



## LEARNING OBJECTIVES

*After studying this chapter, you should be able to:*

- 1 Demonstrate the importance of interpersonal skills in the workplace.
- 2 Describe the manager's functions, roles, and skills.
- 3 Define *organizational behavior (OB)*.
- 4 Show the value to OB of systematic study.
- 5 Identify the major behavioral science disciplines that contribute to OB.
- 6 Demonstrate why few absolutes apply to OB.
- 7 Identify the challenges and opportunities managers have in applying OB concepts.
- 8 Compare the three levels of analysis in this book's OB model.

### MyManagementLab

Access a host of interactive learning aids to help strengthen your understanding of the chapter concepts at [www.mymanagementlab.com](http://www.mymanagementlab.com)

## THE NEW NORMAL?

Scott Nicholson sits alone in his parents' house in suburban Boston. His parents have long since left for work. He lifts his laptop from a small table on which his mother used to have a vase with flowers. This day will be like tomorrow, and tomorrow will be like today.

On his laptop, Scott searches corporate Web sites for job openings. Today, he finds one, and he mails off a résumé and cover letter. It's a routine he repeats nearly every day, applying to four to five jobs a week, week after week.

Despite graduating from Colgate University with a 4.0 GPA, Scott has been job-hunting for 5 months. His myriad applications have produced only one offer: A \$40,000-a-year job as an associate claims adjuster at Hanover Insurance Group in Worcester. He turned the offer down. "The conversation I'm going to have with my parents now that I've turned down this job is more of a concern to me than turning down the job," Scott said.

Why is Scott more concerned with his parents' reaction than he is with finding a job? To some degree, this is a reflection of the job offer (too low a salary, too small a company, too limited a job description). However, it also suggests a generational shift in thinking. While the job market for new entrants is perhaps the most sluggish in memory, new college graduates remain committed to following their dreams and holding out high hopes for their careers.

Scott's father, David Nicholson, 57, has an established managerial career, with a household income of \$175,000/year. Early in his career, David said, he was less concerned with starting off with the right job than his son is now. "You maneuvered and you did not worry what the maneuvering would lead to," David said. "You know it would lead to something good." Scott's grandfather, William Nicholson, a retired stock broker, has even more trouble understanding Scott's travails. "I view what is happening to Scott with dismay," the grandfather said. Despite feeling pressure from his parents to find a job ("I am beginning to realize that refusal is going to have repercussions"), Scott remains undaunted: "I am absolutely certain that my job hunt will eventually pay off."

Scott is not alone. In the past 5 years, millions of U.S. workers have lost their jobs, and millions of new entrants—many of them, like Scott, under 30—have had trouble finding suitable work.

*Sources:* L. Uchitelle, "A New Generation, an Elusive American Dream" *New York Times* (July 7, 2010), pp. A1, A11; B. Levin, "Sending Out an S.O.S.: Who Will Give This a Handout/Job?" *Dealbreaker* (July 7, 2010), <http://dealbreaker.com/tag/scott-nicholson/>.

# What Is Organizational Behavior?

1

*The stellar universe is not so difficult of comprehension as the real actions of other people. —Marcel Proust*



The details of this story might be disheartening to read, but they accurately reflect some of the problems faced by the contemporary workforce. The story also highlights several issues of interest to organizational behavior researchers, including motivation, emotions, personality, and communication. Through the course of this book, you'll learn how all these elements can be studied systematically.

You've probably made many observations about people's behavior in your life. In a way, you are already proficient at seeing some of the major themes in organizational behavior. At the same time, you probably have not had the tools to make these observations systematically. This is where organizational behavior comes into play. And, as we'll learn, it is much more than common sense, intuition, and soothsaying.

To see how far common sense gets you, try the following from the Self-Assessment Library.



SELF-ASSESSMENT LIBRARY

### How Much Do I Know About Organizational Behavior?

In the Self-Assessment Library (available on CD and online), take assessment IV.G.1 (How Much Do I Know About OB?) and answer the following questions:

1. How did you score? Are you surprised by your score?
2. How much of effective management do you think is common sense? Did your score on the test change your answer to this question?

## The Importance of Interpersonal Skills

- 1 Demonstrate the importance of interpersonal skills in the workplace.

Until the late 1980s, business school curricula emphasized the technical aspects of management, focusing on economics, accounting, finance, and quantitative techniques. Course work in human behavior and people skills received relatively less attention. Over the past three decades, however, business faculty have come to realize the role that understanding human behavior plays in determining a manager's effectiveness, and required courses on people skills have been added to many curricula. As the director of leadership at MIT's Sloan School of Management put it, "M.B.A. students may get by on their technical and quantitative skills the first couple of years out of school. But soon, leadership and communication skills come to the fore in distinguishing the managers whose careers really take off."<sup>1</sup>

Developing managers' interpersonal skills also helps organizations attract and keep high-performing employees. Regardless of labor market conditions, outstanding employees are always in short supply.<sup>2</sup> Companies known as good places to work—such as Starbucks, Adobe Systems, Cisco, Whole Foods, Google, American Express, Amgen, Pfizer, and Marriott—have a big advantage. A recent survey of hundreds of workplaces, and more than 200,000 respondents, showed the social relationships among co-workers and supervisors were strongly related to overall job satisfaction. Positive social relationships also were associated with lower stress at work and lower intentions to quit.<sup>3</sup> So having managers with good interpersonal skills is likely to make the workplace more pleasant, which in turn makes it easier to hire and keep qualified people. Creating a pleasant workplace also appears to make good economic sense. Companies with reputations



Succeeding in management today requires good interpersonal skills.

Communication and leadership skills distinguish managers such as John Chambers, who rise to the top of their profession. Chambers is CEO of Cisco Systems, the world's largest maker of networking equipment. He is respected as a visionary leader and innovator who has the ability to drive an entrepreneurial culture. As an effective communicator, Chambers is described as warm-hearted and straight talking. In this photo Chambers speaks during a launch ceremony of a green technology partnership Cisco formed with a university in China.



Source: China Photos / Getty Images, Inc.

as good places to work (such as *Forbes*' "100 Best Companies to Work For in America") have been found to generate superior financial performance.<sup>4</sup>

We have come to understand that in today's competitive and demanding workplace, managers can't succeed on their technical skills alone. They also have to have good people skills. This book has been written to help both managers and potential managers develop those people skills.

## What Managers Do

### 2 Describe the manager's functions, roles, and skills.

#### MyManagementLab

For an interactive application of this topic, check out this chapter's simulation activity at [www.mymanagementlab.com](http://www.mymanagementlab.com).

Let's begin by briefly defining the terms *manager* and *organization*—the place where managers work. Then let's look at the manager's job; specifically, what do managers do?

**Managers** get things done through other people. They make decisions, allocate resources, and direct the activities of others to attain goals. Managers do their work in an **organization**, which is a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals. By this definition, manufacturing and service firms are organizations, and so are schools, hospitals, churches, military units, retail stores, police departments, and local, state, and federal government agencies. The people who oversee the activities of

**manager** An individual who achieves goals through other people.

**organization** A consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

others and who are responsible for attaining goals in these organizations are managers (sometimes called *administrators*, especially in not-for-profit organizations).

## Management Functions

In the early part of the twentieth century, French industrialist Henri Fayol wrote that all managers perform five management functions: planning, organizing, commanding, coordinating, and controlling.<sup>5</sup> Today, we have condensed these to four: planning, organizing, leading, and controlling.

Because organizations exist to achieve goals, someone has to define those goals and the means for achieving them; management is that someone. The **planning** function encompasses defining an organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive set of plans to integrate and coordinate activities. Evidence indicates this function increases the most as managers move from lower-level to mid-level management.<sup>6</sup>

Managers are also responsible for designing an organization's structure. We call this function **organizing**. It includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

Every organization contains people, and it is management's job to direct and coordinate those people. This is the **leading** function. When managers motivate employees, direct their activities, select the most effective communication channels, or resolve conflicts among members, they're engaging in leading.

To ensure things are going as they should, management must monitor the organization's performance and compare it with previously set goals. If there are any significant deviations, it is management's job to get the organization back on track. This **monitoring, comparing, and potential correcting** is the **controlling** function.

So, using the functional approach, the answer to the question "What do managers do?" is that they plan, organize, lead, and control.

## Management Roles

In the late 1960s, Henry Mintzberg, then a graduate student at MIT, undertook a careful study of five executives to determine what they did on their jobs. On the basis of his observations, Mintzberg concluded that managers perform ten different, highly interrelated roles—or sets of behaviors.<sup>7</sup> As shown in Exhibit 1-1, these ten roles are primarily (1) interpersonal, (2) informational, or (3) decisional.

**Interpersonal Roles** All managers are required to perform duties that are ceremonial and symbolic in nature. For instance, when the president of a college hands out diplomas at commencement or a factory supervisor gives a group of high school students a tour of the plant, he or she is acting in a *figurehead* role. All managers also have a *leadership* role. This role includes hiring, training, motivating, and disciplining employees. The third role within the interpersonal grouping is the *liaison* role, or contacting others who provide the manager with information. The sales manager who obtains information from the quality-control manager in his or her own company has an internal liaison relationship. When that sales manager has contacts with other sales executives through a marketing trade association, he or she has an outside liaison relationship.

## Exhibit 1-1

## Mintzberg's Managerial Roles

Role	Description
<b>Interpersonal</b>	
Figurehead	Symbolic head; required to perform a number of routine duties of a legal or social nature
Leader	Responsible for the motivation and direction of employees
Liaison	Maintains a network of outside contacts who provide favors and information
<b>Informational</b>	
Monitor	Receives a wide variety of information; serves as nerve center of internal and external information of the organization
Disseminator	Transmits information received from outsiders or from other employees to members of the organization
Spokesperson	Transmits information to outsiders on organization's plans, policies, actions, and results; serves as expert on organization's industry
<b>Decisional</b>	
Entrepreneur	Searches organization and its environment for opportunities and initiates projects to bring about change
Disturbance handler	Responsible for corrective action when organization faces important, unexpected disturbances
Resource allocator	Makes or approves significant organizational decisions
Negotiator	Responsible for representing the organization at major negotiations

Source: Adapted from *The Nature of Managerial Work* by H. Mintzberg. Copyright © 1973 by H. Mintzberg. MINTZBERG, HENRY, THE NATURE OF MANAGERIAL WORK, 1st Edition, © 1980, pp. 92–93. Reprinted with permission of Pearson Education, Inc., Upper Saddle River, NJ.

**Informational Roles** All managers, to some degree, collect information from outside organizations and institutions, typically by scanning the news media (including the Internet) and talking with other people to learn of changes in the public's tastes, what competitors may be planning, and the like. Mintzberg called this the *monitor* role. Managers also act as a conduit to transmit information to organizational members. This is the *disseminator* role. In addition, managers perform a *spokesperson* role when they represent the organization to outsiders.

**Decisional Roles** Mintzberg identified four roles that require making choices. In the *entrepreneur* role, managers initiate and oversee new projects that will improve their organization's performance. As *disturbance handlers*, managers take corrective action in response to unforeseen problems. As *resource allocators*,

**planning** A process that includes defining goals, establishing strategy, and developing plans to coordinate activities.

**organizing** Determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

**leading** A function that includes motivating employees, directing others, selecting the most effective communication channels, and resolving conflicts.

**controlling** Monitoring activities to ensure they are being accomplished as planned and correcting any significant deviations.

managers are responsible for allocating human, physical, and monetary resources. Finally, managers perform a *negotiator* role, in which they discuss issues and bargain with other units to gain advantages for their own unit.

## Management Skills

Still another way of considering what managers do is to look at the skills or competencies they need to achieve their goals. Researchers have identified a number of skills that differentiate effective from ineffective managers.<sup>8</sup>

**Technical Skills** Technical skills encompass the ability to apply specialized knowledge or expertise. When you think of the skills of professionals such as civil engineers or oral surgeons, you typically focus on the technical skills they have learned through extensive formal education. Of course, professionals don't have a monopoly on technical skills, and not all technical skills have to be learned in schools or other formal training programs. All jobs require some specialized expertise, and many people develop their technical skills on the job.

**Human Skills** The ability to understand, communicate with, motivate, and support other people, both individually and in groups, defines human skills. Many people are technically proficient but poor listeners, unable to understand the needs of others, or weak at managing conflicts. Because managers get things done through other people, they must have good human skills.

**Conceptual Skills** Managers must have the mental ability to analyze and diagnose complex situations. These tasks require conceptual skills. Decision making, for instance, requires managers to identify problems, develop alternative solutions to correct those problems, evaluate those alternative solutions, and select the best one. After they have selected a course of action, managers must be able to organize a plan of action and then execute it. The ability to integrate new ideas with existing processes and innovate on the job are also crucial conceptual skills for today's managers.

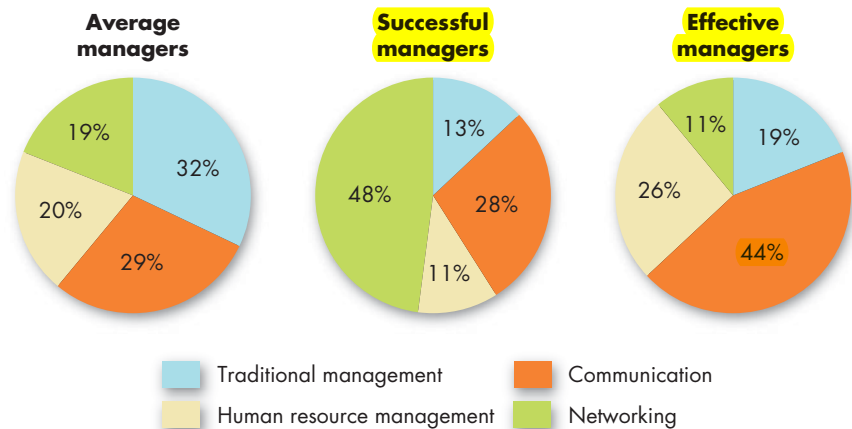
## Effective versus Successful Managerial Activities

Fred Luthans and his associates looked at what managers do from a somewhat different perspective.<sup>9</sup> They asked, "Do managers who move up the quickest in an organization do the same activities and with the same emphasis as managers who do the best job?" You might think the answer is yes, but that's not always the case.

Luthans and his associates studied more than 450 managers. All engaged in four managerial activities:

1. **Traditional management.** Decision making, planning, and controlling.
2. **Communication.** Exchanging routine information and processing paperwork.
3. **Human resource management.** Motivating, disciplining, managing conflict, staffing, and training.
4. **Networking.** Socializing, politicking, and interacting with outsiders.

The "average" manager spent 32 percent of his or her time in traditional management activities, 29 percent communicating, 20 percent in human resource management activities, and 19 percent networking. However, the time and effort different individual managers spent on those activities varied a great deal. As shown in Exhibit 1-2, among managers who were successful (defined in terms of speed of promotion within their organization), networking made

**Exhibit 1-2****Allocation of Activities by Time**

Source: Based on F. Luthans, R. M. Hodgetts, and S. A. Rosenkrantz, *Real Managers* (Cambridge, MA: Ballinger, 1988).

the largest relative contribution to success, and human resource management activities made the least relative contribution. Among *effective managers* (defined in terms of quantity and quality of their performance and the satisfaction and commitment of employees), communication made the largest relative contribution and networking the least. More recent studies in Australia, Israel, Italy, Japan, and the United States confirm the link between networking and social relationships and success within an organization.<sup>10</sup> And the connection between communication and effective managers is also clear. A study of 410 U.S. managers indicates those who seek information from colleagues and employees—even if it's negative—and who explain their decisions are the most effective.<sup>11</sup>

This research offers important insights. Successful managers give almost the opposite emphases to traditional management, communication, human resource management, and networking as do effective managers. This finding challenges the historical assumption that promotions are based on performance, and it illustrates the importance of networking and political skills in getting ahead in organizations.

## A Review of the Manager's Job

One common thread runs through the functions, roles, skills, activities, and approaches to management: Each recognizes the paramount importance of managing people, whether it is called "the leading function," "interpersonal roles," "human skills," or "human resource management, communication, and networking activities." It's clear managers must develop their people skills to be effective and successful.

**technical skills** The ability to apply specialized knowledge or expertise.

**human skills** The ability to work with, understand, and motivate other people, both individually and in groups.

**conceptual skills** The mental ability to analyze and diagnose complex situations.



## Enter Organizational Behavior

### 3 Define *organizational behavior* (OB).

We've made the case for the importance of people skills. But neither this book nor the discipline on which it is based is called "people skills." The term that is widely used to describe the discipline is *organizational behavior*.

**Organizational behavior** (often abbreviated OB) is a field of study that investigates the impact that individuals, groups, and structure have on behavior within organizations, for the purpose of applying such knowledge toward improving an organization's effectiveness. That's a mouthful, so let's break it down.

Organizational behavior is a field of study, meaning that it is a distinct area of expertise with a common body of knowledge. What does it study? It studies three determinants of behavior in organizations: individuals, groups, and structure. In addition, OB applies the knowledge gained about individuals, groups, and the effect of structure on behavior in order to make organizations work more effectively.

To sum up our definition, OB is the study of what people do in an organization and how their behavior affects the organization's performance. And because OB is concerned specifically with employment-related situations, you should not be surprised that it emphasizes behavior as related to concerns such as jobs, work, absenteeism, employment turnover, productivity, human performance, and management.

Although debate exists about the relative importance of each, OB includes the core topics of motivation, leader behavior and power, interpersonal communication, group structure and processes, learning, attitude development and perception, change processes, conflict, work design, and work stress.<sup>12</sup>

Online shoe retailer Zappos.com understands how organizational behavior affects an organization's performance. Zappos maintains good employee relationships by providing generous benefits, extensive customer service training, and a positive, fun-loving work environment. Employees are empowered to make decisions that increase customer satisfaction and are encouraged to create fun and a little weirdness." At Zappos, employee loyalty, job satisfaction, and productivity are high, contributing to the company's growth. In this photo, employees view a line of shoes in one of the company's quirky offices.



Source: Isaac Brekken/The New York Times/Redux Pictures

## Complementing Intuition with Systematic Study

### 4 Show the value to OB of systematic study.

Each of us is a student of behavior. Whether you've explicitly thought about it before, you've been "reading" people almost all your life, watching their actions and trying to interpret what you see or predict what people might do under different conditions. Unfortunately, the casual or common sense approach to reading others can often lead to erroneous predictions. However, you can improve your predictive ability by supplementing intuition with a more systematic approach.

The systematic approach in this book will uncover important facts and relationships and provide a base from which to make more accurate predictions of behavior. Underlying this systematic approach is the belief that behavior is not random. Rather, we can identify fundamental consistencies underlying the behavior of all individuals and modify them to reflect individual differences.

These fundamental consistencies are very important. Why? Because they allow predictability. Behavior is generally predictable, and the *systematic study* of behavior is a means to making reasonably accurate predictions. When we use the term **systematic study**, we mean looking at relationships, attempting to attribute causes and effects, and basing our conclusions on scientific evidence—that is, on data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner. (See Appendix A for a basic review of research methods used in studies of organizational behavior.)

**Evidence-based management (EBM)** complements systematic study by basing managerial decisions on the best available scientific evidence. For example, we want doctors to make decisions about patient care based on the latest available evidence, and EBM argues that managers should do the same, becoming more scientific in how they think about management problems. A manager might pose a managerial question, search for the best available evidence, and apply the relevant information to the question or case at hand. You might think it difficult to argue against this (what manager would say decisions shouldn't be based on evidence?), but the vast majority of management decisions are still made "on the fly," with little or systematic study of available evidence.<sup>13</sup>

Systematic study and EBM add to **intuition**, or those "gut feelings" about what makes others (and ourselves) "tick." Of course, the things you have come to believe in an unsystematic way are not necessarily incorrect. Jack Welch (former CEO of GE) noted, "The trick, of course, is to know when to go with your gut." But if we make *all* decisions with intuition or gut instinct, we're likely working with incomplete information—like making an investment decision with only half the data.

Relying on intuition is made worse because we tend to overestimate the accuracy of what we think we know. In a recent survey, 86 percent of managers thought their organization was treating their employees well, but only 55 percent of the employees thought so. Surveys of human resource managers have also

**organizational behavior (OB)** A field of study that investigates the impact that individuals, groups, and structure have on behavior within organizations, for the purpose of applying such knowledge toward improving an organization's effectiveness.

**systematic study** Looking at relationships, attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

**evidence-based management (EBM)** The basing of managerial decisions on the best available scientific evidence.

**intuition** A gut feeling not necessarily supported by research.

## “Most Acts of Workplace Bullying Are Men Attacking Women”

This statement is true in the broad sense that most research indicates men are more likely to engage in workplace bullying, and women are more likely to be targets of bullying behavior.

However, the full picture of gender and workplace bullying is more complicated than that.

First, the gender differences are narrowing. A recent study of workplace bullying by the Workplace Bullying Institute (WBI) suggested that 60 percent of workplace bullies are men and 40 percent are women. That is still a significant gender difference. But it is not as large as was once the case. Some of the narrowing in the gender of bullies is due to the ascension of women up their organizations' ladders. Evidence indicates that the vast majority of incidents of workplace bullying are “top-down”: the supervisor is intimidating the subordinate. As more women are becoming supervisors, this is changing, to some degree, the gender balance of workplace bullies.

A second complication is that when women bully others at work, other women are overwhelmingly their targets. The same WBI study of workplace bullying revealed that 58 percent

of victims of bullying are women. However, almost all of this gender difference in victims is due to *who women bullies target*; in 80 percent of the cases, it was other women. Male bullies are actually more likely to target their own sex, though to a less dramatic degree than female bullies do.

Finally, it does appear that women are more adversely affected by bullying. A recent study of 183 victims of bullying found that the prevalence of trauma was higher for women (49 percent) than men (35 percent). The complexity of these relationships shows us that gaining a true understanding of organizational behavior phenomena often means understanding that the causes and consequences of work behavior are complex.

Back to bullying, experts suggest some ways to cope with workplace bullies regardless of your sex.

1. **Talk to your bully.** “Perhaps your boss is one of those people who aren’t aware of how they come across,” says Stanford’s Robert Sutton, author of several books on bullying in the workplace.
2. **Get help.** Keep a diary of the behavior. Be specific and focus more on

actions than feelings. At some point, it might be necessary to involve others, such as human resources.

3. **Ignore it.** This is often easier said than done, but sometimes the only thing you can do is to try to ignore the bully. “Try not to let it touch your soul,” says Sutton.
4. **Polish your résumé.** Bullies sometimes go away, and sometimes they listen. But if they aren’t going to change and aren’t going away, you may want to plan your exit strategy. Take your time and don’t panic. But not every workplace is filled with bullies, and you’ll likely be happier if you’re in one of those.

Source: L. Petrecca, “Bullying in Workplace Is Common, Hard to Fix,” *USA Today* (December 28, 2010), pp. 1B–2B; R. I. Sutton, *Good Boss, Bad Boss: How to Be the Best...and Learn from the Worst* (New York: Business Plus, 2010); A. Rodríguez-Muñoz, B. Moreno-Jiménez, A. Vergel, and E. G. Hernández, “Post-Traumatic Symptoms Among Victims of Workplace Bullying: Exploring Gender Differences and Shattered Assumptions,” *Journal of Applied Social Psychology* 40, no. 10 (2010), pp. 2616–2635.

shown many managers hold “common sense” opinions regarding effective management that have been flatly refuted by empirical evidence.

We find a similar problem in chasing the business and popular media for management wisdom. The business press tends to be dominated by fads. As a writer for *The New Yorker* put it, “Every few years, new companies succeed, and they are scrutinized for the underlying truths they might reveal. But often there is no underlying truth; the companies just happened to be in the right place at the right time.”<sup>14</sup> Although we try to avoid it, we might also fall into this trap. It’s not that the business press stories are all wrong; it’s that without a systematic approach, it’s hard to separate the wheat from the chaff.

We’re not advising that you throw your intuition, or all the business press, out the window. Nor are we arguing that research is always right.

Researchers make mistakes, too. What we are advising is to use evidence as much as possible to inform your intuition and experience. That is the promise of OB.

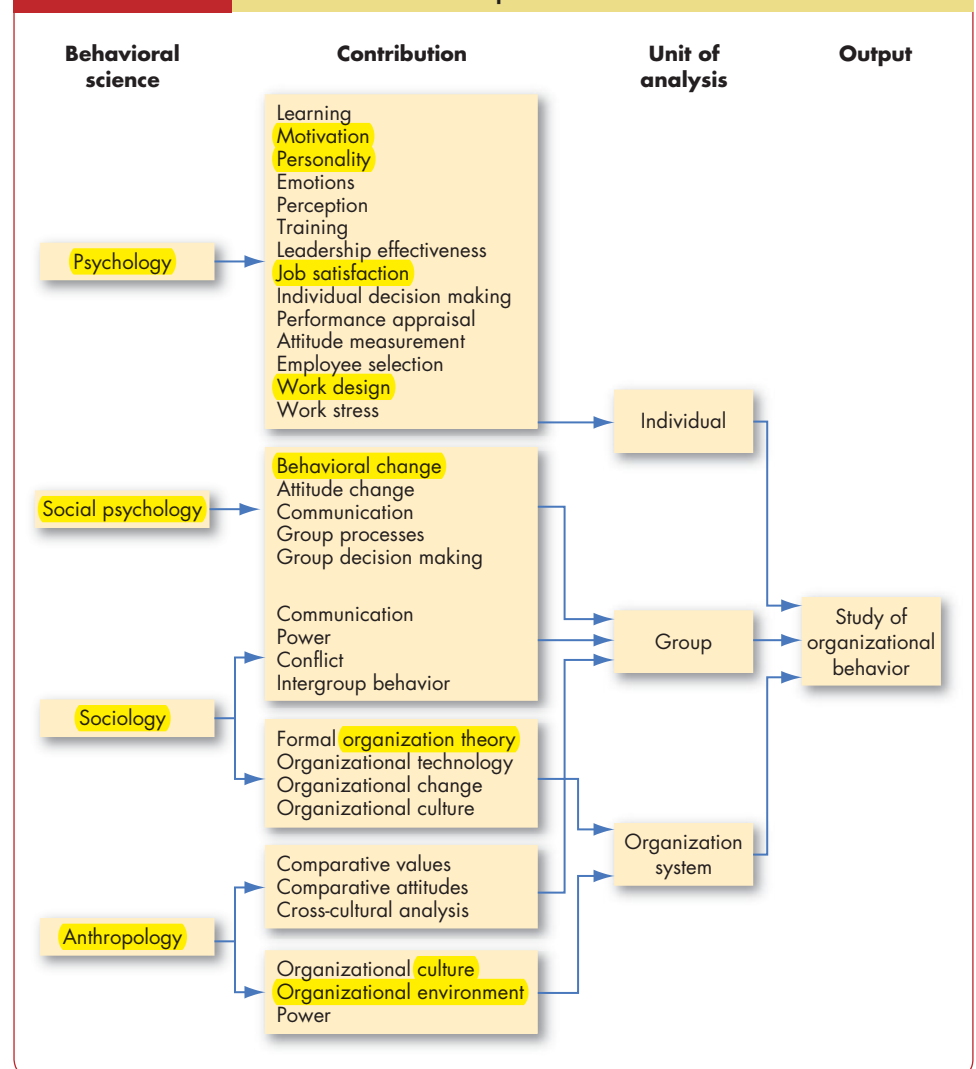
## Disciplines That Contribute to the OB Field

- 5 Identify the major behavioral science disciplines that contribute to OB.

Organizational behavior is an applied behavioral science built on contributions from a number of behavioral disciplines, mainly psychology and social psychology, sociology, and anthropology. Psychology's contributions have been mainly at the individual or micro level of analysis, while the other disciplines have contributed to our understanding of macro concepts such as group processes and organization. Exhibit 1-3 is an overview of the major contributions to the study of organizational behavior.

**Exhibit 1-3**

### Toward an OB Discipline





## Psychology

**Psychology** seeks to measure, explain, and sometimes change the behavior of humans and other animals. Those who have contributed and continue to add to the knowledge of OB are learning theorists, personality theorists, counseling psychologists, and, most important, industrial and organizational psychologists.

Early industrial/organizational psychologists studied the problems of fatigue, boredom, and other working conditions that could impede efficient work performance. More recently, their contributions have expanded to include learning, perception, personality, emotions, training, leadership effectiveness, needs and motivational forces, job satisfaction, decision-making processes, performance appraisals, attitude measurement, employee-selection techniques, work design, and job stress.

## Social Psychology

**Social psychology**, generally considered a branch of psychology, blends concepts from both psychology and sociology to focus on peoples' influence on one another. One major study area is *change*—how to implement it and how to reduce barriers to its acceptance. Social psychologists also contribute to measuring, understanding, and changing attitudes; identifying communication patterns; and building trust. Finally, they have made important contributions to our study of group behavior, power, and conflict.

## Sociology

While psychology focuses on the individual, **sociology** studies people in relation to their social environment or culture. Sociologists have contributed to OB through their study of group behavior in organizations, particularly formal and complex organizations. Perhaps most important, sociologists have studied organizational culture, formal organization theory and structure, organizational technology, communications, power, and conflict.

## Anthropology

**Anthropology** is the study of societies to learn about human beings and their activities. Anthropologists' work on cultures and environments has helped us understand differences in fundamental values, attitudes, and behavior between people in different countries and within different organizations. Much of our current understanding of organizational culture, organizational environments, and differences among national cultures is a result of the work of anthropologists or those using their methods.

## There Are Few Absolutes in OB

- 6 Demonstrate why few absolutes apply to OB.

**Laws in the physical sciences**—chemistry, astronomy, physics—are consistent and apply in a wide range of situations. They allow scientists to generalize about the pull of gravity or to be confident about sending astronauts into space to repair satellites. But as a noted behavioral researcher observed, “God gave all the easy problems to the physicists.” **Human beings are complex**, and few, if any, simple and universal principles explain organizational behavior. Because we are not alike, **our ability to make simple, accurate, and sweeping generalizations is limited**.

Two people often act very differently in the same situation, and the same person's behavior changes in different situations. Not everyone is motivated by money, and people may behave differently at a religious service than they do at a party.

That doesn't mean, of course, that we can't offer reasonably accurate explanations of human behavior or make valid predictions. It does mean that OB concepts must reflect situational, or contingency, conditions. We can say  $x$  leads to  $y$ , but only under conditions specified in  $z$ —the **contingency variables**. The science of OB was developed by applying general concepts to a particular situation, person, or group. For example, OB scholars would avoid stating that everyone likes complex and challenging work (the general concept). Why? Because not everyone wants a challenging job. Some people prefer routine over varied, or simple over complex. A job attractive to one person may not be to another; its appeal is contingent on the person who holds it.

As you proceed through this book, you'll encounter a wealth of research-based theories about how people behave in organizations. But don't expect to find a lot of straightforward cause-and-effect relationships. There aren't many! Organizational behavior theories mirror the subject matter with which they deal, and people are complex and complicated.

## Challenges and Opportunities for OB

- 7** Identify the challenges and opportunities managers have in applying OB concepts.

Understanding organizational behavior has never been more important for managers. Take a quick look at the dramatic changes in organizations. The typical employee is getting older; more women and people of color are in the workplace; corporate downsizing and the heavy use of temporary workers are severing the bonds of loyalty that tied many employees to their employers; global competition requires employees to become more flexible and cope with rapid change. The global recession has brought to the forefront the challenges of working with and managing people during uncertain times.

In short, today's challenges bring opportunities for managers to use OB concepts. In this section, we review some of the most critical issues confronting managers for which OB offers solutions—or at least meaningful insights toward solutions.

### Responding to Economic Pressures

When the U.S. economy plunged into a deep and prolonged recession in 2008, virtually all other large economies around the world followed suit. Layoffs and job losses were widespread, and those who survived the ax were often asked to accept pay cuts.

During difficult economic times, effective management is often at a premium. Anybody can run a company when business is booming, because the difference

**psychology** The science that seeks to measure, explain, and sometimes change the behavior of humans and other animals.

**social psychology** An area of psychology that blends concepts from psychology and sociology and that focuses on the influence of people on one another.

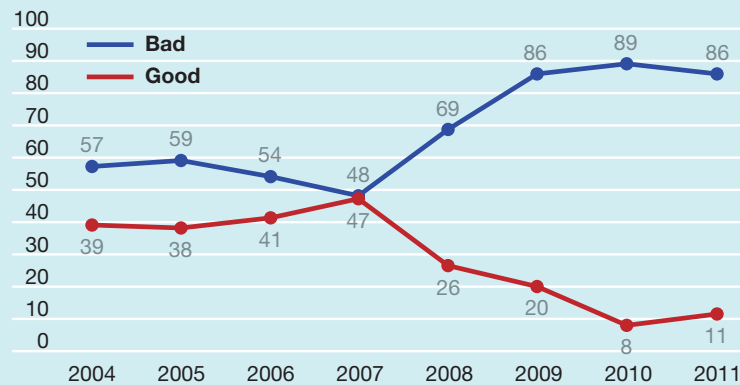
**sociology** The study of people in relation to their social environment or culture.

**anthropology** The study of societies to learn about human beings and their activities.

**contingency variables** Situational factors: variables that moderate the relationship between two or more variables.

**OB Poll****Working in Good Times—and Bad**

“Thinking about the job situation in America today, would you say that it is now a good time or a bad time to find a quality job?”



Source: Gallup tracking polls of random samples of roughly 1,000 adults, aged 18 and older, living in the continental U.S., selected using random-digit telephone sampling. See F. Newport, “Americans’ Views of Job Market Improve; Still Mostly Negative” (April 18, 2011), [www.gallup.com](http://www.gallup.com).

between good and bad management reflects the difference between making a lot of money and making a lot more money. When times are bad, though, managers are on the front lines with employees who must be fired, who are asked to make do with less, and who worry about their futures. The difference between good and bad management can be the difference between profit and loss or, ultimately, between survival and failure.

Consider Enterprise Rent-A-Car. The company prided itself on never having laid off a U.S. employee in its 51-year history. Even in the 2001–2002 recession after the 9/11 terrorist attacks, Enterprise kept hiring. In 2008–2009, however, Enterprise was forced to lay off more than a thousand employees. “These types of declines are unprecedented,” said Patrick Farrell, Enterprise’s vice president of corporate responsibility. Gentex Corp, a Michigan-based auto parts supplier, had never had a layoff in its 34-year history—until 2008–2009. “We didn’t even have a layoff policy,” said Gentex’s vice president of human resources.<sup>15</sup>

Managing employees well when times are tough is just as hard as when times are good—if not more so. But the OB approaches sometimes differ. In good times, understanding how to reward, satisfy, and retain employees is at a premium. In bad times, issues like stress, decision making, and coping come to the fore.

## Responding to Globalization

Organizations are no longer constrained by national borders. Burger King is owned by a British firm, and McDonald’s sells hamburgers in Moscow. ExxonMobil, a so-called U.S. company, receives almost 75 percent of its revenues from sales outside the United States. New employees at Finland-based phone maker Nokia are increasingly being recruited from India, China, and other developing countries—non-Finns now outnumber Finns at Nokia’s renowned research center in Helsinki. And all major automobile makers now manufacture cars outside their borders; Honda builds cars in Ohio, Ford in Brazil, Volkswagen in Mexico, and both Mercedes and BMW in South Africa.

The world has become a global village. In the process, the manager’s job has changed.

**Increased Foreign Assignments** If you're a manager, you are increasingly likely to find yourself in a foreign assignment—transferred to your employer's operating division or subsidiary in another country. Once there, you'll have to manage a workforce very different in needs, aspirations, and attitudes from those you are used to back home.

**Working with People from Different Cultures** Even in your own country, you'll find yourself working with bosses, peers, and other employees born and raised in different cultures. **What motivates you may not motivate them.** Or your **communication style** may be straightforward and open, which others may find uncomfortable and threatening. To work effectively with people from different cultures, you need to understand how their culture, geography, and religion have shaped them and how to adapt your management style to their differences.

Managers at global companies such as McDonald's, Disney, and Coca-Cola have come to realize that economic values are not universally transferable. **Management practices need to be modified** to reflect the values of the different countries in which an organization operates.

**Overseeing Movement of Jobs to Countries with Low-Cost Labor** It's increasingly difficult for managers in advanced nations, where minimum wages are typically \$6 or more an hour, to compete against firms that rely on workers from China and other developing nations where labor is available for 30 cents an hour. It's not by chance that many in the United States wear clothes made in China, work on computers whose microchips came from Taiwan, and watch movies filmed in Canada. In a global economy, **jobs tend to flow where lower costs give businesses a comparative advantage**, though labor groups, politicians, and local community leaders see the exporting of jobs as undermining the job market at home. **Managers face the difficult task of balancing the interests of their organization with their responsibilities to the communities** in which they operate.

In the global economy, jobs tend to shift from developed nations to countries where lower labor costs give firms a comparative advantage. In this photo, an employee wearing a sign on his head reading "Capital Interests" joins co-workers at a Nokia factory in Germany to protest the company's decision of terminating mobile phone production at the plant, resulting in the loss of 2,300 jobs. Nokia announced plans to shift production from Germany to Romania, where labor costs are lower.



Source: Henning Kaiser/Getty Images



## Managing Workforce Diversity

One of the most important challenges for organizations is **adapting to people who are different**. We describe this challenge as **workforce diversity**. Whereas globalization focuses on differences among people *from* different countries, workforce diversity addresses differences among people *within* given countries.

**Workforce diversity** acknowledges a workforce of women and men; many racial and ethnic groups; individuals with a variety of physical or psychological abilities; and people who differ in age and sexual orientation. **Managing this diversity is a global concern**. Most European countries have experienced dramatic growth in immigration from the Middle East, Argentina and Venezuela host a significant number of migrants from other South American countries, and nations from India to Iraq to Indonesia find great cultural diversity within their borders.

The most significant change in the U.S. labor force during the last half of the twentieth century was the rapid increase in the number of female workers. In 1950, for instance, only 29.6 percent of the workforce was female. By 2008, it was 46.5 percent. The first half of the twenty-first century will be notable for changes in racial and ethnic composition and an aging baby boom generation. By 2050, Hispanics will grow from today's 11 percent of the workforce to 24 percent, blacks will increase from 12 to 14 percent, and Asians from 5 to 11 percent. Meanwhile, in the near term the labor force will be aging. The 55-and-older age group, currently 13 percent of the labor force, will increase to 20 percent by 2014.

Though we have more to say about workforce diversity in the next chapter, suffice it to say here that **it presents great opportunities and poses challenging questions for managers and employees in all countries**. How can we leverage differences within groups for competitive advantage? Should we treat all employees alike? **Should we recognize individual and cultural differences? How can we foster cultural awareness in employees without lapsing into political correctness?** What are the **legal requirements in each country?** Does diversity even matter?

## Improving Customer Service

American Express recently turned Joan Weinbel's worst nightmare into a non-event. It was 10:00 P.M. Joan was home in New Jersey, packing for a weeklong trip, when she suddenly realized she had left her AmEx Gold card at a restaurant in New York City earlier in the evening. The restaurant was 30 miles away. She had a flight to catch at 7:30 the next morning, and she wanted her card for the trip. She called American Express. The phone was quickly answered by a courteous and helpful AmEx customer service representative who told Ms. Weinbel not to worry. He asked her a few questions and told her, "Help is on the way." To say Joan was flabbergasted when her doorbell rang at 11:45 P.M. is an understatement—it was less than 2 hours after her call. At the door was a courier with a new card. How the company was able to produce the card and get it to her so quickly still puzzles Joan, but she said the experience made her a customer for life.

Today, **the majority of employees in developed countries work in service jobs, including 80 percent in the United States**. In Australia, 73 percent work in service industries. In the United Kingdom, Germany, and Japan, the percentages are 69, 68, and 65, respectively. **Service jobs include technical support representatives, fast-food counter workers, sales clerks, waiters and waitresses, nurses, automobile repair technicians, consultants, credit representatives, financial planners, and flight attendants**. **The common characteristic of these jobs is substantial interaction with an organization's customers**. And because an organization can't exist without customers—whether it is American

The Ritz Carlton Hotel Company is recognized worldwide as the gold standard of the hospitality industry. Its motto—"We are ladies and gentlemen serving ladies and gentlemen"—is exemplified by the employee shown here serving a guest on the summer terrace of the Ritz-Carlton Moscow. The Ritz-Carlton's customer-responsive culture, which is articulated in the company's motto, credo, and service values, is designed to build strong relationships that create guests for life.



Source: ITAR - TASS / Anton Tushin / Newscom

Express, L. L. Bean, a law firm, a museum, a school, or a government agency—management needs to ensure employees do what it takes to please customers.<sup>16</sup> At Patagonia—a retail outfitter for climbers, mountain bikers, skiers and boarders, and other outdoor fanatics—customer service is the store manager's most important general responsibility: "Instill in your employees the meaning and importance of customer service as outlined in the retail philosophy, 'Our store is a place where the word "no" does not exist'; empower staff to 'use their best judgment' in all customer service matters."<sup>17</sup> OB can help managers at Patagonia achieve this goal and, more generally, can contribute to improving an organization's performance by showing managers how employee attitudes and behavior are associated with customer satisfaction.

Many an organization has failed because its employees failed to please customers. Management needs to create a customer-responsive culture. OB can provide considerable guidance in helping managers create such cultures—in which employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs, and willing to do what's necessary to please the customer.<sup>18</sup>

## Improving People Skills

As you proceed through the chapters of this book, we'll present relevant concepts and theories that can help you explain and predict the behavior of people at work. In addition, you'll gain insights into specific people skills that you

**workforce diversity** The concept that organizations are becoming more heterogeneous in terms of gender, age, race, ethnicity, sexual orientation, and inclusion of other diverse groups.

can use on the job. For instance, you'll learn ways to design motivating jobs, techniques for improving your listening skills, and how to create more effective teams.

## Stimulating Innovation and Change

Whatever happened to Montgomery Ward, Woolworth, Smith Corona, TWA, Bethlehem Steel, and WorldCom? All these giants went bust. Why have other giants, such as General Motors, Sears, Boeing, and Lucent Technologies, implemented huge cost-cutting programs and eliminated thousands of jobs? The answer is to avoid going broke.

Today's successful organizations must foster innovation and master the art of change, or they'll become candidates for extinction. Victory will go to the organizations that maintain their flexibility, continually improve their quality, and beat their competition to the marketplace with a constant stream of innovative products and services. Domino's single-handedly brought on the demise of small pizza parlors whose managers thought they could continue doing what they had been doing for years. Amazon.com is putting a lot of independent bookstores out of business as it proves you can successfully sell books (and most anything else) from a Web site. After years of lackluster performance, Boeing realized it needed to change its business model. The result was its 787 Dreamliner and a return to being the world's largest airplane manufacturer.

An organization's employees can be the impetus for innovation and change, or they can be a major stumbling block. The challenge for managers is to stimulate their employees' creativity and tolerance for change. The field of OB provides a wealth of ideas and techniques to aid in realizing these goals.

## Coping with "Temporariness"

Globalization, expanded capacity, and advances in technology have required organizations to be fast and flexible if they are to survive. The result is that most managers and employees today work in a climate best characterized as "temporary."

Workers must continually update their knowledge and skills to perform new job requirements. Production employees at companies such as Caterpillar, Ford, and Alcoa now need to operate computerized production equipment. That was not part of their job descriptions 20 years ago. In the past, employees were assigned to a specific work group, gaining a considerable amount of security working with the same people day in and day out. That predictability has been replaced by temporary work groups, with members from different departments, and the increased use of employee rotation to fill constantly changing work assignments. Finally, organizations themselves are in a state of flux. They continually reorganize their various divisions, sell off poorly performing businesses, downsize operations, subcontract noncritical services and operations to other organizations, and replace permanent employees with temporary workers.

Today's managers and employees must learn to cope with temporariness, flexibility, spontaneity, and unpredictability. The study of OB can help you better understand a work world of continual change, overcome resistance to change, and create an organizational culture that thrives on change.

## Working in Networked Organizations

Networked organizations allow people to communicate and work together even though they may be thousands of miles apart. Independent contractors can telecommute via computer to workplaces around the globe and change employers as the demand for their services changes. Software programmers, graphic designers, systems analysts, technical writers, photo researchers, book

Dr. Orit Wimpfheimer performs her job by linking to others through networks. Shown here at her home office near Jerusalem, Israel, she is a radiologist who analyzes test results from hospitals in the United States over the Internet. Networked organizations that use e-mail, the Internet, and video-conferencing allow Dr. Orit Wimpfheimer and other telecommuters to communicate and work together even though they are thousands of miles apart. The manager's job in a networked organization requires different techniques from those used when workers are physically present in a single location.



Source: AP Photo/Emilio Morenatti

and media editors, and medical transcribers are just a few examples of people who can work from home or other nonoffice locations.

The manager's job is different in a networked organization. Motivating and leading people and making collaborative decisions online requires different techniques than when individuals are physically present in a single location. As more employees do their jobs by linking to others through networks, managers must develop new skills. OB can provide valuable insights to help with honing those skills.

### Helping Employees Balance Work-Life Conflicts

The typical employee in the 1960s or 1970s showed up at a specified workplace Monday through Friday and worked for clearly defined 8- or 9-hour chunks of time. That's no longer true for a large segment of today's workforce. Employees are increasingly complaining that the line between work and nonwork time has become blurred, creating personal conflicts and stress.<sup>19</sup> At the same time, today's workplace presents opportunities for workers to create and structure their own roles.

How do work-life conflicts come about? First, the creation of global organizations means the world never sleeps. At any time on any day, thousands of General Electric employees are working somewhere. The need to consult with colleagues or customers eight or ten time zones away means many employees of global firms are "on call" 24 hours a day. Second, communication technology allows many technical and professional employees to do their work at home, in their cars, or on the beach in Tahiti—but it also means many feel like they never really get away from the office. Third, organizations are asking employees to put in longer hours. Over a recent 10-year period, the average U.S. workweek increased from 43 to 47 hours; and the number of people working 50 or more hours a week jumped from 24 to 37 percent. Finally, the rise of the dual-career couple makes it difficult for married employees to find time to fulfill commitments to home, spouse, children, parents, and friends. Millions of single-parent households and employees with dependent parents have even more significant challenges in balancing work and family responsibilities.



Employees increasingly recognize that work infringes on their personal lives, and they're not happy about it. Recent studies suggest employees want jobs that give them flexibility in their work schedules so they can better manage work–life conflicts.<sup>20</sup> In fact, balancing work and life demands now surpasses job security as an employee priority.<sup>21</sup> The next generation of employees is likely to show similar concerns.<sup>22</sup> Most college and university students say attaining a balance between personal life and work is a primary career goal; they want “a life” as well as a job. Organizations that don't help their people achieve work–life balance will find it increasingly difficult to attract and retain the most capable and motivated employees.

As you'll see in later chapters, the field of OB offers a number of suggestions to guide managers in designing workplaces and jobs that can help employees deal with work–life conflicts.

## Creating a Positive Work Environment

Although competitive pressures on most organizations are stronger than ever, some organizations are trying to realize a competitive advantage by fostering a positive work environment. Jeff Immelt and Jim McNerney, both disciples of Jack Welch, have tried to maintain high-performance expectations (a characteristic of GE's culture) while fostering a positive work environment in their organizations (GE and Boeing). “In this time of turmoil and cynicism about business, you need to be passionate, positive leaders,” Mr. Immelt recently told his top managers.

A real growth area in OB research is **positive organizational scholarship** (also called *positive organizational behavior*), which studies how organizations develop human strengths, foster vitality and resilience, and unlock potential. Researchers in this area say too much of OB research and management practice has been targeted toward identifying what's wrong with organizations and their employees. In response, they try to study what's *good* about them.<sup>23</sup> Some key independent variables in positive OB research are engagement, hope, optimism, and resilience in the face of strain.

Positive organizational scholars have studied a concept called “reflected best-self”—asking employees to think about when they were at their “personal best” in order to understand how to exploit their strengths. The idea is that we all have things at which we are unusually good, yet too often we focus on addressing our limitations and too rarely think about how to exploit our strengths.<sup>24</sup>

Although positive organizational scholarship does not deny the value of the negative (such as critical feedback), it does challenge researchers to look at OB through a new lens and pushes organizations to exploit employees' strengths rather than dwell on their limitations.

## Improving Ethical Behavior

In an organizational world characterized by cutbacks, expectations of increasing productivity, and tough competition, it's not surprising many employees feel pressured to cut corners, break rules, and engage in other questionable practices.

Increasingly they face **ethical dilemmas and ethical choices**, in which they are required to identify right and wrong conduct. Should they “blow the whistle” if they uncover illegal activities in their company? Do they follow orders with which they don't personally agree? Should they give an inflated performance evaluation to an employee they like, knowing it could save that employee's job? Do they “play politics” to advance their career?

What constitutes good ethical behavior has never been clearly defined, and, in recent years, the line differentiating right from wrong has blurred. Employees see people all around them engaging in unethical practices—elected officials pad expense accounts or take bribes; corporate executives inflate profits so they can cash in lucrative stock options; and university administrators look the other way when winning coaches encourage scholarship athletes to take easy courses. When caught, these people give excuses such as “Everyone does it” or “You have to seize every advantage nowadays.” Determining the ethically correct way to behave is especially difficult in a global economy because different cultures have different perspectives on certain ethical issues.<sup>25</sup> Fair treatment of employees in an economic downturn varies considerably across cultures, for instance. As we’ll see in Chapter 2, perceptions of religious, ethnic, and gender diversity differ across countries. Is it any wonder employees are expressing decreased confidence in management and increasing uncertainty about what is appropriate ethical behavior in their organizations?<sup>26</sup>

Managers and their organizations are responding to the problem of unethical behavior in a number of ways.<sup>27</sup> They’re writing and distributing codes of ethics to guide employees through ethical dilemmas. They’re offering seminars, workshops, and other training programs to try to improve ethical behaviors. They’re providing in-house advisors who can be contacted, in many cases anonymously, for assistance in dealing with ethical issues, and they’re creating protection mechanisms for employees who reveal internal unethical practices.

Today’s manager must create an ethically healthy climate for his or her employees, where they can do their work productively with minimal ambiguity about what right and wrong behaviors are. Companies that promote a strong ethical mission, encourage employees to behave with integrity, and provide strong ethical leadership can influence employee decisions to behave ethically.<sup>28</sup> In upcoming chapters, we’ll discuss the actions managers can take to create an ethically healthy climate and help employees sort through ethically ambiguous situations. We’ll also present ethical-dilemma exercises at the end of each chapter that allow you to think through ethical issues and assess how you would handle them.

## Coming Attractions: Developing an OB Model

- 8 Compare the three levels of analysis in this book’s OB model.

We conclude this chapter by presenting a general model that defines the field of OB, stakes out its parameters, and identifies inputs, processes, and outcomes. The result will be “coming attractions” of the topics in the remainder of this book.

### An Overview

A **model** is an abstraction of reality, a simplified representation of some real-world phenomenon. Exhibit 1-4 presents the skeleton on which we will construct our OB model. It proposes three types of variables (inputs, processes, and

**positive organizational scholarship** *An area of OB research that concerns how organizations develop human strength, foster vitality and resilience, and unlock potential.*

**ethical dilemmas and ethical choices** *Situations in which individuals are required to define right and wrong conduct.*

**model** *An abstraction of reality. A simplified representation of some real-world phenomenon.*

## Can You Learn from Failure?

Mistakes happen in business all the time, but most people have a powerful motivation to try to cover up their errors as much as possible. However, not recognizing and learning from failures might be the most dangerous failure of all because it means the problem is likely to occur again. This means that, even though it might be hard to admit it, doing the right thing often means admitting when you've done the wrong thing. Most people would say that we have an ethical obligation to learn from mistakes, but how can we do that? In a recent special issue in *Harvard Business Review* on failures, experts argued that learning from mistakes relies on several strategies, which include:

**1. Heed pressure.** High pressure often provokes faulty thinking. BP faced enormous pressure from cost overruns—roughly \$1 million a day—in its deepwater oil explorations. This led its managers to miss warning signs that led to the catastrophic explosion in the Gulf of Mexico in 2010. Similar time and cost pressures precipitated the ill-fated Challenger and Columbia space shuttle launches. In high-pressure situations, ask yourself,

“If I had more time and resources, would I make the same decision?”

**2. Recognize that failure is not always bad.** Most of us would agree that we have learned more in life from our mistakes than from our successes. So, we need to realize that while we don't want to fail, it does have a hidden gift if we're willing to receive—a chance to learn something important. Eli Lilly holds “failure parties” to honor drug trials and experiments that fail to achieve the desired results. The rationale for these parties is to recognize that when little is ventured, little is lost, but little is gained too. Procter & Gamble CEO A. G. Lafley argues that very high success rates show incremental innovation—but what he wants are game changers. He has celebrated P&G's 11 most expensive product failures, focusing on what the company learned from each. So don't be afraid to admit mistakes—and ask “What can I learn” from each.

**3. Understand and address the root cause.** When Apple introduced the iPhone 4 in 2010, many customers complained about dropped calls. Apple first responded by suggesting the problem lay in the way customers held the phones, suggested

they “avoid gripping [the phone] in the lower left corner.” Steve Jobs called the problem a “non-issue.” Only later did Apple address the root cause of the problem—and fix it. When you make an error, try to understand what caused it.

**4. Reward owning up.** If you make a mistake, be willing to speak up and admit it. Too often we dig ourselves deeper into a hole by being defensive about mistakes. That also keeps us from learning from our failures. If we all make mistakes, what are we being so defensive about?

Given the complexity of human behavior, we'll never avoid making mistakes entirely. Indeed, a healthy appreciation for how mistake-prone we are is one of the points of this chapter (and of Chapter 6). But we *can* do a better job of admitting our mistakes and learning from them when they occur.

*Sources:* A. C. Edmondson, “Strategies for Learning from Failure,” *Harvard Business Review* 89, no. 4 (2011), pp. 48–55; R. G. Mcgrath, “Failing by Design,” *Harvard Business Review* 89, no. 4 (2011), pp. 76–83; C. H. Tinsley, R. L. Dillon, and P. M. Madsen, “How to Avoid Catastrophe,” *Harvard Business Review* 89, no. 4 (2011), pp. 90–97.

outcomes) at three levels of analysis (individual, group, and organizational).

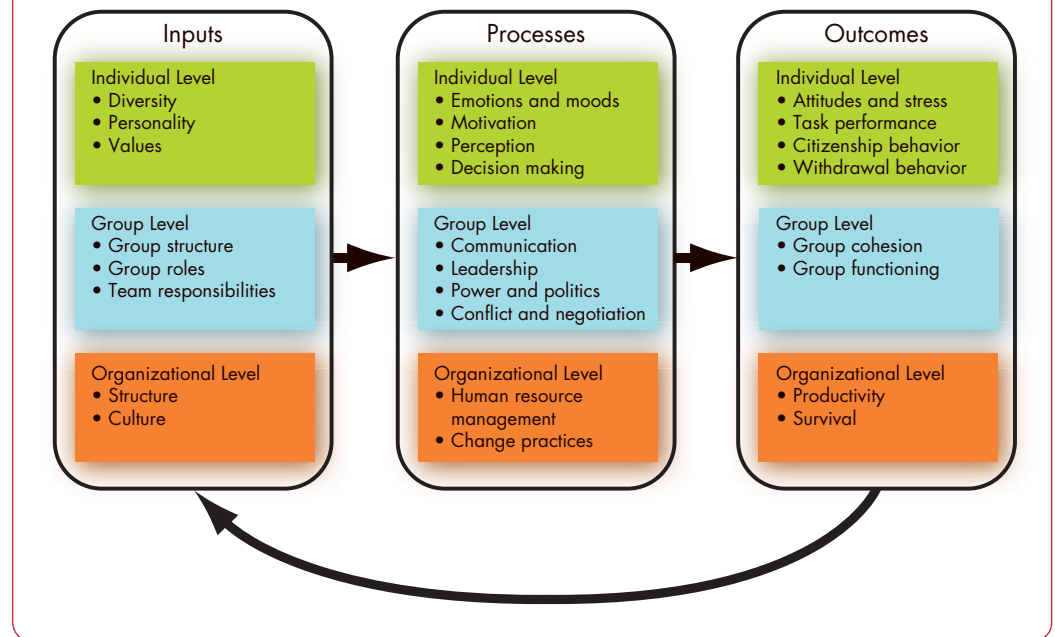
The model proceeds from left to right, with inputs leading to processes and processes leading to outcomes. Notice that the model also shows that outcomes can influence inputs in the future.

## Inputs

**Inputs** are the variables like personality, group structure, and organizational culture that lead to processes. These variables set the stage for what will occur in an organization later. Many are determined in advance of the employment relationship. For example, individual diversity characteristics, personality, and values are shaped by a combination of an individual's genetic inheritance and childhood environment. Group structure, roles, and team responsibilities are

## Exhibit 1-4

## A Basic OB Model



typically assigned immediately before or after a group is formed. Finally, organizational structure and culture are usually the result of years of development and change as the organization adapts to its environment and builds up customs and norms.

## Processes

If inputs are like the nouns in organizational behavior, processes are like verbs. **Processes** are actions that individuals, groups, and organizations engage in as a result of inputs and that lead to certain outcomes. At the individual level, processes include emotions and moods, motivation, perception, and decision making. At the group level, they include communication, leadership, power and politics, and conflict and negotiation. Finally, at the organizational level, processes include human resource management and change practices.

## Outcomes

**Outcomes** are the key variables that you want to explain or predict, and that are affected by some other variables. What are the primary outcomes in OB? Scholars have emphasized individual-level outcomes like attitudes and satisfaction, task performance, citizenship behavior, and withdrawal behavior. At the group level, cohesion and functioning are the dependent variables. Finally, at the organizational level we look at overall profitability and survival. Because these outcomes will be covered in all the chapters, we'll briefly discuss each here so you can understand what the "goal" of OB will be.

**input** Variables that lead to processes.

**processes** Actions that individuals, groups, and organizations engage in as a result of inputs and that lead to certain outcomes.

**outcomes** Key factors that are affected by some other variables.



**Attitudes and Stress** Employee attitudes are the evaluations employees make, ranging from positive to negative, about objects, people, or events. For example, the statement, “I really think my job is great,” is a positive job attitude, and “My job is boring and tedious” is a negative job attitude. Stress is an unpleasant psychological process that occurs in response to environmental pressures.

Some people might think that influencing employee attitudes and stress is purely soft stuff, and not the business of serious managers, but as we will show, attitudes often have behavioral consequences that directly relate to organizational effectiveness. The belief that satisfied employees are more productive than dissatisfied employees has been a basic tenet among managers for years, though only now has research begun to support it. Ample evidence shows that employees who are more satisfied and treated fairly are more willing to engage in the above-and-beyond citizenship behavior so vital in the contemporary business environment. A study of more than 2,500 business units also found that those scoring in the top 25 percent on the employee opinion survey were, on average, 4.6 percent above their sales budget for the year, while those scoring in the bottom 25 percent were 0.8 percent below budget. In real numbers, this was a difference of \$104 million in sales per year between the two groups.

**Task Performance** The combination of effectiveness and efficiency at doing your core job tasks is a reflection of your level of task performance. If we think about the job of a factory worker, task performance could be measured by the number and quality of products produced in an hour. The task performance of a teacher would be the level of education that students obtain. The task performance of a consultant might be measured by the timeliness and quality of the presentations they offer to the client firm. All these types of performance relate to the core duties and responsibilities of a job and are often directly related to the functions listed on a formal job description.

Obviously task performance is the most important human output contributing to organizational effectiveness, so in every chapter we devote considerable time to detailing how task performance is affected by the topic in question.

Task performance is one of the primary individual-level outcomes in organizational behavior. For these women who install wiring in car doors at the General Motors' assembly plant in Lordstown, Ohio, task performance is measured by the number and quality of the work they produce. Their level of task performance is related to the duties of their job and how effectively and efficiently they perform them. Task performance is the most important human output contributing to organizational effectiveness.



Source: AP Photo/Mark Duncan

**Citizenship Behavior** The discretionary behavior that is not part of an employee's formal job requirements, and that contributes to the psychological and social environment of the workplace, is called **citizenship behavior**. Successful organizations need employees who will do more than their usual job duties—who will provide performance *beyond* expectations. In today's dynamic workplace, where tasks are increasingly performed by teams and flexibility is critical, employees who engage in "good citizenship" behaviors help others on their team, volunteer for extra work, avoid unnecessary conflicts, respect the spirit as well as the letter of rules and regulations, and gracefully tolerate occasional work-related impositions and nuisances.

Organizations want and need employees who will do things that aren't in any job description. Evidence indicates organizations that have such employees outperform those that don't. As a result, OB is concerned with citizenship behavior as an outcome variable.

**Withdrawal Behavior** We've already mentioned behavior that goes above and beyond task requirements, but what about behavior that in some way is below task requirements? **Withdrawal behavior** is the set of actions that employees take to separate themselves from the organization. There are many forms of withdrawal, ranging from showing up late or failing to attend meetings to absenteeism and turnover.

Employee withdrawal can have a very negative effect on an organization. The cost of employee turnover alone has been estimated to run into the thousands of dollars, even for entry-level positions. Absenteeism also costs organizations significant amounts of money and time every year. For instance, a recent survey found the average direct cost to U.S. employers of unscheduled absences is 8.7 percent of payroll.<sup>29</sup> In Sweden, an average of 10 percent of the country's workforce is on sick leave at any given time.<sup>30</sup>

It's obviously difficult for an organization to operate smoothly and attain its objectives if employees fail to report to their jobs. The work flow is disrupted, and important decisions may be delayed. In organizations that rely heavily on assembly-line production, absenteeism can be considerably more than a disruption; it can drastically reduce the quality of output or even shut down the facility. Levels of absenteeism beyond the normal range have a direct impact on any organization's effectiveness and efficiency. A high rate of turnover can also disrupt the efficient running of an organization when knowledgeable and experienced personnel leave and replacements must be found to assume positions of responsibility.

All organizations, of course, have some turnover. The U.S. national turnover rate averages about 3 percent per month, about a 36 percent turnover per year. This average varies a lot by occupation, of course; the monthly turnover rate for government jobs is less than 1 percent, versus 5 to 7 percent in the construction industry.<sup>31</sup> If the "right" people are leaving the organization—the marginal and submarginal employees—turnover can actually be positive. It can create an opportunity to replace an underperforming individual with someone who has higher skills or motivation, open up increased opportunities for promotions,

**task performance** The combination of effectiveness and efficiency at doing your core job tasks.

**citizenship behavior** Discretionary behavior that contributes to the psychological and social environment of the workplace.

**withdrawal behavior** The set of actions employee take to separate themselves from the organization.

and bring new and fresh ideas to the organization.<sup>32</sup> In today's changing world of work, reasonable levels of employee-initiated turnover improve organizational flexibility and employee independence, and they can lessen the need for management-initiated layoffs.

So why do employees withdraw from work? As we will show later in the book, reasons include negative job attitudes, emotions and moods, and negative interactions with co-workers and supervisors.

**Group Cohesion** Although many outcomes in our model can be conceptualized as individual level phenomena, some relate to how groups operate. **Group cohesion** is the extent to which members of a group support and validate one another at work. In other words, a cohesive group is one that sticks together. When employees trust one another, seek common goals, and work together to achieve these common ends, the group is cohesive; when employees are divided among themselves in terms of what they want to achieve and have little loyalty to one another, the group is not cohesive.

There is ample evidence showing that cohesive groups are more effective.<sup>33</sup> These results are found both for groups that are studied in highly controlled laboratory settings and also for work teams observed in field settings. This fits with our intuitive sense that people tend to work harder in groups that have a common purpose. Companies attempt to increase cohesion in a variety of ways ranging from brief icebreaker sessions to social events like picnics, parties, and outdoor adventure-team retreats. Throughout the book we will try to assess whether these specific efforts are likely to result in increases in group cohesiveness. We'll also consider ways that picking the right people to be on the team in the first place might be an effective way to enhance cohesion.

**Group Functioning** In the same way that positive job attitudes can be associated with higher levels of task performance, group cohesion should lead to positive group functioning. **Group functioning** refers to the quantity and quality of a group's work output. In the same way that the performance of a sports team is more than the sum of individual players' performance, group functioning in work organizations is more than the sum of individual task performances.

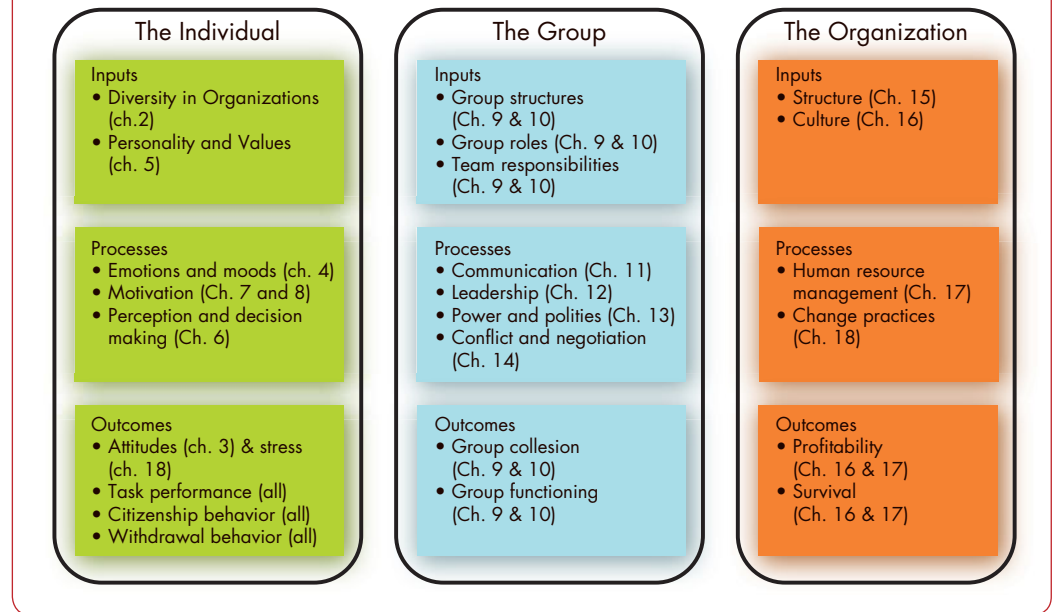
What does it mean to say that a group is functioning effectively? In some organizations, an effective group is one that stays focused on a core task and achieves its ends as specified. Other organizations look for teams that are able to work together collaboratively to provide excellent customer service. Still others put more of a premium on group creativity and the flexibility to adapt to changing situations. In each case, different types of activities will be required to get the most from the team.

**Productivity** The highest level of analysis in organizational behavior is the organization as a whole. An organization is productive if it achieves its goals by transforming inputs into outputs at the lowest cost. Thus **productivity** requires both **effectiveness** and **efficiency**.

A hospital is *effective* when it successfully meets the needs of its clientele. It is *efficient* when it can do so at a low cost. If a hospital manages to achieve higher output from its present staff by reducing the average number of days a patient is confined to bed or increasing the number of staff-patient contacts per day, we say the hospital has gained productive efficiency. A business firm is effective when it attains its sales or market share goals, but its productivity also depends on achieving those goals efficiently. Popular measures of organizational efficiency include return on investment, profit per dollar of sales, and output per hour of labor.

Service organizations must include customer needs and requirements in assessing their effectiveness. Why? Because a clear chain of cause and effect runs

### Exhibit 1-5 The Plan of the Book



from employee attitudes and behavior to customer attitudes and behavior to a service organization's productivity. Sears has carefully documented this chain.<sup>34</sup> The company's management found that a 5 percent improvement in employee attitudes leads to a 1.3 percent increase in customer satisfaction, which in turn translates into a 0.5 percent improvement in revenue growth. By training employees to improve the employee–customer interaction, Sears was able to improve customer satisfaction by 4 percent over a 12-month period, generating an estimated \$200 million in additional revenues.

**Survival** The final outcome we will consider is **organizational survival**, which is simply evidence that the organization is able to exist and grow over the long term. The survival of an organization depends not just on how productive the organization is, but also on how well it fits with its environment. A company that is very productively making goods and services of little value to the market is unlikely to survive for long, so survival factors in things like perceiving the market successfully, making good decisions about how and when to pursue opportunities, and engaging in successful change management to adapt to new business conditions.

Having reviewed the input, process, and outcome model, we're going to change the figure up a little bit by grouping topics together based on whether we study them at the individual, group, or organizational level. As you can see in Exhibit 1-5, we will deal with inputs, processes, and outcomes at all three levels of

**group cohesion** The extent to which members of a group support and validate one another while at work.

**group functioning** The quantity and quality of a work group's output.

**productivity** The combination of the effectiveness and efficiency of an organization.

**effectiveness** The degree to which an organization meets the needs of its clientele or customers.

**efficiency** The degree to which an organization can achieve its ends at a low cost.

**organizational survival** The degree to which an organization is able to exist and grow over the long term.



## Does National Culture Affect Organizational Practices?

Companies that operate in more than one country face a challenging dilemma: how much should they tailor organizational practices like leadership style, rewards, and communication to each country's culture? To some extent, it is necessary to change the way a company does business because of differences in regulations, institutions, and labor force characteristics. For example, a U.S. company that operates in Germany will have to contend with laws requiring greater worker participation in decision making, and an Australian company operating in China will have to match the knowledge and skills found in the Chinese workforce. Despite certain limitations imposed by law and situational factors, managers still need to make many decisions about adjusting their organizational culture to match the culture of the countries in which they operate.

There are no simple responses to this dilemma. Some researchers

propose that managers need to make a concerted effort to adapt their organizational culture to match the culture of the countries in which they operate. These authors note that within any country, there is a great deal of similarity in management practices that is likely the result of culture or values. If a country's basic outlook is highly individualistic, then organizational culture should also emphasize individual contributions and efforts. Conversely, if national culture values collectivism, then organizational culture should emphasize group contributions and cohesiveness. From this perspective, successful international management is all about tailoring management practices and values to fit with the cultural values of each country in which the company operates.

On the other hand, some propose that national culture should not, and does not, make much difference in shaping organizational culture. These researchers note that even within a

single country, there can be a great deal of variation in values and norms. The development of practices to match a culture is fraught with problems of stereotyping and over-generalizing about the degree to which everyone in a given country shares the same values. These authors also note that in tailoring practices to each country, a firm loses the potential value of having a unifying organizational culture. From this perspective, companies should try as much as possible to create a strong culture that operates across borders to create a unified global workforce.

*Sources:* Based on B. Gerhart, "How Much Does National Culture Constrain Organizational Culture," *Management and Organization Review* 5, no. 2 (2009), pp. 241–259; A. S. Tsui, S. S. Nifadkar, and A. Y. Ou, "Cross-national, Cross-cultural Organizational Behavior Research: Advances, Gaps, and Recommendations," *Journal of Management* 33, no. 3 (2007), pp. 426–478; G. Johns, "The Essential Impact of Context on Organizational Behavior," *Academy of Management Review* 31, no. 2 (2006), pp. 386–408.

analysis, but we group the chapters as shown here to correspond with the typical ways that research has been done in these areas. It is easier to understand one unified presentation about how personality leads to motivation which leads to performance, than to jump around levels of analysis. Because each level builds on the one that precedes it, after going through them in sequence you will have a good idea of how the human side of organizations functions.

## Summary and Implications for Managers

Managers need to develop their interpersonal, or people, skills to be effective in their jobs. Organizational behavior (OB) investigates the impact that individuals, groups, and structure have on behavior within an organization, and it applies that knowledge to make organizations work more effectively. Specifically, OB focuses on how to improve productivity; reduce absenteeism,

## Lost in Translation?

### POINT

Walk into your nearest major bookstore. You'll undoubtedly find a large selection of books devoted to management and managing. Consider the following recent titles:

- *Tough Cookies: What 100 Years of the Girl Scouts Can Teach You* (Wiley, 2011)
- *From Wags to Riches: How Dogs Teach Us to Succeed in Business & Life* (BenBella Books, 2011)
- *All I Know About Management I Learned from My Dog: The Real Story of Angel, a Rescued Golden Retriever, Who Inspired the New Four Golden Rules of Management* (Skyhorse Publishing, 2011)
- *Mother Teresa, CEO: Unexpected Principles for Practical Leadership* (Berrett-Koehler Publishers, 2011)
- *Polar Bear Pirates and Their Quest to Engage the Sleepwalkers: Motivate Everyday People to Deliver Extraordinary Results* (Capstone, 2011)
- *Winnie-the-Pooh on Management: In Which a Very Important Bear and His Friends Are Introduced to a Very Important Subject* (Penguin, 2011)
- *Chicken Lips, Wheeler-Dealer, and the Beady-Eyed M.B.A.: An Entrepreneurs Wild Adventures on the New Silk Road* (Wiley, 2011)
- *Bodybuilders in Tutus: and 35 Other Obscure Business-Boosting Observations* (Robinwood Press, 2011)
- *I'll Make You an Offer You Can't Refuse: Insider Business Tips from a Former Mob Boss* (Thomas Nelson, 2011)
- *The Art of War from SmarterComics: How to be Successful in Any Competition* (Writers of The Round Table Press, 2011)

Popular books on organizational behavior often have cute titles and are fun to read, but they make the job of managing people seem much simpler than it is. Most are based on the author's opinions rather than substantive research, and it is doubtful that one person's experience translates into effective management practice for everyone. Why do we waste our time on "fluff" when, with a little effort, we can access knowledge produced from thousands of scientific studies on human behavior in organizations?

Organizational behavior is a complex subject. Few, if any, simple statements about human behavior are generalizable to all people in all situations. Should you really try to apply leadership insights you got from a book about Geronimo or Tony Soprano to managing software engineers in the twenty-first century?

### COUNTERPOINT

Organizations are always looking for leaders, and managers and manager-wannabes are continually looking for ways to hone their leadership skills. Publishers respond to this demand by offering hundreds of titles that promise insights into managing people. Books like these can provide people with the secrets to management that others know about. Moreover, isn't it better to learn about management from people in the trenches, as opposed to the latest esoteric musings from the "Ivory Tower"? Many of the most important insights we gain from life aren't necessarily the product of careful empirical research studies.

It is true there are some bad books out there. But do they outnumber the esoteric research studies published every year? For example, a couple of recent management and organizational behavior studies were published in 2011 with the following titles:

- *Training for Fostering Knowledge Co-Construction from Collaborative Inference-Drawing*
- *The Factor Structure and Cross-Test Convergence of the Mayer-Salovey-Caruso Model of Emotional Intelligence*
- *Refining Value-Based Differentiation in Business Relationships: A Study of the Higher Order Relationship Building Blocks that Influence Behavioural Intentions*
- *A Dialogical Approach to the Creation of New Knowledge in Organizations*

We don't mean to poke fun at these studies. Rather, our point is that you can't judge a book by its cover any more than you can a research study by its title.

There is no one right way to learn the science and art of managing people in organizations. The most enlightened managers are those who gather insights from multiple sources: their own experience, research findings, observations of others, and, yes, business press books, too. If great management were produced by carefully gleaning results from research studies, academicians would make the best managers. How often do we see that?

Research and academics have an important role to play in understanding effective management. But it isn't fair to condemn all business books by citing the worst (or, at least, the worse-sounding ones).

turnover, and deviant workplace behavior; and increase organizational citizenship behavior and job satisfaction. **Here are a few specific implications for managers:**

- Some generalizations provide valid insights into human behavior, but many are erroneous. Organizational behavior uses systematic study to improve predictions of behavior over intuition alone.
- Because people are different, we need to look at OB in a contingency framework, using situational variables to explain cause-and-effect relationships.
- Organizational behavior offers specific insights to improve a manager's people skills.
- It helps managers to see the value of workforce diversity and practices that may need to be changed in different countries.
- It can improve quality and employee productivity by showing managers how to empower their people, design and implement change programs, improve customer service, and help employees balance work-life conflicts.
- It can help managers cope in a world of temporariness and learn how to stimulate innovation.
- Finally, OB can guide managers in creating an ethically healthy work climate.

### MyManagementLab

Now that you have finished this chapter, go back to **www.mymanagementlab.com** to continue practicing and applying the concepts you've learned.

## QUESTIONS FOR REVIEW

- 1 What is the importance of interpersonal skills?
- 2 What do managers do in terms of functions, roles, and skills?
- 3 What is organizational behavior (OB)?
- 4 Why is it important to complement intuition with systematic study?
- 5 What are the major behavioral science disciplines that contribute to OB?
- 6 Why are there few absolutes in OB?
- 7 What are the challenges and opportunities for managers in using OB concepts?
- 8 What are the three levels of analysis in this book's OB model?

## EXPERIENTIAL EXERCISE Workforce Diversity

### Purpose

To learn about the different needs of a diverse workforce.

### Time Required

Approximately 40 minutes.

### Participants and Roles

Divide the class into six groups of approximately equal size. Assign each group one of the following roles:

*Nancy* is 28 years old. The divorced mother of three children ages 3, 5, and 7, she is the department head.

She earns \$40,000 per year at her job and receives another \$3,600 per year in child support from her ex-husband.

*Ethel* is a 72-year-old widow. She works 25 hours per week at an hourly wage of \$8.50 to supplement her \$8,000 annual pension and earns a total of \$19,000 per year.

*John* is a 34-year-old born in Trinidad who is now a U.S. resident. He is married and the father of two small children. John attends college at night and is

within a year of earning his bachelor's degree. His salary is \$27,000 per year. His wife is an attorney and earns approximately \$50,000 per year.

*Lu* is 26 years old and single with a master's degree in education. He is paralyzed and confined to a wheelchair as a result of an auto accident. He earns \$32,000 per year.

*Maria* is a single, 22-year-old woman born and raised in Mexico. She came to the United States only 3 months ago, and her English needs considerable improvement. She earns \$20,000 per year.

*Mike* is a 16-year-old high school sophomore who works 15 hours per week after school and during vacations. He earns \$7.20 per hour, or approximately \$5,600 per year.

The members of each group are to assume the character consistent with their assigned role.

### Background

The six participants work for a company that has recently installed a flexible benefits program. Instead of the traditional "one benefit package fits all," the company is allocating an additional 25 percent of each employee's annual pay to be used for discretionary benefits. Those benefits and their annual cost are as follows:

- Supplementary health care for employee:
  - Plan A (no deductible and pays 90 percent) = \$3,000
  - Plan B (\$200 deductible and pays 80 percent) = \$2,000
  - Plan C (\$1,000 deductible and pays 70 percent) = \$500
- Supplementary health care for dependents (same deductibles and percentages as above):
  - Plan A = \$2,000
  - Plan B = \$1,500
  - Plan C = \$500
- Supplementary dental plan = \$500
- Life insurance:
  - Plan A (\$25,000 coverage) = \$500
  - Plan B (\$50,000 coverage) = \$1,000
  - Plan C (\$100,000 coverage) = \$2,000
  - Plan D (\$250,000 coverage) = \$3,000
- Mental health plan = \$500
- Prepaid legal assistance = \$300
- Vacation = 2 percent of annual pay for each week, up to 6 weeks a year
- Pension at retirement equal to approximately 50 percent of final annual earnings = \$1,500
- 4-day workweek during the 3 summer months (available only to full-time employees) = 4 percent of annual pay
- Day care services (after company contribution) = \$2,000 for all of an employee's children, regardless of number
- Company-provided transportation to and from work = \$750
- College tuition reimbursement = \$1,000
- Language class tuition reimbursement = \$500

### The Task

1. Each group has 15 minutes to develop a flexible benefits package that consumes 25 percent (and no more!) of its character's pay.
2. After completing step 1, each group appoints a spokesperson who describes to the entire class the benefits package the group has arrived at for its character.
3. The entire class then discusses the results. How did the needs, concerns, and problems of each participant influence the group's decision? What do the results suggest for trying to motivate a diverse workforce?

*Source:* Special thanks to Professor Penny Wright (San Diego State University) for her suggestions during the development of this exercise.

## ETHICAL DILEMMA Jekyll and Hyde

Let's assume you have been offered a job by Jekyll Corporation, a company in the consumer products industry. The job is in your chosen career path.

Jekyll Corporation has offered you a position that would begin 2 weeks after you graduate. The job responsibilities are appealing to you, make good use of your training, and are intrinsically interesting. The company seems well positioned financially, and you have met the individual who would be your supervisor, who assures you that the future prospects for your position and career are

bright. Several other graduates of your program work at Jekyll Corporation, and they speak quite positively of the company and promise to socialize and network with you once you start.

As a company, Jekyll Corporation promotes itself as a fair-trade and sustainable organization. Fair trade is a trading partnership—based on dialogue, transparency, and respect—that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of,



local producers and businesses. Fair-trade organizations are actively engaged in supporting producers and sustainable environmental farming practices, and fair-trade practices prohibit child or forced labor.

Yesterday, Gabriel Utterson—a human resources manager at Jekyll Corporation—called you to discuss initial terms of the offer, which seemed reasonable and standard for the industry. However, one aspect was not mentioned, your starting salary. Gabriel said Jekyll is an internally transparent organization—there are no secrets. While the firm very much wants to hire you, there are limits to what it can afford to offer, and before it makes a formal offer, it was reasonable to ask what you would expect. Gabriel wanted you to think about this and call back tomorrow.

Before calling Gabriel, you thought long and hard about what it would take to accept Jekyll Corporation's offer. You have a number in mind, which may or may not be the same number you give Gabriel. What starting salary would it take for you to accept Jekyll Corporation's offer?

### Questions

1. What starting salary will you give Gabriel? What salary represents the minimum offer you would accept? If these two numbers are different, why? Does giving

Gabriel a different number than your “internal” number violate Jekyll Corporation's transparent culture? Why or why not?

2. Assume you've received another offer, this one from Hyde Associates. Like the Jekyll job, this position is on your chosen career path and in the consumer products industry. Assume, however, that you've read in the news that *“Hyde Associates has been criticized for unsustainable manufacturing practices that may be harmful to the environment. It has further been criticized for unfair trade practices and for employing underage children.”* Would that change whether you'd be willing to take the job? Why or why not?
3. These scenarios are based on studies of Corporate Social Responsibility (CSR) practices that show consumers generally charge a kind of rent to companies that do not practice CSR. In other words, they generally expect a substantial discount in order to buy a product from Hyde rather than from Jekyll. For example, if Jekyll and Hyde sold coffee, people would pay a premium of \$1.40 to buy coffee from Jekyll and demand a discount of \$2.40 to buy Hyde coffee. Do you think this preference translates into job choice decisions? Why or why not?

## CASE INCIDENT 1 “Lessons for ‘Undercover’ Bosses”

Executive offices in major corporations are often far removed from the day-to-day work that most employees perform. While top executives might enjoy the perquisites found in the executive suite, and separation from workday concerns can foster a broader perspective on the business, the distance between management and workers can come at a real cost: top managers often fail to understand the ways most employees do their jobs every day. The dangers of this distant approach are clear. Executives sometimes make decisions without recognizing how difficult or impractical they are to implement. Executives can also lose sight of the primary challenges their employees face.

The practice of “management by walking around” (MBWA) works against the insularity of the executive suite. To practice MBWA, managers reserve time to walk through departments regularly, form networks of acquaintances in the organization, and get away from their desks to talk to individual employees. The practice was exemplified by Bill Hewlett and Dave Packard, who used this management style at HP to learn more about the challenges and opportunities their employees were encountering. Many other organizations followed suit and found that this style of management had advantages over a typical desk-bound approach to management. A recent study

of successful Swedish organizations revealed that MBWA was an approach common to several firms that received national awards for being great places to work.

The popular television program *Undercover Boss* took MBWA to the next level by having top executives from companies like Chiquita Brands, DirectTV, Great Wolf Resorts, and NASCAR work incognito among line employees. Executives reported that this process taught them how difficult many of the jobs in their organizations were, and just how much skill was required to perform even the lowest-level tasks. They also said the experience taught them a lot about the core business in their organizations and sparked ideas for improvements.

Although MBWA has long had its advocates, it does present certain problems. First, the time managers spend directly observing the workforce is time they are not doing their core job tasks like analysis, coordination, and strategic planning. Second, management based on subjective impressions gathered by walking around runs counter to a research and data-based approach to making managerial decisions. Third, it is also possible that executives who wander about will be seen as intruders and overseers. Implementing the MBWA style requires a great deal of foresight to avoid these potential pitfalls.

### Questions

1. What are some of the things managers can learn by walking around and having daily contact with line employees that they might not be able to learn from looking at data and reports?
2. As an employee, would you appreciate knowing your supervisor regularly spent time with workers? How would knowing top executives routinely interact with line employees affect your attitudes toward the organization?
3. What ways can executives and other organizational leaders learn about day-to-day business operations besides going “undercover?”
4. Are there any dangers in the use of a management by walking around strategy? Could this strategy lead employees to feel they are being spied on? What actions on the part of managers might minimize these concerns?

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## CASE INCIDENT 2 Era of the Disposable Worker?

The great global recession has claimed many victims. In many countries, unemployment is at near-historic highs, and even those who have managed to keep their jobs have often been asked to accept reduced work hours or pay cuts. Another consequence of the current business and economic environment is an increase in the number of individuals employed on a temporary or contingent basis.

The statistics on U.S. temporary workers are grim. Many, like single mother Tammy Smith, have no health insurance, no retirement benefits, no vacation, no severance, and no access to unemployment insurance. Increases in layoffs mean that many jobs formerly considered safe have become “temporary” in the sense that they could disappear at any time with little warning. Forecasts suggest that the next 5 to 10 years will be similar, with small pay increases, worse working conditions, and low levels of job security. As Peter Cappelli of the University of Pennsylvania’s Wharton School notes, “Employers are trying to get rid of all fixed costs. First they did it with employment benefits. Now they’re doing it with the jobs themselves. Everything is variable.”

We might suppose these corporate actions are largely taking place in an era of diminishing profitability. However, data from the financial sector is not consistent with this explanation. Among *Fortune* 500 companies, 2009 saw the second-largest jump in corporate earnings in the list’s 56-year history. Moreover, many of these gains do not appear to be the result of increases in revenue. Rather, they reflect dramatic decreases in labor costs. One equity market researcher noted, “The largest part of the gain

came from lower payrolls rather than the sluggish rise in sales . . .” Wages also rose only slightly during this period of rapidly increasing corporate profitability.

Some observers suggest the very nature of corporate profit monitoring is to blame for the discrepancy between corporate profitability and outcomes for workers. Some have noted that teachers whose evaluations are based on standardized test scores tend to “teach to the test,” to the detriment of other areas of learning. In the same way, when a company is judged primarily by the single metric of a stock price, executives naturally try their best to increase this number, possibly to the detriment of other concerns like employee well-being or corporate culture. On the other hand, others defend corporate actions that increase the degree to which they can treat labor flexibly, noting that in an increasingly competitive global marketplace, it might be necessary to sacrifice some jobs to save the organization as a whole.

The issues of how executives make decisions about workforce allocation, how job security and corporate loyalty influence employee behavior, and how emotional reactions come to surround these issues are all core components of organizational behavior research.

### Questions

1. To what extent can individual business decisions (as opposed to economic forces) explain deterioration in working conditions for many workers?
2. Do business organizations have a responsibility to ensure that employees have secure jobs with good

working conditions, or is their primary responsibility to shareholders?

3. What alternative measures of organizational performance, besides share prices, do you think might change the focus of business leaders?

4. What do you think the likely impact of the growth of temporary employment relationships will be for employee attitudes and behaviors? How would you develop a measurement system to evaluate the impact of corporate downsizing and temporary job assignments on employees?

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