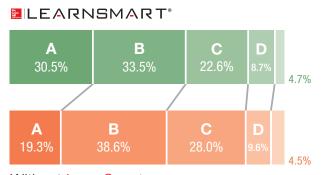


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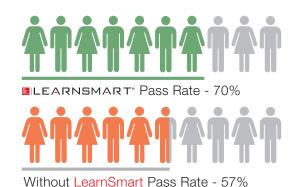
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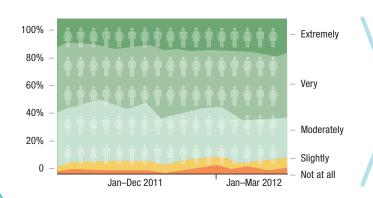
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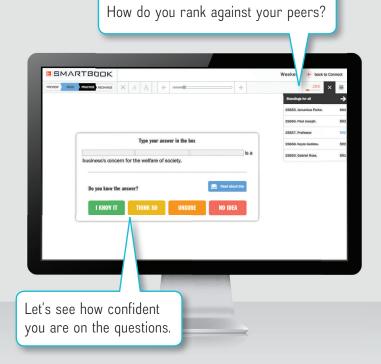
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# Organizational Behavior



# Organizational Behavior

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### ORGANIZATIONAL BEHAVIOR, THIRD EDITION

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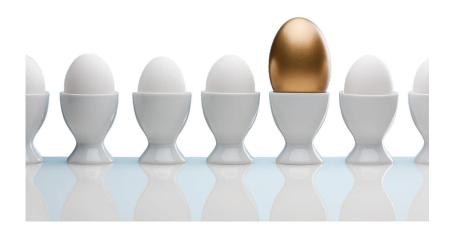
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# What's New in the Third Edition

Based on feedback from users and reviewers, we undertook an ambitious revision to make the book an even more effective teaching and learning tool. Following are the changes we've made for this third edition, broken out by chapter.

### Overall

- Most by-the-numbers factoids have been updated or replaced.
- New real-world examples have been introduced throughout the book.
- The majority of photos illustrating or symbolizing key concepts have been replaced.

# Chapter 1: Introduction to the Field of Organizational Behavior

In this edition, the opening chapter introduces an integrated model of organizational behavior to help students see the relationship among the main concepts throughout this book. This chapter has also been substantially reorganized for better conceptual flow. Furthermore, it updates and revises content on why we should study OB, the organizational learning perspective, and emerging employment relationships.

# Chapter 2: Individual Behavior, Personality, and Values

This edition updates several topics in this chapter, including new information about organizational citizenship behaviors, elements of task performance, the importance of role clarity, the influence of values on individual behavior, predictors of moral sensitivity, and strategies to support ethical behavior.

# Chapter 3: Perceiving Ourselves and Others in Organizations

This edition updates the topics on perceptual organization and interpretation, attribution rules, fundamental attribution error, and improving perceptions through meaningful interaction.

# Chapter 4: Workplace Emotions, Attitudes, and Stress

The topics of cognitive dissonance and emotional intelligence outcomes and development have been updated. This edition also updates information on types of emotions, the relationship between emotions and attitudes, and emotional dissonance.

### **Chapter 5: Employee Motivation**

This edition introduces social interaction and information processing demands as job characteristics that were overlooked by the traditional job design model. This chapter also updates and rewrites content on employee drives and the four-drive theory.

# Chapter 6: Decision Making and Creativity

The topic of subjective expected utility (a core element of rational choice decision making) has been rewritten, including a new exhibit to illustrate the concept. This edition also updates the discussion of escalation of commitment and problem identification.

### **Chapter 7: Team Dynamics**

This chapter has been substantially revised and updated. The team decision-making section has been substantially rewritten, including the addition of brainwriting as a team structure to improve creative decisions in teams. This edition also introduces team overconfidence (inflated team efficacy) as a team decision-making constraint. The chapter now discusses the types of teams around the emerging taxonomy of team permanence, skill differentiation, and authority differentiation. The team cohesion topic clearly explains two key contingencies (task interdependence and team norms) in how much cohesion affects team performance. The team environment topic has been rewritten to distinguish environmental resources from drivers of change within teams. The task characteristics discussion now identifies the tension

between task complexity and task ambiguity. The virtual teams topic incorporates the emerging concept of virtuality.

# Chapter 8: Communicating in Teams and Organizations

This edition refines and updates the topics of direct communication with top management and workplace communication through social media.

# Chapter 9: Power and Influence in the Workplace

This edition has minor rewriting in the topic of impression management and ingratiation.

# Chapter 10: Conflict and Negotiation in the Workplace

This edition has more detail about ways to reduce differentiation and to improve communication and mutual understanding as strategies to minimize dysfunctional conflict. Several other topics have minor revisions and updates, including task conflict, the problems with conflict, differentiation as a source of conflict, and conflict avoidance strategies.

# Chapter 11: Leadership in Organizational Settings

This chapter has been completely reorganized and substantially rewritten. Transformational leadership is now presented as the first leadership perspective. Furthermore, the

chapter expands discussion of strategic visions and incorporates "encourage experimentation" as one of the four elements of transformational leadership. Managerial leadership, the second leadership perspective, is described and contrasted with transformational leadership. The managerial leadership perspective incorporates earlier behavioral leadership concepts, contemporary contingency leadership theories, and servant leadership.

# Chapter 12: Designing Organizational Structures

This chapter revises and updates the matrix structure topic, including the two main forms of this structure (divisional-based and project-based) and specific problems with matrix structures.

### **Chapter 13: Organizational Culture**

The section on changing and strengthening organizational culture has been revised, particularly with the addition of supporting workforce stability and communication. The issue of espoused versus enacted values is more clearly highlighted, and the topics of organizational culture effectiveness contingencies and socialization agents have minor revisions.

### Chapter 14: Organizational Change

This edition revises and updates the topic of why employees resist change. The discussion on how change agents should interpret employee resistance has also been rewritten.

# Organizational Behavior

chapter

# Introduction to the Field of **Organizational Behavior**



After studying this chapter, you should be able to:

LO1-1 Define organizational behavior and organizations, and discuss the importance of this field of inquiry.

LO1-2 Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.

LO1-3 Discuss the anchors on which organizational behavior knowledge is based.

LO1-4 Compare and contrast the four perspectives of organizational effectiveness.

pple Inc. and Amazon.com are the two most admired companies in the world, according to Fortune magazine's annual list. Not surprising news to most of us, considering Apple's innovative products and Amazon's online retailing dominance. What is surprising is that neither company was on anyone's radar screen two decades ago. Apple was on life support in the late 1990s, barely clinging to a few percentage points of market share in the computer industry. Amazon was just a start-up company; its handful of employees were located above a retail tile store, where they developed a new website to sell books. Meanwhile, some firms that were most admired back then, such as Dell and Merck, have completely disappeared from the list because they failed

to innovate or fell into trouble with ethical misconduct.

The World's Most
Admired Companies2

10
General Electric
BEST

8
FedEx

7
Walt Disney

Best

Google

Best

Google

Berkshire Hathaway

# WELCOME TO THE FIELD OF ORGANIZATIONAL BEHAVIOR!

Apple and Amazon are role models of how organizations can succeed in today's turbulent environment. In every sector of the economy, organizations need to be innovative, employ skilled

and motivated people who can work in teams, have leaders with foresight and vision, and make decisions that consider the interests of multiple stakeholders. In other words, the best companies succeed through the concepts and practices that we discuss in this book on organizational behavior.

Our purpose is to help you understand what goes on in organizations, including the thoughts and behavior of employees and teams. We examine the factors that make companies effective, improve employee well-being, and drive successful collaboration among coworkers. We look at organizations from numerous and diverse perspectives, from the deepest foundations of employee thoughts and behavior (personality, self-concept, commitment, etc.) to the complex interplay between the organization's structure and culture and its external environment. Along this journey, we emphasize why things happen and what you can do to predict and manage organizational events.

We begin this chapter by introducing you to the field of organizational behavior and explaining why it is important to your career and to organizations. This is followed by an overview of three challenges facing organizations: globalization, increasing workforce diversity, and emerging employment relationships. We then describe four anchors that guide the development of organizational behavior knowledge. The latter part of this chapter describes the "ultimate dependent variable" in organizational behavior by presenting the four main perspectives of organizational effectiveness. The chapter closes with an integrating model of organizational behavior to help guide you through the topics in this book.

LO1-1 Define organizational behavior and organizations, and discuss the importance of this field of inquiry.

# THE FIELD OF ORGANIZATIONAL BEHAVIOR

Organizational behavior (OB) is the study of what people think, feel, and do in and around organizations. It looks at employee behavior, decisions, perceptions, and emotional responses. It examines how individuals and teams in organizations relate to each other and to their counterparts in other organizations. OB also encompasses the study of how organizations interact with their external environments, particularly in the context of employee behavior and decisions. OB researchers systematically study these topics at multiple levels of analysis, namely, the individual, team (including interpersonal), and organization.<sup>3</sup>

The definition of organizational behavior begs the question: What are organizations? **Organizations** are groups of people who

### organizational behavior

(OB) the study of what people think, feel, and do in and around organizations

organizations groups of people who work interdependently toward some purpose

work interdependently toward some purpose.<sup>4</sup> Notice that organizations are not buildings or government-registered entities. In fact, many organizations exist without either physical walls or government documentation to confer their legal status. Organizations have existed for as long as people have worked together. Massive temples dating back to 3500 BC were constructed through the organized actions of multitudes of people. Craftspeople and merchants in ancient Rome formed guilds, complete

with elected managers. More than 1,000 years ago, Chinese factories were producing 125,000 tons of iron each year.<sup>5</sup>

Throughout history, these and other organizations have consisted of people who communicate, coordinate, and collaborate with each other to achieve common objectives. One key feature of organizations is that they are collective entities. They consist of human beings (typically, but not necessarily,



employees and leaders try to achieve in reality. Still, imagine an organization without a collective sense of purpose. It would be a collection of people without direction or unifying force. So, whether they are designing smartphones at Apple or selling almost anything on the Internet at Amazon, people working in organizations do have some sense of collective purpose.

"A company is one of humanity's most amazing inventions. . . . [It's] this abstract construct we've invented, and it's incredibly powerful."6

-Steve Jobs

employees), and these people interact with each other in an *organized* way. This organized relationship requires some minimal level of communication, coordination, and collaboration to achieve organizational objectives. As such, all organizational members have degrees of interdependence with each other; they accomplish goals by sharing materials, information, or expertise with coworkers.

A second key feature of organizations is that their members have a collective sense of purpose. This collective purpose isn't always well defined or agreed on. Although most companies have vision and mission statements, these documents are sometimes out of date or don't describe what

### Historical Foundations of Organizational Behavior

Organizational behavior emerged as a distinct field around the early 1940s, but organizations have been studied by experts in other fields for many centuries. The Greek philosopher Plato wrote about the essence of leadership. Around the same time, the Chinese philosopher Confucius extolled the virtues of ethics and leadership. In 1776, Adam Smith discussed the benefits of job specialization and division of labor. One hundred years later, German sociologist Max Weber wrote about rational organizations, the work ethic, and charismatic leadership. Soon

after, industrial engineer Frederick Winslow Taylor proposed systematic ways to organize work processes and motivate employees through goal setting and rewards.<sup>7</sup>

In the 1930s, Harvard professor Elton Mayo and his colleagues established the "human relations" school of management, which emphasized the study of employee attitudes and informal group dynamics in the workplace. Around the same time, Mary Parker Follett offered new ways of thinking about constructive conflict, team dynamics, power, and leadership. Chester Barnard, another OB pioneer and respected executive, wrote insightful views regarding organizational communication, coordination, leadership and authority, organizations as open systems, and team dynamics. This brief historical tour indicates that OB has been around for a long time; it just wasn't organized into a unified discipline until around World War II.

### Why Study Organizational Behavior?

Organizational behavior instructors face a challenge: Students who have not yet begun their careers tend to value courses related to specific jobs, such as accounting and marketing. However, OB

doesn't have a specific career path—there is no "vice president of OB"—so students sometimes have difficulty recognizing the value that OB knowledge can offer to their future. Meanwhile, students with several years of work experience identify OB as one of the most important courses. Why? Because they have learned through experience that OB *does make a difference* to one's career success. OB helps us make sense of and predict the world in which we live. <sup>10</sup> We use OB theories to

question our personal beliefs and assumptions and to adopt more accurate models of workplace behavior.

But probably the greatest value of OB knowledge is that it helps us get things done in the workplace. <sup>11</sup> By definition, organizations are people who work together to accomplish things, so we need a toolkit of knowledge and skills to work successfully with others. Building a high-performance team, motivating coworkers, handling workplace conflicts, influencing your boss, and changing employee behavior are just a few of the areas of knowledge and skills offered in organizational behavior. No matter what career path you choose, you'll find that OB concepts play an important role in performing your job and working more effectively within organizations.

**Organizational Behavior Is for Everyone** A common misunderstanding is that organizational behavior is for managers. Although this knowledge is critical for effective management, this book pioneered the broader view that OB is valuable for everyone who works in and around organizations. Whether you are a software engineer, customer service representative, foreign exchange analyst, or chief executive officer,



you need to understand and apply the many organizational behavior topics that are discussed in this book. Most organiza-

tions will probably always have managers, and this book recognizes the relevance of OB knowledge in these vital roles. But all employees need OB knowledge as the work environment increasingly expects us to be self-motivated and to work effectively with coworkers without management intervention. In the words of one forward-thinking OB writer more than four decades ago: Everyone is a manager.<sup>12</sup>

Probably the greatest value of OB knowledge is that it helps us get things done in organizations.

**OB** and the Bottom Line Up to this point, our answer to the question "Why study OB?" has focused on how organizational behavior knowledge benefits you as an individual. However, OB knowledge is just as important for the organization's financial health. Numerous studies have reported that OB practices are powerful predictors of the organization's survival and success.<sup>13</sup> For instance, the best 100 companies to work for in America (i.e., companies with the highest levels of employee satisfaction) have significantly higher financial performance than other businesses within the same industry. Companies with higher levels of employee engagement have significantly higher sales and profitability (see Chapter 5). OB practices are also associated with various indicators of hospital performance, such as lower patient mortality rates and higher patient satisfaction. Other studies have consistently found a positive relationship between the quality of leadership and the company's return on assets.

The bottom-line value of organizational behavior is supported by research into the best predictors of investment portfolio performance. These investigations suggest that leadership, performance-based rewards, employee development, employee

### globalization

economic, social, and cultural connectivity with people in other parts of the world

attitudes, and other specific OB characteristics are important "positive screens" for selecting companies with the highest and

most consistent long-term investment gains.<sup>14</sup> Overall, the organizational behavior concepts, theories, and practices presented throughout this book do make a positive difference to you personally, to the organization, and ultimately to society.

> LO1-2 Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.

# CONTEMPORARY **CHALLENGES FOR ORGANIZATIONS**

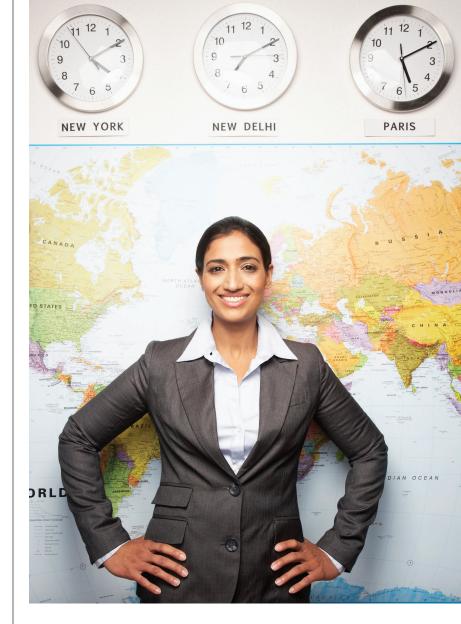
Organizational behavior knowledge has become vital because organizations are experiencing unprecedented change. As we will explain in more detail later in this chapter, organizations are deeply affected by the external environment. Consequently, they need to maintain a good organization-environment fit by anticipating and adjusting to changes in society. Over the next few pages, we highlight three of the major challenges facing organizations: globalization, increasing workforce diversity, and emerging employment relationships.

### Globalization

Globalization refers to economic, social, and cultural connectivity with people in other parts of the world. Organizations globalize when they actively participate in other countries and cultures. Although businesses have traded goods across borders for centuries, the degree of globalization today is unprecedented because information technology and transportation systems allow a much more intense level of connectivity and interdependence around the planet.<sup>15</sup>

Globalization offers numerous benefits to organizations in terms of larger markets, lower costs, and greater access to knowledge and innovation. At the same time, there is considerable debate about whether globalization benefits developing nations and whether it is primarily responsible for increasing work intensification, as well as reducing job security and work-life balance in developed countries.<sup>16</sup>

Globalization is now well entrenched, so the most important issue in organizational behavior is how corporate leaders and employees alike can lead and work effectively in this emerging reality.<sup>17</sup> Throughout this book, we will refer to the effects of globalization on teamwork, diversity, cultural values, organizational structure, leadership, and other themes. Each topic highlights that globalization has brought more complexity to the workplace, but also more opportunities and potential benefits for individuals and organizations. Globalization requires



additional knowledge and skills that we will also discuss in this book, such as emotional intelligence, a global mindset, nonverbal communication, and conflict handling.

### Increasing Workforce Diversity

In most Japanese corporations, the board of directors consists exclusively of older generation Japanese males. If the group has any diversity, it is whether the board member has an engineering or nonengineering education. Hitachi chair Takashi Kawamura recognized that this lack of diversity limited the conglomerate's potential. "Governance handled by Japanese men with homogeneous thinking is no good," says Kawamura. "To be global is to bring diversity into the company's governance." Hitachi is in the process of diversifying its board. Hitachi's board now includes three foreign executives, including one female executive.<sup>18</sup>

Kawamura is increasing the surface-level diversity of the conglomerate's board of directors. Surface-level diversity refers to the observable demographic and other overt differences among members of a group, such as their race, ethnicity, gender, age, and physical capabilities. 19 Surface-level diversity is increasing in many other parts of the world due to more open and less discriminatory immigration policies. For instance, people with non-Caucasian or Hispanic origin currently represent one-third of the American population. Within the next 50 years, one in four Americans will be Hispanic, 14 percent will be African American, and 8 percent will be of Asian descent.<sup>20</sup>

Diversity also includes differences in the psychological characteristics of employees, including personalities, beliefs, values, and attitudes. We can't directly see this **deep-level diversity**, but it is evident in a person's decisions, statements, and actions. A popular example is the apparent deeplevel diversity across generations.<sup>21</sup> Exhibit 1.1 illustrates the distribution of the American workforce by major generational cohorts: 37 percent Baby Boomers (born from 1946 to 1964). 28 percent Generation Xers (born from 1965 to 1980), and 26 percent Millennials (also called Generation Yers, born after 1980).

Some writers have made wild claims about how much employees differ across generational cohorts. Generational deep-level diversity differences do exist, but systematic research indicates that these differences are subtle. In fact, some differences are due to age, not cohort. In other words, Boomers had many of the same attitudes as Millennials when they were that age.<sup>23</sup> One recent investigation of 23,000 undergraduate college and university students reported that, compared with the other groups, Millennials expect more rapid career advancement regarding promotions and pay increases.24 These observations are consistent with other studies, which have found that Millennials are more self-confident, are more self-focused, and have less work centrality (i.e., work is less of a central life interest) when compared to Baby Boomers. Generation Xers

typically average somewhere between these two cohorts.<sup>25</sup>

### **Consequences of Diversity**

decisions on complex problems than do teams whose members

have similar backgrounds. There is also some evidence that companies that win diversity awards have higher financial returns, at least in the short run.27 This is consistent with anecdotal evidence from many corporate leaders, namely that having a diverse workforce improves customer service and creativity. "As a company serving customers around the globe, we greatly value the diverse opinions and experiences that an inclusive and diverse workforce brings to the table," says a Verizon executive. The American telecommunications company has

surface-level diversity the observable demographic or physiological differences

in people, such as their race,

ethnicity, gender, age, and

deep-level diversity

physical disabilities

differences in the

characteristics of

employees, including

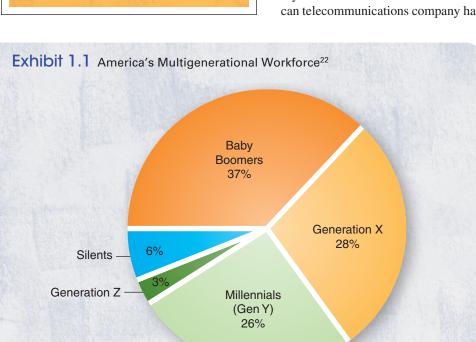
personalities, beliefs,

values, and attitudes

psychological

Diversity presents both opportunities and challenges in organizations.26 Diversity is an advantage because it provides diverse knowledge. Furthermore, teams with some forms of diversity (particularly occupational diversity) make better

Companies that offer an inclusive workplace are, in essence, fulfilling the ethical standard of fairness in their decisions regarding employment and the allocation of rewards.



Note: Percentage of U.S. workforce by age group, based on data from the U.S. Bureau of Labor Statistics. "Silents" represent the generation of employees born before 1946. Generation Zers were born after 1990, although some sources consider this group part of the Millennials.

work-life balance the degree to which a person minimizes conflict between work and nonwork demands

virtual work work performed away from the traditional physical workplace by using information technology won several awards for its inclusive practices.<sup>28</sup>

Is workforce diversity a sound business proposition? Yes, but research indicates that the reasons are not clearcut because most forms of diversity have both challenges

and benefits.<sup>29</sup> Teams with diverse employees usually take longer to perform effectively because they experience numerous communication problems and create "faultlines" in informal group dynamics. Diversity is also a source of conflict, which can reduce information sharing and morale. But even with these challenges, companies need to make diversity a priority because surface-level diversity is a moral and legal imperative. Companies that offer an inclusive workplace are, in essence, fulfilling the ethical standard of fairness in their decisions regarding employment and the allocation of rewards. Fairness is a well-known predictor of employee loyalty and satisfaction.

# **Emerging Employment Relationships**

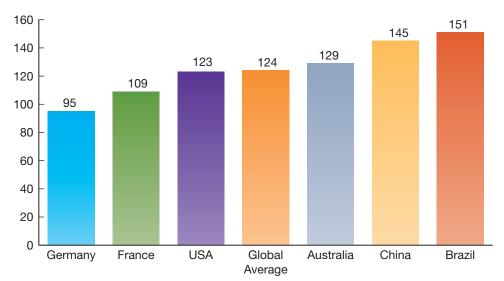
Combine globalization with increasing workforce diversity, then add in recent developments in information technology. The resulting concoction has created incredible changes in employment relationships. A few decades ago, most (although not all) employees in the United States and similar cultures would finish their workday after eight or nine hours and could

separate their personal time from work time. There were no smartphones or Internet connections to keep them tethered to work on a 24/7 schedule. Even business travel was more of an exception due to its high cost. Most competitors were located in the same country, so they had similar work practices and labor costs. Today, work hours are longer (although arguably less than 100 years ago), employees experience more work-related stress, and there is growing evidence that family and personal relations are suffering.

Little wonder that one of the most important employment issues over the past decade has been **work-life balance**. Work-life balance occurs when people are able to minimize conflict between their work and nonwork demands. Most employees lack this balance because they spend too many hours each week performing or thinking about their job, whether at the workplace, at home, or on vacation. This focus on work leaves too little time to fulfill nonwork needs and obligations. Our discussion of work-related stress (Chapter 4) will examine work-life balance issues in more detail.

Another employment relationship trend is **virtual work**, whereby employees use information technology to perform their jobs away from the traditional physical workplace.<sup>32</sup> Some virtual work occurs when employees are connected to the office while traveling or at clients' offices. However, the most common form involves working at home rather than commuting to the office (called *telecommuting* or *teleworking*). One large-scale recent survey of employees across 24 countries reports that 17 percent of those connected from their home to the office telecommute on a frequent basis. However, less than 10 percent of connected Americans telecommute. The U.S. government reports

### Global Work-Life Balance Index<sup>31</sup>



Based on interviews with more than 16,000 business respondents from the Regus global contacts database. This exhibit shows the Regus work–life balance index for each country listed, as well as globally (includes several countries not shown here). A higher score indicates that employees in that country experience better work–life balance. The index is standardized to 100 as the average country score in the first survey a few years ago.



that 32 percent of its employees are eligible to telecommute, but only 170,000 actually make use of that policy. More than 10 percent of Japanese employees work from home at least one day each week, a figure that the Japanese government wants to double within the next few years.<sup>33</sup>

The benefits and limitations of virtual work, particularly working from home, have been the subject of considerable research and discussion. One of the most consistent observations on the benefits side of the ledger is that telework is one of the most popular perks among job applicants. This work arrangement particularly attracts well-educated, tech-savvy younger generation employees. Another significant benefit is that telework improves work-life balance for most people, mainly because they have more time that previously was consumed traveling to the office. A study of 25,000 IBM employees found that female telecommuters with children were able to work 40 hours per week, whereas nontelecommuters could manage only 30 hours before feeling work-life balance tension.<sup>34</sup>

Telework potentially improves productivity because employees experience less stress and tend to allocate some former commuting time to work activity. Another benefit is that employees remain productive when the weather or natural disasters block access to the office. For instance, 30 percent of U.S. federal government employees were able to continue working from home during a major snowstorm, which saved the government \$30 million per day.

Telework also has environmental and financial benefits. Cisco Systems employees worldwide who telework avoid producing almost 50,000 metric tons of greenhouse gas emissions. Telus, one of Canada's largest telecommunications companies, has been able to reduce its office space by 25 percent in recent years by encouraging most of its workforce to telecommute. Its employees have also reported cost savings. One Telus employee in Vancouver recently estimated that she saves \$650 each month in travel costs by working from home most days.<sup>35</sup>

Against these benefits are several challenges and limitations of virtual work.<sup>36</sup> There is fairly consistent evidence that employees who telecommute most of the time experience more social isolation and less cohesion with their coworkers. To minimize these problems, many companies require employees to work at the office at least once or twice each week. Another issue is that some employees who cannot telework (as well as some who choose not to) feel that teleworking is unfair to them (i.e., teleworkers have more freedom and benefits). At the same time, at least one study reports that teleworkers also feel an unfair disadvantage, believing that employees on company premises receive more support and promotion opportunities. For this reason, virtual work arrangements are also more successful in organizations that evaluate employees by their performance outcomes rather than "face time" (i.e., face-to-face interactions with the boss and coworkers).<sup>37</sup>

Telecommuting's main benefit is work-life balance, but some studies have found that family relations suffer rather than improve if employees lack sufficient space and resources for a home office. Finally, telework is better suited to people who are self-motivated, organized, can work effectively with broadband and other technology, and have sufficient fulfillment of social needs elsewhere in their life.

LO1-3 Discuss the anchors on which organizational behavior knowledge is based.

# ANCHORS OF ORGANIZATIONAL BEHAVIOR KNOWLEDGE

Globalization, increasing workforce diversity, and emerging employment relationships are just a few of the trends that challenge organizations and make the field of organizational behavior more relevant than ever before. To understand these and other topics, the field of organizational behavior relies on a set of basic beliefs or knowledge structures (see Exhibit 1.2). These conceptual anchors represent the principles on which OB knowledge is developed and refined.<sup>38</sup>