Organisational Behaviour and Leadership

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# Introduction

The Commonwealth Bank of Australia is an Australian origin multinational banking enterprise, which has its presence in New Zealand, United Kingdom, United States, Asia along with a massive domestic presence. The bank has been remediating its business practices, improving the organisational structure and focussing its efforts to provide better customer services within the core markets. CBA serves 16.1 million customers all over the world, out of which 6.5 are digital customers. CBA is an Australian bank with the largest ATM network within the country. The number of employee working for the CBA is more than 49,000, out of which 40,000 are within Australia and rest from 15 different countries. The collection of the profits after clearini9ng taxes for CBA was 9,233 million (Annual Report, 2019). The Company has a good policy for inclusion of women employees within the managerial position making the gender quality to 44.6%. The working flexibility of the employees is about 73.7% with a wide range of employment contracts. 79% of the shareholders of the bank are Australian and enjoy 80.4% net cash profit returns. The Chairman, Catherine Livingstone, pointed out that the financial year had been challenging for CBA with the market confidence being compromised post compliance issues. The Company agreed to pay a civil penalty to Australian Transaction Reports and Analysis Centre (AUSTRAC) an amount of 700 million. This report aims to provide an analytical discussion of the organisational behaviour and leadership perspectives of Commonwealth Bank of Australia. The business practices are a reflection of the organisational behaviour and the strategic decisions of the leader influence the overall outcome of the business. Literature evidence will be referenced to understand the organisational behaviour and the leadership styles adopted within the enterprise.

#  Description and analysis of the organisational behaviour within the Commonwealth Bank of Australia

Commonwealth Bank of Australia (CBA) has had a rough time being accused of the money laundering accusations from AUSTRAC the financial crime-handling organisation in Australia. The Royal Commission also ordered a yearlong public inquiry for the bank. The succession of scandals being faced by CBA has also sparked a prudential regulator, Australian Prudential Regulation Authority (APRA) within Australia to conduct accountability, governance and culture related inquiry at CBA. After the scandals accusing Commonwealth Bank of Australia regarding business practices, the organisation has decided to appoint a new CEO refreshing the organisational structure within the Company. CBS appointed Matt Comyn, an insider employee who has been working with the Company for 19 years (Annual Report, 2019).

The new CEO is supposed to defend the bank in the accusation of money laundering and anti-terrorism laws as well 50,000 breaches within the bank branches. This was initiated when the financial crime solving organisation AUSTRAC accused CBA of the aforementioned charges and the then CEO, Ian Narev declared his retirement. The decision of appointing an insider as the CEO of CBA was unexpected since the Company's reputation was currently jeopardised within the market (Smyth & Lockett, 2019). The CBA’s decision was pout an insider in the forefront who knows the Company well so as to mitigate the concerns of the shareholder and to negotiate their demands with CBA. The challenge the new CEO will be facing immediately after being appointed in the position would be handling the banking inquiry and scrutiny along with rebuilding the brand image of CBA in the market. The next challenge would be the mitigation of the technological disruption within the Australian business. Lastly, Comyn would have to end the housing boom that CBA had obtained in profits and margins over the span of the previous five years.

 The Business Insider reported that it would be challenging Comyn to change the organisational culture of CBA and present the new image of CBA as well as clearing 624.7 million frauds. The new CEO’s approach is to collectively share the accountability of the accusations and working together to mitigate the court cases (Pash, 2019). The other members of the board seem to agree with the collective approach of the Comyn and acceptance of this leadership style. The Chairman of CBA Catherine Livingstone supports Comyn’s approach and appreciates the accountable leadership quality he possesses and thinks it would be useful in defending CBA throughout the proceedings of AUSTRAC.

The latest reports on the activity and leadership of the new CEO Matt Comyn was published by the Sydney Morning Herald stating that he has decided to shake up the organisational structure of CBA (Yeates, 2019). Three of the senior executives in the top ranks of CBA have been released from the organisation. It is now the duty of Comyn to find replacements for the position of Institutional boss, technological chief and human resources executive for CBA. It is also now necessary for the CEO to recruit ahead of the retail banking since he will be forfeiting his former position.

# Literature review relating to the issues identified in Commonwealth Bank of Australia

The **Classical theory** of organisational behaviour originated during the Industrial Revolution, which provoked the expansion of businesses all over the world. The primary focus of the classical theory is on the productivity and efficiency of the business but is not as much concerned with the well-being of the employees (Glinkowska & Kaczmarek, 2015). This theory is an amalgamation of the administrative, bureaucratic and scientific management theories together. As per the classical theory, the **bureaucratic organisations** is based on the establishment of a clear hierarchical structure within the organisation is prevalent. These organisations are generally identified for their rigidity, impersonal relationship, fixation of rules and rigid organisational structure (Kao & Velupillai, 2015).

Kaur Sahi & Mahajan, (2014) recognised the drawbacks of bureaucratic organisational behaviour in the current business practices. The authors highlighted that the organisational efficiency was majorly affected by the rigid, mechanical and impersonal management structure. This leads to a lack of coordination and interpersonal communication between employees, which slow down the production process. Fleming & Spicer (2014) however, argued that these same factors might be effective in managing large multinational organisations which have not anticipated any change implementation in the upcoming years. In addition to this, there is no exploitation of human capability in this theory despite not considering the fulfilment of the needs of the employees.

The **scientific management** theory mainly focuses on the management of the employee performance on established competencies to evaluate the production process (Holmes, 2016). Scientific management is concerned with the adoption of four basic principles; the dictation of the defined approach of working, scientific evaluation of the performance assessments and identifying the training gaps within the organisation, team building as well cooperation to fulfil organisational objectives and to allocate the labour division equitably. Purce (2014) criticised that the requirement of large capital, control of the management, over planning tendencies, excessive bureaucratic management, mechanical and bargaining are detrimental for the impact on employees. The cultivation of creativity and the precise analysis of the issues through discussion is not possible within this type of organisation.

**Administrative theory**, on the other hand, combines all the components of the organisational behaviour and provides relevant management principles, which is universally applicable. Henri Fayol, the theorist, believed that it is essential to organisational management within an enterprise is more important by underpinning the human and behavioural factors (Hatchuel & Segrestin 2018). The focus of this theory was to minimise the process timing by improving employee efficiency and structuring the management in such a way that the organisational objectives are quickly fulfilled. In the case of the CBA, the administrative theory seems most relevant to the current structure. This organisational behaviour allows the managers to accommodate the changes and perform organised supervision by providing improved productivity. Calás & Smircich (2018) opined that the administrative theory is better than the scientific management theory in establishing improved management practices and structures for accommodating newer practices. The improved management processes help in solidifying the standardised work process and promote a better work culture. Here, the scientific management theory is less efficient as the management practice is mostly focussed on the emphasis of improving employee and production efficiency and then improves management practices.

Another major subtype of organisational behaviour is the **Neo-classical theory**, which considers the behavioural aspects of the management practices. Kitana (2016) showed that it is essential to view a business enterprise in social and well economic aspect rather than focussing on just technical issues. Both informal, as well as formal forms of the organisations, are essential to be considered before the implementation of the theory. Considerations of the behavioural aspects of human relationships and motivational needs are common in the management practices within the theory. The consideration of labour division, coordination, human relations, and departmentalisation are essential postulations of the theory. Kitana (2016) indicated that the interactions between the different departments of the organisations as a social system are essential. The effectiveness of the informal and formal systems interconnects the business processes within the enterprise. The work-related factors and the competency of the human resources within the sources could be used to predict the nature of the outcome. The motivational consideration of the management practices is possible due to the socio-psychological understanding of the work. Increased productivity can be achieved through the collective contribution of the team members. In this same part, the conflict of interest might commonly arise, which can be mitigated through effective communication.

# Evaluation of possible alternative solutions required to improve the situation

Considering the current situation of CBA in Australia, in order to overcome the market image after the scandals, it would be helpful to rely on modern management practices.

**Operational Research:** The effectiveness of the operations research within the business might be a good solution for changing organisational behaviour and culture. The complex problem of business administration is effectively converted into a mathematical problem, which defined the organisational goals and behaviour. The approach modifies the variables that disrupt organisational behaviour and represent it in the form of mathematical expression. This mathematical expression draws a conclusion from the interrelations of the inter-dependent variables to understand the issues of organisational behaviour (Brones, de Carvalho & de Senzi Zancul, 2017). Probability would be used to predict the possible issues, and management practices can be implemented accordingly. The Operations Research would effectively provide solutions by understanding the nature of the problems in CBA, and draw meaningful insights, which might help to solve the issues faster. The selection of the employees, determination of the skills and retirement could be possible with the implementation of the operations research. The allocation of the tasks and the recruitment policies could be modified by identifying the selection criteria.

**Computation and IT technology**: Nowadays, computational systems are able to generate the simulation of the business process and help in improving the systemic approach of management. Computational Organization Theory (COT) is one such approach that determines the methods by which the organisation and human being can be studied to determine their behaviour. Organisations consisting of human resources are considered computation in nature with respect to its ability in developing information into finished service or product (Ellinas, Allan & Johansson, 2017). Human organisations are subjected to constant learning by acquiring information, manipulation of data and production of an information database. The studies that require artificial computations consisting of the agents that are distributed and exhibiting a collective nature are easily done through this theoretical practice. This would be effective in case of CBA to investigate the behaviour of the organisation and pinpoint the locations where the business practices were loose.

**Contingency Theory:** The contingency theory is another alternative that can be applied in the case of CBA. The consideration of different management and leadership styles to mitigate the current issues. The situation being faced by CBA in rebuilding the brand image in the market and ensuring the trust of the shareholders would require a multitude of strategies to minimise the accusations (Calás & Smircich, 2018). The internal, as well as external considerations for the improvement of the organisational practices, would be requiring organisational behaviour change. The CEO, in this case, needs to accept the conditions and collectively resolve the problems. The productivity of the financial services provided by CBA would need to be focused on gaining the trusts of the customers. The volatile nature of the industry makes it impossible o rely on a particular strategy of leadership and management for which this approach is highly recommendable. The contingency theory would allow organisations to make decisions based on the current situation collectively.

**System Approach of Management:** As per the theory, components of the organisational departments are interrelated with each other, which is why it essential to consider all aspects of the business when renewing the organisational behaviour. The CBA would be affected by this approach since the overall approach ion managing the business practices would be separately dealt with each department of the business (Calás & Smircich, 2018). The theorist considered the business enterprises to be an open system within dynamic equilibrium that change with respect to the environment. The complex relationships between the departments are non-linear in nature and help in understanding the nature of the problem in a more in-depth manner.

**Total Quality Management:** In order to become a more customer-focused enterprise, CBA would need to rely on the total quality management practices within the practices. The TQM provides better development of organisational structures and improves the services being provided to the consumers. The significance of the concept in organisational behaviour is also strong with the improvement of the work practices of the employees (Fu et al., 2017). This can be contained when the organisation culture will be considered as an asset for quality within the enterprise. In the case of CBA, better organisational behaviour would definitely improve the relationship with the consumers within Australia. The integration of organisational behaviour might improve the existing malpractices and ensure a better relationship with the stakeholders. The encouragement of the staffs to promote a better work culture and the involvement in continuous learning would reciprocate in the effectiveness of the services being provided. It would go easier for the CEO of CBA to in culminate a new business environment and mitigate the accusations within the market.

# Recommendations of the most suitable strategies for Commonwealth Bank of Australia

The contingency leadership theory would be most effective to manage the contingency approach of organisational behaviour development. The adoption of the concept that no particular leadership style would be effective in managing all kinds of organisational risks and that the situations are important in assessing required strategies (Calás & Smircich, 2018). This strategy ensures that specialised decision-making requires the impact of certain individuals depending on their competency. This, in turn, minimises the time taken to solve a particular issue without hampering the performance of the organisation. A leader in this regard would be required to complement the leadership style with respect to the situation and effectively mitigate the possible solutions. Nawaz & Khan (2016) opined in contrast to the situational leadership, contingency leadership is the style of leadership is not adaptive in nature but changes with respect to impending change. Contingency leadership does not have rigid implications of depending on fixed leadership styles. The assessment of the contingency leadership style, a list of questionnaires, which state that the least preferred co-workers, is used. In this regard, the propensity of the leader to depend on the most preferred co-workers determines their competency (Howell, 2018). People who score high in the LPC survey are assumed to have better personal skills and are also assumed to rely on the development of good relations with their employees. This suggests the leaders in this regard are people oriented and consider the needs of employees before accomplishing the organisational goals. The leaders who score lower in the LPC are assumed to be reliant on the production process and power. There are three factors, which determine the situational need in the contingency theory. The nature of the interaction between the leader and the employees determine the conflicts’ that may arise and change the situational context. The structure of tasks that are required to be fulfilled is also important to be considered in the changing situation within the contingency leadership. The positional power also determines the change in contingency plans and how the leader will apply it within a given situational context. Chow, T. W., Salleh & Ismail (2017) suggested that the **Fiedler’s contingency theories** are advantageous in this regard given the fact that there is ample literature evidence supporting its effectiveness. The approach directly identifies the capabilities of the leader and the nature in which the situation will be handled. The flexibility of this approach provides opportunities for different members to contribute tier ideas and thoughts rather than the one takes all approach. The shortcomings of this strategy are, however, that the subjective nature of this theory inhibits the relatedness of the situational contexts. The scoring matrix of the model is not suited for the open and unsupervised teams. Howell (2018) questioned the relevancy of Fiedler’s contingency model’s validity in all situations. The **strategic contingencies theory** in another style of contingency theory in leadership to ensure that the no emphasis is placed on the personality of the leader rather the efficiency in which the organisational objective is achieved (Roh, Krause & Swink, 2016). The ability of the leader to confirm the solution to the needs of the situation determines the effectiveness of the model. The objectification of the leadership approaches is possible, which does not rely on the nature of the personality of the leader. Roh, Krause & Swink (2016) identified the issues that might arise in the strategic contingency model is that the definition of the power consideration is not clear within the context. There is a lack of uniformity in the prediction of the outcome from the model. The impact of stress might inhibit the leader's ability to using rational and intelligent solutions.

# Conclusion

The concluding statements based on the analysis of the organisational behaviour issues within the Commonwealth Bank of Australia was discussed. The attempt of the new CEO in improving the company image post money laundering accusations had accepted the grievances and collectively solved the problems. The contingency management and leadership approaches were suggested, along with the implementation of total quality management to improve organisational behaviour. In order to solidify the effective management, the organisational structure needs to be modified to accommodate the changes. This could be effectively improved with the implementation of the computational, systems approach and organisational research.