe in principle and secure in practice; nonetheless, that does not stop organizations and management from trying to do so effectively. Organizations go to great lengths to try and ensure that stocks of knowledge are shared as widely as possible within the organization, as we will see in subsequent chapters, and do so in ways that are reflected in each of the subsequent chapters:

1. Creating induction programmes that socialize individuals into an organizational frame of reference (Chapter 2).
2. Training individuals in teamwork and group work (Chapter 3).
3. Hosting leadership development, coaching and training for common understanding (Chapter 4).
4. Building highly rationalistic HRM plans and seeking to implement them (Chapter 5).
5. Emphasizing strong, common cultures and rules to frame everyday behaviour in the organization (Chapter 6).
6. Managing organizational conflicts, so that the goal-oriented elements of organization can come to fruition, despite countervailing tendencies, schisms and frictions in an organization (Chapter 7).
7. Managing power, politics and decision-making so that plans are implemented, not resisted, and so sectional and specific interests are well aligned with rational plans (Chapter 8).
8. Communicating these rational plans, their culture and other messages to organization members (Chapter 9).
9. Capturing all of what their members know and embedding it in management systems as they try and practise organizational learning (Chapter 10).
10. Managing change, introducing and effectively using new technologies, and ensuring innovation (Chapter 11).
11. Incorporating new mandates arising from social issues and concerns articulated by new stakeholders and influential social voices, such as sustainability, ethics and corporate social responsibility (Chapter 12).
12. Implementing global management principles in the organization and designing the structure of the organization to fit the contingencies it has to deal with, such as size, technology or environment (Chapters 13 and 14).
13. Managing to manage globally, to manage globalization and to deal with the added complexities that managing in a global world entails (Chapter 15).

SUMMARY

In this chapter, we have staked out the territory that the book covers:

- Managing and organizing is very dynamic – its world never stays still – so innovation, change and tension are characteristic of the way that events pan out.
- Managing and organization is never done in isolation from broader social trends and contexts, which is why it is important to contextualize how it is being done.
- No organization or manager today can escape the effects of digitalization.
- Managing and organizations today are increasingly either global enterprises or related to them as suppliers, markets, customers, employees or shapers of others' environments.

EXERCISES

1. Having read this chapter, you should be able to say in your own words what each of the following key terms means. Test yourself or ask a colleague to test you.
   - Globalization
   - Digitalization
   - Organizations
   - Values
   - Managing
   - Identity
   - Rationality
   - Hierarchy
   - Metaphors
   - Sensemaking
   - Tool views of management
   - Corporate social responsibility
   - Organizations as tools
   - Neo-liberal economics.
2. Why do organizations seek to forge common sensemaking?
3. Why do organizations become globalized?
4. What do you think are some of the major changes that are shaping the contemporary world and what do you think their impact is on management?
5. What are the implications of digitalization for future employment opportunities?
6. In what ways are managers typically rational?
7. Why might new CEOs seeking to turn around an organization have recourse to sensebreaking?
8. What are the major obstacles to cultivating sensebreaking in a workforce?

TEST YOURSELF

Review what you have learned by visiting:
https://study.sagepub.com/managingandorganizations5e or your eBook

- **Test yourself with multiple-choice questions.**
- **Revise key terms with the interactive flashcards.**

REVISE KEY TERMS

TEST YOURSELF

CASE STUDY

This is a very simple case study to get you started. Think about the last organization that you were a member of for some time. It might have been a school, a church or an employing organization.

(Continued)

(Continued)

1. What were its main routines?
2. How were these organized in terms of some of the factors that might frame organizations? Think about factors such as how standardized, timetabled or ritualized the flows of time and organizational effort are in the organization in question.
3. What were the characteristic markers of identity of the different people and groups in the organization?
4. What were the goals of the organization?

Resources

Check out the companion website **https://study.sagepub.com/managingandorganizations5e** for a list of web resources related to this case study.

ADDITIONAL RESOURCES

- If you want to find out more about 'sensemaking', the entry in Clegg and Bailey (2008) *The Sage International Encyclopedia of Organization Studies* is useful.
- The Swedish theorist Nils Brunsson has written three excellent books on problems with the rational model of organizations: *The Irrational Organization* (1985), *The Organization of Hypocrisy* (1989) and *Mechanisms of Hope* (2006). Together they form a remarkable trio of organization analysis at its best. There is an interview with Nils Brunsson at the companion website: https://edge.sagepub.com/managingandorganizations5e
- Christopher Grey's (2017) *A Very Short, Fairly Interesting and Reasonably Cheap Book about Studying Organizations*, London: Sage, is a good and brief introduction to the field.
- Anne Cunliffe (2014) *A Very Short, Fairly Interesting and Reasonably Cheap Book about Management*, London: Sage, in the same series as Grey's book, is also a good introduction.

READ ABOUT DIGITAL TERMS

- What do all these digital terms mean? Read www.i-scoop.eu/digitization-digitalization-digital-transformation-disruption to understand the difference between digitization, digitalization and digital transformation.

READ THE REPORT

- A November 2017 report from the Brookings Institute takes a macro view of the implications of digitalization for the US workforce: you can access it at www.brookings.edu/research/digitalization-and-the-american-workforce.

- Globalization has been a hot topic for at least the last 20 years. Some think that the era of the Trump ‘trade wars’ and the decision of the UK to adopt Brexit signal the end of the era of globalization. Thomas Sigler, in *The Conversation*, provides sober reasons for thinking otherwise: https://theconversation.com/trump-and-brexit-wont-kill-globalisation-were-too-far-in-73688.

READ THE ARTICLE

2

MANAGING INDIVIDUALS

SEEING, BEING, FEELING

LEARNING OBJECTIVES

This chapter is designed to enable you to:

- develop an understanding of how psychology contributes to organizational behaviour
- describe the process of perception and understand how it can affect performance at work
- outline how values drive individual behaviour
- outline a range of personality theories
- explain how positive psychology can improve people's workplaces.

BEFORE YOU GET STARTED…

A few words from the great William James (1842–1910), American philosopher and psychologist:

> The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes of mind.

INTRODUCTION

It is not an over-dramatization to say that those of us alive today live in a world of unparalleled uncertainty. In the last few years, we have seen a succession of natural disasters ranging from destructive floods and earthquakes to human-made catastrophes, including the escalation of geo-political conflict and shifts in economic power trending towards the east, threats of trade wars, global financial meltdowns and increasing civil unrest across the world. At the same time, we have seen incredible advances in technology, particularly in artificial intelligence, robotics and communications technology, which are transforming not only the ways in which we do business but also how we relate and communicate within and between societies. As organizations face the unparalleled levels of complexity and uncertainty that arise from such challenges, they must become more agile and responsive, not only to survive but also to lead and capitalize on the opportunities available to them during turbulent times. As a current or future manager and leader, you have enormous challenges ahead of you.

In organizations today, a 'one size fits all' management approach will not work. Contemporary managers can no longer rely on hierarchy and nominal roles to manage people; there is no longer a divine right to manage, and so managing has become an increasingly difficult, political and challenging endeavour. It is so for one very good reason: people are complex. It is imperative, therefore, that managers are acquainted with some of the core ideas that have originated from psychology and are now applied to managing and organizations, often in taken-for-granted ways.

The term **psychology** is derived from the Greek word 'psyche', meaning one's own thoughts and feelings or their 'being', and the English suffix 'ology' derived from the Greek logos, meaning reason, which in English is rendered as 'ology', denoting a field of study. **Psychology** is the study of our being or more simply the study of the human mind and behaviour.

The astute reader of this book will notice that with each chapter we gradually but surely move away from **psychology** towards sociology, anthropology and politics as we increasingly situate the managing and the managed people in a broader context. In this chapter, we will predominantly take a psychological perspective to explore the core ideas central to managing individuals. Psychological properties can be analysed at both an individual and a group (social) level, both of which are critical to managing people at work. We will explain the basic psychological concepts and principles we believe are central for managing individuals in organizations and will go on to look at teams and groups in Chapter 3. For now we will discuss perception and cognition and these affect how we behave and think about things. We humans are not the perfectly designed creatures some would have you assume; how we perceive things, what we attend to and ignore, how we interpret people and make decisions about them is prone to many types of biases. For this reason, understanding the process of perception is critical in helping us become better managers. But, first, let us discuss psychology and relate it to work more generally.

Second, we will take a close look at values because they are the fundamental building blocks for managing culture, diversity and communication (all topics covered in detail throughout this textbook). You need to consider how yours and others' values are formed and how they can drive us throughout our working lives; how they bind us but also how they separate and differentiate us from others and how they can lead to conflict between people and societies. Third, personality is important because it is seen as the essence that makes each of us who we are, determines how we behave and shapes how we feel. We ask, 'Can we categorize people as types, or are each and every one of us unique individuals?' Finally, we close the chapter by looking at emotions from a 'positive psychology' (PP) perspective. We will concentrate on a topic, the pursuit of which is enshrined in at least one nation's constitution. Before we explore these fascinating topics, let us first build an understanding of psychology and its application at work. (See Talk #2: Introduction to managing people in organizations, by Dr Tyrone S. Pitsis.)

WATCH THE TALK

PSYCHOLOGY AT WORK

Psychology first explicitly emerged in Greece more than 2,500 years ago when philosophers tried to explain the nature of the self, the soul and personality. The word psychology has a classical etymology.

Psychology seeks to answer the question: 'Why are we the way we are?' It concerns itself with all aspects of the workings of the mind (such as perception, attention, thought, memory and affect at the intrapersonal and interpersonal levels of analysis), and also with understanding the brain's development, its possibilities, degradation and limitations.

The application of psychology at work has mainly occurred through the fields of applied industrial and organizational psychology (Kozlowski et al., 2017). However, more generally it is in the field of **organizational behaviour** that theory, research and practice in psychology have been applied to organizational life. OB involves understanding, researching and addressing organizational behaviour phenomena from a multidisciplinary perspective, primarily including psychology but also drawing on sociology, anthropology, economics and political science to name but a few.

Organizational behaviour (OB) refers to the study of human behaviour in organizational contexts. OB is an applied discipline that concerns itself with individual-level, group-level and organization-level processes and practices that inhibit or enable organizational performance.

At certain times in our lives, we will ask an existential question about ourselves: Who am I? What do I stand for? We can all answer such questions to a degree but how we answer them depends on our beliefs about human nature, the way in which we make sense of the world and our place within it, what we understand our values to be, which relationships we prize, what we count as successes and failures, and so on. Over the last 100 years or so, there has been a great deal of theory, research and practice in psychology that seeks to address such questions about who we are. Our intention in this chapter is to guide you to what you need to know in relation to psychology at work.

In almost all fields of psychology, two main themes drive theory and research. The first theme centres on the nature versus nurture debate. At issue is whether we are genetically encoded to be the way we are, such that how well you achieve things in specific spheres of life will depend on your genetic dispositions – your personality, ability to be a leader, to be caring or aggressive. The second theme focuses on the idea that we come into this world *tabula rasa* – that is, with a clean slate – and that our personality is something that is socially constructed as we learn to manage ourselves and become the kind of self we want to be. From this perspective, we learn to become leaders, influenced by social contexts such as the socioeconomic status of our families, our culture, social support systems, the environment in which we grow up, our schooling, and so on.

The opposing view of nature versus nurture frames much of what you will learn in the field of organizational behaviour because psychology informs much of organizational behaviour theory, research and practice. Some theorists and researchers hold dearly to one or the other view. Some think it is all in the genes, while others think that genetic potential is extraordinarily malleable and a great deal depends on the environment in which we develop. Others prefer more moderate, integrative theories about what makes us who we are – a view that we share. Our view is that we are born with some aspects of what constitutes us as a person but that much of who we are is learned over time and that context has a profound impact on our development as human beings. How you approach the question of nature and nurture influences how you manage people, how you manage yourself and behave at work, as well as the underlying assumptions that you make about how people might, or might not, behave at work.

An important theme that has emerged in organizational behaviour theory and research suggests that nurture is overridden because of the fundamental drives that underpin human nature. Such ideas are derived from Charles Darwin and his theory of evolution, in particular the importance of behaviours that perpetuate the survival of the species. Some evolutionary arguments stress the 'selfish gene' perspective: that we are programmed for competition in a fundamental struggle to perpetuate our genes over those of others. Others stress that fitness and survival depend far more on the fact that we are social animals seeking affiliation and human relations; hence, we are more committed to cooperation than competition to ensure our survival as a species. These two related but somewhat opposing views of evolution underpin many of the ideas in management research and theory today.

Many management scholars and theorists use Darwinian theory to validate and substantiate their claims about human nature as being based in a competitive instinct and struggle. Evolutionary psychology has made substantial inroads into management research and theory such that it is now steeped in the Darwinian tradition of 'survival of the fittest'. Yet, despite this belief in survival of the fittest, some of those who believe in it as a competitive concept are the first to claim a liver or a kidney transplant when their survival is at stake! In the ideal world of survival of the fittest, of course, such individuals would be left to die because they are simply not fit enough. Conversely, some of those who believe that the fittest survivors are those best able to cooperate are the first to complain when their taxes are raised to provide more public goods.

Before Darwin published *On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life* in 1859, Adam Smith (1961 [1776]), a political economist and philosopher of the Scottish Enlightenment who is credited with being the father of capitalism, argued that progress and economic growth occur because human behaviour is based on self-interest, which is best served by the operation of free and unfettered markets in the supply of goods and services. For example, if we as consumers want more leisure time and express a preference for this through our purchasing decisions in markets – maybe by buying vacations and appliances rather than saving money – then business people who market vacations or innovations in labour-saving devices will be rewarded. We buy and sell in markets that achieve balance between the supply and demand of goods such that, in the long term, efficiencies will prevail, with a price mechanism maintaining equilibrium. By being self-interested, we create demand preferences that markets emerge to meet; these markets benefit all of society because they create a self-regulating economic system where benefits trickle down by way of jobs, economic growth, prosperity and innovations.

Fundamental self-interest does not necessarily provide welfare or products or services that cannot be privately owned to generate income and so, the argument goes, government must become involved in providing such public goods. When a 16-year-old single parent has produced a baby and needs some support to sustain herself and her child, no business will assist her because there is no profit in giving resources away unless someone is paying them to do so. Hence, government typically provides social security and basic support. Of course, in doing so, in the long term, this is a subsidy to business in general because it enables the reproduction of another recruit to the next generation of workers and consumers. It is not surprising that social responsibility and economic, social and environmental sustainability have long been perceived as the duty of government to regulate or as a task for charity and other 'do-gooders' (see also pp. 386–397).

The views of Adam Smith have certainly been influential. Look at any newspaper story on corporate behaviour to see parallels with notions of survival of the fittest, the centrality of self-interest and the primal pursuit of economic wealth as the end of human activity. Today, this bundle of beliefs assumes that self-interested economic action is the only rational basis for human behaviour. Hence, it is a small step to arguing that our rationalities are formed this way as a constitutive feature of our human nature. Using Darwin and Smith as authorities, some scholars, such as Nicholson (2000), would argue that competition is genetically a human predisposition. Despite the global financial crisis of 2008, which continues to be felt over two decades later, one of whose effects was to raise questions concerning the viability of unfettered market behaviour, we still see behaviours being lauded that stress a return to business as usual, with exorbitant CEO salaries and payouts, together with a continuation of gender and racial inequalities in management ranks as well as resistance to sustainable, corporate social responsibility.

All ideas, such as the survival of the fittest through competition or cooperation, as well as debates about nature and nurture, underpin and are underpinned by our beliefs or working theories about how the world, and the things within it, operate. Our values and beliefs are integral to all these working theories and assumptions about work, organizations and society. These values, beliefs and assumptions are inherent in the workplace and become an important component of the management of people and organizations. Psychology provides part of the answer to understanding and dealing with the tensions and opportunities that present themselves in the workplace. For now, we will discuss perception and cognition and how these affect how we behave and think about things, especially at work.

WATCH THIS TED TALK

PERCEPTION AT WORK

In general terms, all management starts from **perception** because we manage what we think we perceive to be happening.

Figure 2.1 represents a basic model of information processing: the model shows in a simplified way the perceptual process of how we deal with stimuli in our environment. Let us use an example in order to help us make sense of this model. Let us assume you are at a party, and the music (*stimulus A*) played has been excellent all night. You notice one of your fellow students (*stimulus B*), whom you find very attractive, is alone and you go over and strike up a

Perception is the process of receiving, attending to, processing, storing and using stimuli to understand and make sense of our world. The stimuli can be experienced through any and all of the senses such as sight, sound, smell, taste and touch.

conversation – you find you both have so much in common that you attend to every word (*attention*). So much so that you forget about the music, even though your absolute favourite song is playing (*filtering*) – filtering can be intentional or subconscious and essentially is the same thing as *selective perception*, or the process of selectively gathering and processing information that is consistent with one's values, beliefs and attitudes. The more you listen to the person, the more you find you have in common, the more attractive they appear to you, and the more they reinforce what you believe about their attractiveness, and so this information that is selectively attended to is stored and processed in relation to existing schemas (*organization*). The cognitive process of organization happens through schemas – which can be thought of as sets of cognitive constructs developed through social interactions that organize our thoughts, feelings and attention (Baldwin, 1992; Epstein and Baucom, 2002).

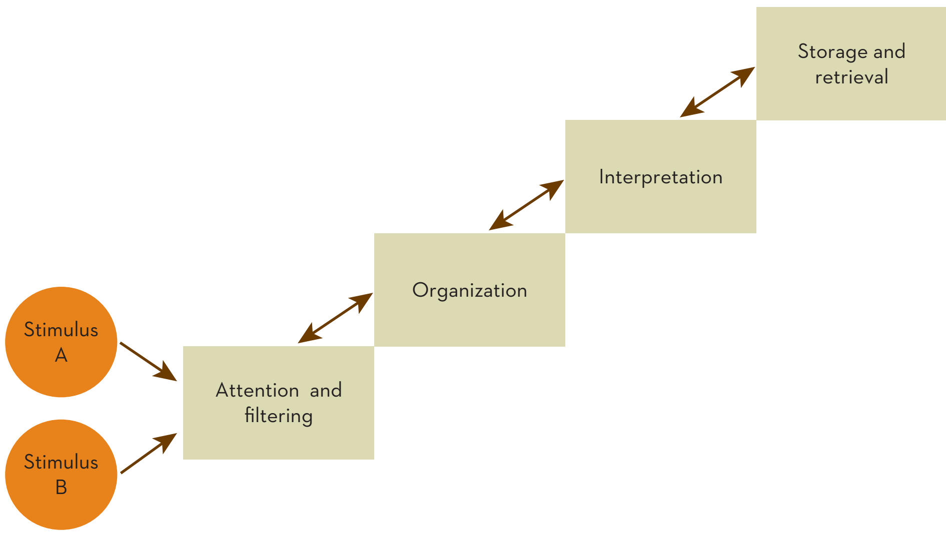

FIGURE 2.1 A basic information-processing model of perception (adapted from from Reed, Cognition, 8E. © 2010 South-Western, a part of Cengage, Inc. Reproduced by permission. www.cengage.com/permissions)

The next step in the model is *interpretation* – all the information you have gathered and organized about this attractive person (attractiveness, smiling, common interests, body language) has been grouped into a set of schemas that comprise a possible relationship (be it sexual or loving), and so you *store* all this information as reality or as representative of what you are experiencing. The problem is that people interpret stimuli in different ways, and sometimes not in the same way you do. What you did not notice is crucial: what you did not notice was that this person found you friendly and recognized you from the lectures – it was not romantic interest but simple affability that the person exhibited towards you. But, to be sure, they utter those words you never expected to hear: 'Oh, here is my partner. I'll introduce you, you'll really get along'. All that information you stored about a possible love interest is *retrieved* and reinterpreted. What you once thought 'real' is no longer real, and so you must re-analyse and update your information as you come crashing back from a momentary alternative reality. Of course, some people don't do this and still hold on to the original belief – in this example, if you did this you would probably find yourself charged with stalking or being labelled 'a creep'.

Schemas are a very important component of the perceptual information-processing story told above because in many ways they underscore much of what we cover in this chapter – our values, personality and emotions can all be linked to schemas (also referred to as schemata or scripts). Schemas are used to structure and organize information that we experience in our social world and are often hierarchical (my car is a Mini Cooper, a Mini Cooper is a small car, a car is an automobile, an automobile is a vehicle, a vehicle is a mode of transport). There are several types of schemas, including **person schemas** and **self-schemas**.

You may perceive yourself as an open, honest and hard-working person and so it is not surprising to you that your employer also finds you hard working: self-schemas are critical in our personality and include idealized self- or projected self- (ideal self-) schemas. That is, a schema forms the 'ideal' type of what a person strives to be or with which they compare themselves.

Other kinds of schema include script, social and role schemas. We all have several scripts, deriving from **script schemas**, and these scripts allow us to function in our daily lives – we have scripts for going to a restaurant, scripts for going to university, scripts for how we ride our bikes, and so on (Schank and Abelson, 2013). In all these situations, there are *conditions* (such as going to the restaurant because you are hungry, you have money for food and the restaurant has food), *standard roles* for main actors (you are the star playing the lead role of customer) and supporting actors (waitress, chef and other customers), *props* (tables and chairs, etc.) and *results* (the main actor has less money, but is no longer hungry) (Reed, 2009). We develop these scripts from **social schemas** and **role schemas**.

Once our schemas become established, they become increasingly difficult to change and falsify; that is, we tend to pay attention to information that reaffirms or fits our schemas, rather than questioning our schemas whenever we experience information that contradicts them (Reed, 2009). As an example, read the following sentence:

> THE HAMUN BRIAN IS SO AZAMING,
>
> AS LNOG AS THE FRIST AND LSAT LTETER IS THE SMAE
>
> YUO WLIL MKAE SNESE OF THE SNETECNE!

This sentence is an example of how schemas are organized and influence perception through selective perception. Your brain will automatically complete information for you so that things will make sense – most people will see 'The human brain is so amazing …'. However, if you read the sentence exactly as the letters appear you will find most of the sentence is nonsense. What you think you see and what is actually there are two different things. This example tends to only work with people who possess good English language skills. The brain reads the first and last letter, matches it to the words on either side and quickly calls up language scripts that fit the general idea of the passage. 'The hamun brian' makes no sense (unless you actually know someone called Hamun Brian), so your brain searches for the closest match – 'the human brain'.

Person schemas are structures of meaning that affect thinking, planning and behaviour concerning others. Within person schemas, there are idealized person schemas that serve as prototypes with which we compare all other persons (see Horowitz, 1991).

Self-schemas are specific self-conceptions we hold about ourselves, which we believe are self-descriptive and highly important to possess (Fong and Markus, 1982; Markus, 1977).

Script schemas refer to schemas about how we operate in our world and understand and remember information.

Social schemas, as the name suggests, refer to our social knowledge (such as knowledge about public affairs, laws, politics, media and the arts, and anything else socially important).

Role schemas refer to schemas about appropriate and inappropriate behaviour in specific contexts (for example, a woman's role as a mother, daughter, professional, wife, friend).

For social cognitive psychologists, schemas are, as already mentioned, the underlying constructs that contain information about our values, how we perceive ourselves as people, how we perceive others, how we adjust and respond to change, how we operate in our social world, and how we experience our emotions, make sense of our attitudes, opinions, prejudices and assumptions (Augoustinos et al., 2014). Schemas are so powerful that they are one of the most important components of cognitive-behavioural therapy. Schema therapy is used to uncover and deconstruct the underlying thought processes and structures of people and treat depression and anxiety by replacing destructive schemas with more psychologically healthy schemas (Giesen-Bloo et al., 2006; Young et al., 2003). Schema therapy can even be used to understand better how we might negotiate peace between conflicting parties (Leahy, 2011). We will revisit schemas in this context when we look at personality and also the pursuit of happiness; let us now look at how perception and schemas can be problematic, especially in workplace contexts.

There is probably no better example of how schemas structure our understandings, beliefs and values than the science versus religion, evolution versus creationism debate. The argument for and against intelligent design (ID) is one of those debates. There has been a growing and powerful movement within the USA, which seeks to include ID as a core part of the education curriculum. At best, the proponents of ID want it taught along with Darwinian evolutionary theory; at worst, they want it to totally replace teachings on evolution. The main argument is that God (an intelligent entity) designed the world and humans and that much of this design can be scientifically tested and supported to (a) prove God exists, and (b) prove evolutionary theory is wrong. Here is an example of the arguments used:

> The Christian world view begins with the Creation, with a deliberate act by a personal Being who existed from all eternity. This personal dimension is crucial for understanding Creation. Before bringing the world into existence, the Creator made a choice, a decision: He set out a plan, an intelligent design. (Colson and Pearcey, 1999: 55)

In March 2011, a Republican State Representative for Texas, Bill Zedler, introduced the Bill HB 2454, which was aimed at protecting the rights of people to teach ID.

Science, of course, rejects the ideas espoused in ID, and organizations and institutions such as the National Science Teachers' Association and the US National Academy of Science have responded by claiming that ID is not a science; in fact, some call it junk science. In 2017, the *New York Times*' Clyde Haberman wrote a thought-provoking article accompanied by an informative video. (You can read the article and watch the video at www.nytimes.com/2017/11/19/us/retro-report-evolution-science.html.) With the election of President Donald Trump, creationists have become emboldened by his support for some of the ideas against the core assumptions of science – such as 'facts' created by 'experts'. Hence, it is safe to assume that the ID argument will not go away anytime soon.

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It seems that some people do not necessarily rely on facts or evidence in making up their minds about things, but rely more on commonly held beliefs that are experienced and interpreted as being true, despite the weight of evidence against them. Common errors in how people perceive the world appear to be rife.