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Humanistic Management, Operational Risk, and Employee Behavior

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Introduction

Changes to both the economy and society have inevitable consequences for organizations. The natures of both have changed significantly in recent years. The competitive environment in which firms operate has undergone significant globalization or, more accurately, regionalization with new trade increasingly occurring within dominant regional trading blocs (WTO, 2011). Organizations’ supply chains are increasingly likely to pass across several national and cultural boundaries. Markets have also apparently become more volatile, with financial crashes occurring in 1974, 1987, 1997, 2000–01, 2007–08 and the ‘flash crash’ of May 2010. These crises appear to be an increasingly common feature of the modern economy, with significant financial consequences for businesses and the economy in general each time one occurs, and sluggish economic growth in their aftermath. Whilst businesses suffer from this increased volatility and uncertainty, so do employees as permanent employees face increasing risk of unemployment at the same time that flexible and temporary employment has become more common, replacing longer-term, more secure employment (Forde & Slater, 2001; Smith & Neuwirth, 2008). Increasingly, employment is based on flexible working groups, employment being replaced with self-employment, and workplaces being superseded due to the ability to work via communications technology from almost any location. These employment relations ‘at a distance’, and on a temporary basis massively reduce employees’ involvement with the organization. The changing nature of our lives has observable consequences. For instance, evidence from sources such as the World Values Survey indicates that society, in the process of modernizing, has become progressively less trusting (Fitzsimons, 2006). In what ways does this affect the organization?

There is a danger that a business world whose institutions are increasingly in flux will react to these new conditions in ways that are ultimately counterproductive. It is possible to see labor increasingly as a resource or commodity that can be flexibly purchased to meet the needs of the firm,
but this neglects one vitally important aspect of the modern business world. In the events leading up to each of the recent financial crises, and to the collapse of such monolithic companies as Enron and Parmalat, each of the firms appeared to be efficiently regulated and following logical procedures that should have guaranteed no problems ever arose. In each case, however, businesses suffered because of the unanticipated consequences of incompletely understood and only partially controlled, complex risks. In many cases these were exacerbated by the attitudes and behaviour of individual stakeholders of the organizations affected – both employees and external stakeholders. This demonstrates the significance of the human element in risk. So how is the ‘human’ treated in modern corporations, and how can management practice ensure that the human element is not dangerously neglected in future?

Management is about human beings. Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant. Drucker (1990, p. 221)

The quote from Drucker (1990) suggests that an understanding of human character is essential to management, but does this demonstrate itself in the management literature?

Management theory has often been undermined by simplistic conceptions of the individual or the organization. Economic models of the firm have only gradually been refined and replaced with more representative analysis of the structure and operation of the firm. Theories of motivation have moved away from ‘scientific management’ and the assumption of simple stimulus–response relationships to incorporating increasingly realistic aspects of how individuals act within organizations. A significant part of this change has been the growth of ‘humanistic management’ approaches. Humanistic management examines how management techniques can be developed that treat employees ‘as humans’, whose characteristics are more than their individual skills, or simple mechanistic responses to management. Melé (2003) examines the different traditions within humanistic management from the initial work of Maslow (1943, 1954) and his treatment of the complex needs of individuals. Whilst initially focusing on motivation of individuals, later developments have emphasized organizational culture and the community within the organization.

Humanistic management may be superior to standard approaches in one of two ways. Firstly, in recognizing the complexity of the individual, it forms predictions of behaviour that will realistically reflect the range of influences on individuals. During periods of rapid change, simplistic management models of employee behaviour are often undermined by their failure to include the full range of explanatory factors. Whilst in periods of relative stability, or in the shorter term, the failure of simplistic models to include