

Human and Organisational Management
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Human and Organisational Development:
A Case Study of Pixar Animation Studios
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1.0 - Executive Summary

This is an investigation the Organisational Behaviour of the Pixar Animation Studios: the considerations of positive and negative aspects of Organisations, when striving for the most productive workforce. This document will show that the best Management styles (such as Laissez-faire) and Leadership styles (including the theory of Emotional Intelligence) are those that leave the staff feeling motivated; to leave the staff with a sense of belonging to the Organisation. This driving force increases productivity and leaves the staff more open to their creativity.



*"Dream like a child.
Believe in your playmates.
Dare to jump in the water and make waves.
Do unleash your childlike potential."*

2.0 - Historical Overview: Pixar Animation Studios

Pixar are most well known for animated feature-length films including WALL-E, Up and the Toy Story trilogy. Toy Story 3, released in 2010, is the highest grossing animated film to date.

[1] Pixar began in 1979 as a part of Lucasfilm called The Graphic Group. It was acquired in 1986 by Steve Jobs of Apple Inc. Originally, it was primarily a hardware company, but due to poor sales it branched out into animated commercials and in 1990 Jobs sold the hardware division .

Pixar began to develop its relationship with Disney with the release of Toy Story; Pixar were responsible for the creation and production while Disney were responsible for the marketing and distribution. At several times before this point Jobs had considered selling Pixar, they were losing money and only had about 30 of its previous 100 staff remaining.

In 2004 a disagreement about the rights of Toy Story 2 caused the relationship with Disney to break down and Pixar began to look for other distributors. By 2005 the Companies resumed negotiations but both sides were cautious in case of further conflict of interest.

Pixar has since grown in size and popularity and in 2006 become a part of The Walt Disney Company. Jobs, the majority shareholder of Pixar, hence became the largest individual shareholder of Disney at 7% and gained a seat on the board of directors. It

was agreed during the purchase that Pixar would continue to function as a separate entity to Disney, as this was a concern of analysts due to the differences in the business practices between the two Companies. Films made since the merger were branded as "Disney-Pixar", starting with the film Cars.

3.0 - Organisational Behaviour

Organisational Behaviour is study of human behaviour, quite often of individuals or small groups, within an organisation. Luthans [2] states it is concerned with the understanding, prediction and control of human behaviour. Changes in behaviour will usually have a large impact on the organisational effectiveness and efficiency so has become an important consideration when implementing change within an organisation. There have been large amounts of resources invested in this field to identify what makes an employee happy, as Organisations want to attract the best staff and retain their existing employees, as well as boosting the productivity of staff.

An important change that Organisations are becoming aware of is that society is shifting towards becoming knowledge-based. People now value the sharing of knowledge and ideas, with the Internet being a key factor in the bringing about of this change.

Pixar are particularly aware of this change. The existing headquarters in Emeryville, California is purpose-built to encourage the sharing of ideas. The refectory and bathrooms were central in the design to encourage people to meet and chat with colleagues that may otherwise see very infrequently.

They are currently able to house 600 staff but in 2009 construction began on a new building able to house 1000 staff, as this is how many staff Jobs envisages working for Pixar in the future.

4.0 - Evaluation of Leadership/Management Styles

Two of the main areas of research in Organisational Behaviour are those of Management and Leadership. One of the main reasons Pixar remained a separate entity after the purchase by Disney is due to the vastly different Management and Leadership techniques adopted by both Companies. Management and Leadership are not the same thing; Management implies the management of *Tasks* and Leadership is the leading of *People*.

4.1 - Management

Most Organisations will have a Mission Statement; a short, written description of the function and purpose of the Organisation. The role of Management in the Organisation is to manage and direct the business operation effectively, in line with the goals set out in this Statement.

Traditionally, areas of Management were divided in to several categories:

- *Upper (or Senior) Management* would have a more generic overview of the business operations, with more emphasis on the long-term success of the business. This could include a Board of Directors and the owner of the Company, such as the Shareholders.
- The task of the *Middle Management* would be to monitor the Sub-ordinates (Low-level Management and the Workforce) and to report to the Upper Management.
- The *Low-level Management* would include Team Leaders and Supervisors. The roles are much more focused on the day-to-day running of the organisation. This will include monitoring of the Workforce and relaying and communiqués from upper levels of Management.

Management styles and techniques have dramatically evolved in many Organisations within the past 90 years. Pixar, being a relatively modern Organisation, employs ideas and characteristics which would be unheard of when Disney formed in 1923 under the name Disney Brothers Cartoon Studio. Below is a description of four significant Management styles:

4.1.1 - Autocratic

The earliest Management styles were Autocratic, meaning the Organisational direction was dictated from the top of the organisation downwards; with little room for consultation with the lower level work-force. Although this can have the advantages of faster decision making and in some cases less stress due to the increased control, this is generally seen as being bad for morale.

This, as with most Companies from this time, is how The Walt Disney Company started out and as such it has continued to display characteristics of this Management style until recent years. [3] For example, when the Chief Operating Officer, Frank Wells, died in a helicopter crash in 1994 the CEO, Michael Eisner, chose not to position the Disney Studio Chairman to this position in favour of Michael Ovitz who was, at the time, his personal friend. This approach left him in an undesirable position as he was losing support from within the Company; his colleagues felt this was another example of their opinions being unheard. Eisner then lost the vote to continue as CEO in 2004 when the board members campaigned to remove him from the position [4].

4.1.2 - Paternalistic

Autocratic Management styles evolved into Paternalistic styles where the flow of information is still from the top downwards, but the higher management has greater awareness of the staff working at lower levels so can try to explain the reasoning behind the decisions made[5]. The lower level staff may at times be approached for feedback but it is always the higher Management that makes the final decision. It is considered a better approach than Autocratic as importance of sharing ideas was starting to become known so staff will be slightly more motivated, but this still left very little room for the creativity that is desired in modern day Organisations.

4.1.3 - Democratic

Modern Organisations are now trying to move away from the traditional hierarchical model as the different levels within the organisation were often too distinct from each other. As shown in the previous Management styles, this restricts the flow of information and can hence have a restriction creativity and the sharing of ideas. This led Organisations towards the Democratic Management style where the Organisational structures have become "flatter", i.e. less segregated as all members of staff are seen as having an equal order of importance. The members of Management are able to receive feedback and interact with what traditionally would be the higher and lower Management tiers. Staff are able to work together on the challenges which benefit the Organisation as a whole, so are able to form a sense of belonging to the Organisation.

4.1.4 - Laissez-faire

Some of the most contemporary Organisations, where creativity is critical, opt for the Laissez-faire Management style. As defined in the Oxford Dictionary [6], Laissez-faire is taken from the French language and literally means "allow to do", meaning "the policy of leaving things to take their own course, without interfering". In the context of Organisational Management, this means giving the staff complete freedom to approach the task from whatever viewpoint they see fit. The Management are not there to issue commands, but to offer guidance, direction and coaching where appropriate.

The Laissez-faire Management style is the approach that Pixar take in their development of new animations. [7] CEO Ed Catmill believes that the staff must be able to proceed in the direction they choose without the requirement of getting clearance from supervisors. This can often lead to surprises during meetings within the organisation where the ideas are shared. His three key operating principles can be found in Appendix 10.1.

4.2 - Leadership

Kanter [8] says that Leadership is not about the Leader, it is about how he or she builds the confidence of everyone else. A leader is one with ambition, who strives towards a goal whether he or she is followed or not. A leader has a deep-rooted commitment to that goal and is able to *inspire*, not force others to contribute towards that goal.

One of the first accounts of Leadership theory dates back to Greek philosopher Plato, where he described the traits of a good Leader in 'The Republic' around 380 BC. Leaders of this era were considered to be born with these traits.

Later theories stray away from the idea of being born with traits, and start to adopt the concept of people being taught the skills of a good leader.

Contemporary theories extend this further to encompass the idea of E.Q (Emotional Intelligence).

Evolution of Leadership Theory:

4.2.1 - Trait Leadership, as researched and documented by Stogdill, 1974, then McCall and Lombardo in 1983

Trait Leadership is a classical model found in the many historical Organisations. It suggests that a person is *born* with the key traits that makes a good Leader. This includes being: honest; forward-looking; competent; inspiring and intelligent. Modern Organisations have learnt that this is not necessarily true and so opt for more contemporary approaches.

4.2.2 - Transactional Leadership, as researched and documented by Weber, 1947, then developed by Burns, 1978

Transactional Leadership is the "reward and punishment" style of Leadership. This is where a Leader will ensure the followers are aware of what is required of them and encourages them to work harder with the promise of reward. The punishment may not often be discussed openly but the followers will be aware of this. For example, if a follower reaches a target they may receive more money as a bonus, but if they fall under a measurable threshold they may have to forfeit their bonus eligibility for a given period of time.

4.2.3 - Behavioural Theories, Skinner, 1957, expanded on by Ajzen, 1985.

Behavioural theories contradict that of Trait Leadership. It is the concept of Leadership qualities being taught, rather than an individual being born with them. The characteristics of a good Leader are observed and described in a way that others can adopt. This theory opened the area of Leadership to many other forms of theory and practice.

4.2.4 - Transformational Leadership, Weber, 1947, then developed by Burns, 1978 and Bass, 1985

Transformational Leadership builds on the theories of Behavioural Leadership with the concept of Leaders being able to *change* the followers, the end goal being the turning of followers in to Leaders. This involves instilling a sense of belonging in to the followers to allow them to connect to the Organisation. Burns then developed this theory to introduce *moral* leaders and *immoral* Leaders, the latter of which he did not consider to be true Leaders at all. This contradicts the theories of Transactional Leadership as now rather than followers being issued orders, the Leader will be trying to satisfy the needs of the individual.

4.2.5 - Emotional Intelligence, Goleman, 1995

Emotional Intelligence is a theory of utmost importance to Pixar. It is the ability to recognise emotion in ones self and others, and understand the meaning, the cause and the effect of this emotion. It is used internally within the Organisation to ensure Management are aware of the emotional state of the staff so that it can act in their best interest, but it is also important in the animations it produces to ensure it creates realistic, believable characters. [9] In an interview with an Online Health Magazine,

Goleman said "If you can't have empathy and have effective relationships, then no matter how smart you are, you are not going to get very far".

There are many other concepts of Leadership, including Participative Leadership (the Leader involves others in shared decision making), Situational Leadership (the Leader is able to vary style depending on the situation) and Contingency Theories (there is no ideal style, an effective Leader in one situation may not be so effective in other situations) but this will be covered in a later study.

5.0 - Employee Motivation and Job Satisfaction

Motivation has become recognised as a crucial factor when analyzing Organisational Behaviour. It can have many impacts on the Organisation: creativity; productivity; sickness levels and staff turnover rate. This is an important consideration for the Management to ensure the Organisation operates smoothly. To boost motivation within Pixar staff are able to design and create their own working area. For example, some prefer to stand while they work so build their area accordingly, see Appendix 10.2.

Motivational factors can be divided in to Intrinsic and Extrinsic factors.

Intrinsic Motivation is the *internal* driving force within the individual. This may include the desire for betterment, i.e. to get a promotion within the Organisation or a new job with another Organisation. This could also include the desire to be noticed by the Management for professional achievement.

Extrinsic Motivation is an *external* force that drives a person to perform or act in a certain way. For example, an employee having to do a job that their manager has deemed necessary or working purely to get paid, not for the enjoyment of the job.

Ideally, the Intrinsic and Extrinsic Motivating factors will be aligned, so the employee will want to do the task allocated and often strive to accomplish the task at the best he or she is able to.

5.1 - Maslow - Human Needs

[10] In 1943 American Psychologist Abraham Maslow performed extensive research in the field of Motivation. The research was based on identifying the common characteristics of people he knew of, including Albert Einstein, who clearly met the standard of self-actualisation, the state where harmony and understanding have been reached. Using this research he then attempted to define the key needs of a person in five (and later extended to eight) steps ranging from the basic biological and physiological needs (food, water and sex) up to self-actualisation. These states were arranged in a hierarchy, where each of the states can only be reached when all underlying states have first been satisfied. As such, this is known as "Maslow's hierarchy of needs", and can be found in more detail in Appendix 10.3.

5.2 - Herzberg - Hygiene Factors

Frederick Herzberg, American psychologist (1923 - 2000), is known for his research in the field of Motivation. In 1959 he proposed a theory that split motivation in to two categories: Motivational factors and Hygiene factors. He defined Motivational factors as those that give the members of the Organisation the drive to succeed in the workplace, whereas Hygiene factors don't motivate but can *de-motivate* staff if not present.

For example: employees expect to be paid correctly and in a timely fashion; they expect a clean and safe working environment and expect to be able to take breaks during long shifts. These are hygiene factors so will not increase employee motivation if they are present, but they will de-motivate if removed.

5.3 - Ethical / External considerations

Pixar are ahead of many Organisations when it comes to Ethical considerations. In addition to the considerations of employee happiness as noted in the above text, it employs many "green" practices. [11] [12] The new Headquarters under construction is LEED certified, which promotes construction on sustainable sites using efficient materials and practices. The building will be energy and water efficient and will house a high level of indoor environmental quality, including air and natural daylight.

6.0 - Conclusion

It is clear from this investigation that in this turbulent economic climate, Organisations are having to modernise their behaviour in order to survive. The future of many Organisations is uncertain due to the holding on to the historical characteristics of Management that have been key to their success to date, but are become less relevant in the modern day environment. This is starting to become evident to the Management and to the work-force in the Organisations, but the change often happens slowly. Historically, it was said that "Managers like to be in control", which can be a difficult situation for some in Management to overcome, as "power" in the Organisations becomes less of an issue.

As such, it is recommended that these Organisations adopt a more contemporary approach, as traditionally managed Organisations are finding increasing difficulty to survive. Hierarchical Organisational structures are changing to more streamlined and "flat" in order to increase the flow of information. Management styles are becoming less Autocratic and Leaders are being shaped in to the best they can be rather than simply assuming that they are either born with the traits or not.

The Pixar Animation Studios have embraced this change and have flourished as a result. Even the Management of Disney, a traditionally Autocratic Organisation, have seen that their Management style is unsustainable and as such in recent years the inevitable wheel of change has started to turn.

7.0 - Areas of Interest for Further Study

There are many styles of Management, Leadership and Motivation which were not able to be covered by this investigation. Motivation is of particular interest to me, further topics of study could include [13] Clayton Alderfer's 1969 revised and

simplified model of Maslow's Hierarchy, as can be found in Appendix 10.4 and Mumford performed her own research in this field and developed her own model, where she determined employees had four basic needs: Knowledge; Psychological; Task and Moral which.

Following this investigation, I have also become particularly interested in career of Steve Jobs. I have studied his involvement of Pixar and his involvement of Disney following the purchase of Pixar. However, this investigation has not covered his fascinating career with Apple Inc, since he co-founded the Organisation in 1976. Apple differs from Pixar in that it has a more traditional top-down Management style.

Jobs is known to demand the best staff in the field, and to demand the best from these staff. He has also been known to have strict and even aggressive attitude towards these staff when approached with failure. With more Organisations such as Google, a competitor in the field of Technology, opting for more contemporary Management styles, it would be of interest to see what direction Jobs will take Apple in the future.

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- [3] - Slate: The strange hiring and firing of Michael Ovitz (<http://www.slate.com/id/2105223/>)
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10.0 - Appendices

10.1 - Ed Cathills quoting Pixar's three key business policies

- "Everyone must have the freedom to communicate with anyone. That means the leaders don't sign off on every decision, and sometimes may find themselves surprised during meetings.
- It must be safe for everyone to offer ideas. People at all levels are encourage to use email, for instance, to send feedback, good and bad, to the creative leaders.
- Stay close to innovative ideas in academia. It publishes research and goes to industry conferences, because it thinks people are more important than ideas, and engaging with its community helps it draw the best people."

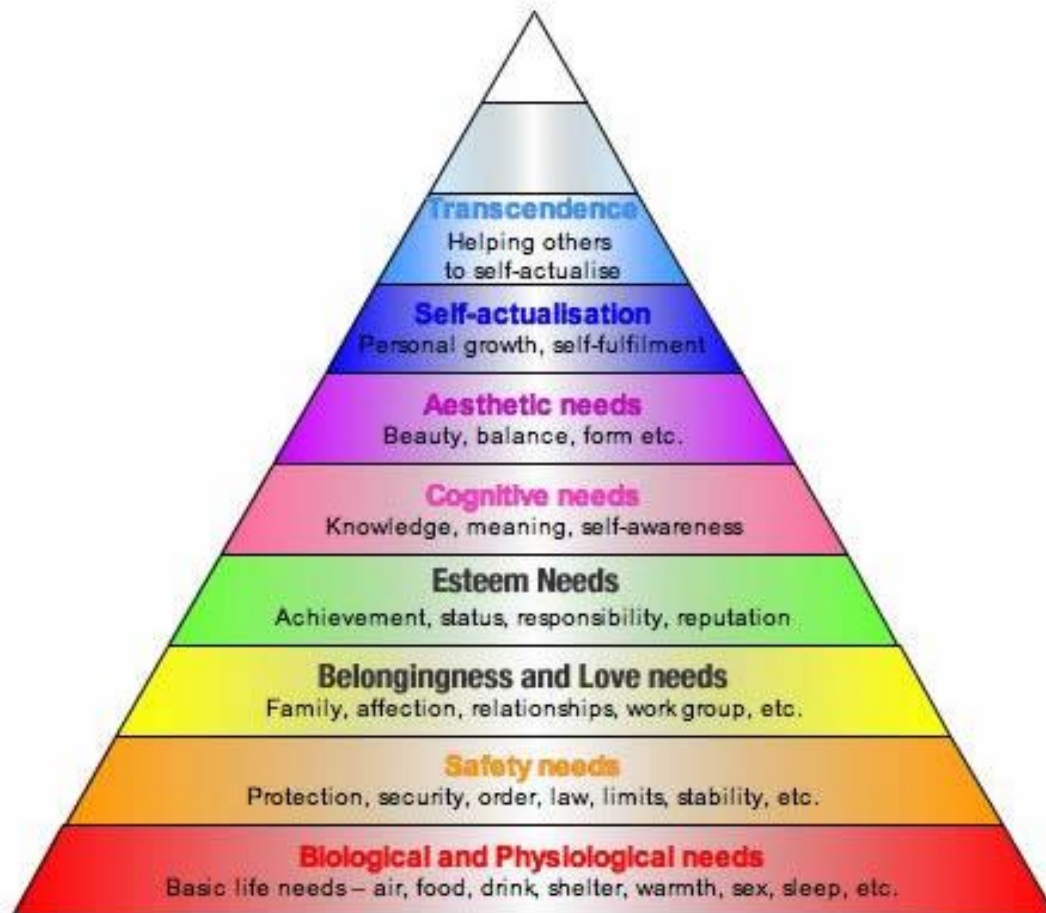
ref: <http://www.bnet.com/blog/business-books/how-to-pixar-ize-your-company/292>

10.2 - Image of Pixar employees self-designed working area



ref: http://www.macobserver.com/tmo/article/Inside_Pixars_Headquarters/

10.3 - Maslow's Hierarchy of needs

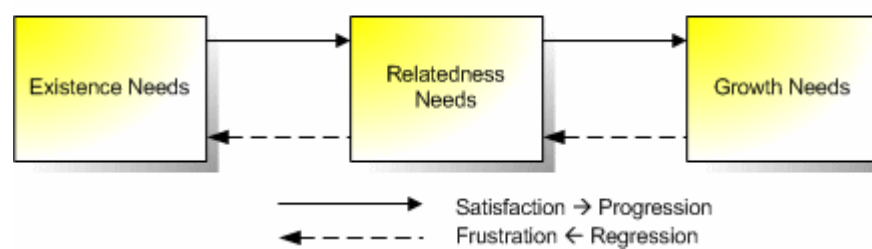


Maslow's Hierarchy of Needs

ref: <http://www.creme-de-languedoc.com/languedoc-living/articles/health-2.php>

10.4 - Alderfer's Model

Clayton Alderfer's ERG Theory



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