McShane
Von Glinow

seventh edition
organizational behavior
emerging knowledge, global reality

organizational behavior

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organizational behavior

seventh edition

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ORGANIZATIONAL BEHAVIOR:
EMERGING KNOWLEDGE, GLOBAL REALITY, SEVENTH EDITION

about the AUTHORS

Steven L. McShane

Steven L. McShane is Winthrop Professor of Management at the University of Western Australia (UWA) Business School, where he receives high teaching ratings from students in Perth, Singapore, Manila, and other cities where UWA has offered its programs. He previously taught in the business faculties at Simon Fraser University and Queen's University in Canada. Steve is also a popular visiting speaker, having given dozens of invited talks and seminars in recent years to faculty and students in the United States, China, Canada, Malaysia, India, and other countries.

Steve earned his Ph.D. from Michigan State University, where he specialized in organizational behavior and labor relations. He also holds a Master's of Industrial Relations from the University of Toronto and an undergraduate degree from Queen's University in Canada. Steve is a past president of the Administrative Sciences Association of Canada (the Canadian equivalent of the Academy of Management) and served as Director of Graduate Programs in Simon Fraser University's business faculty. He has conducted executive programs with Nokia, TÜV-SÜD, Wesfarmers Group, Main Roads WA, McGraw-Hill, ALCOA World Alumina Australia, and many other organizations.

Along with co-authoring Organizational Behavior, Seventh Edition, Steve is lead co-author of Canadian Organizational Behaviour, Eighth Edition (2012), Organisational Behaviour: Asia Pacific, Fourth Edition (2013), and M: Organizational Behavior, Second Edition (2014). He is also co-author of editions or translations of his organizational behavior books in China, India, Quebec, Taiwan, and Brazil. Steve has published several dozen articles and conference papers on workplace values, training transfer, organizational learning, exit-voice-loyalty, employee socialization, wrongful dismissal, media bias in business magazines, and other diverse topics.

Steve enjoys spending his leisure time hiking, swimming, body board surfing, canoeing, skiing, and travelling with his wife and two daughters.

Mary Ann Von Glinow

Dr. Von Glinow is a Knight Ridder Eminent Scholar Chair in International Management, and has been Director of the Center for International Business Education and Research at Florida International University for the past 17 years. She is the 2010 to 2012 President of the Academy of International Business (AIB) and an editor of JIBS. Previously on the Marshall School faculty of the University of Southern California, she has an MBA and a Ph.D. in Management Science from The Ohio State University. Dr. Von Glinow was the 1994–95 President of the Academy of Management, the world's largest association of academicians in management, and is a Fellow of the Academy and the Pan-Pacific Business Association. She sits on 11 editorial review boards and numerous international panels. She teaches in executive programs in Latin America, Central America, the Caribbean region, Asia, and the U.S.

Dr. Von Glinow has authored over 100 journal articles and 13 books. Her most recent books include Managing Multinational Teams (Elsevier, 2005) and Organizational Learning Capability (Oxford University Press, 1999; in Chinese and Spanish translation), which won a Gold Book Award from the Ministry of Economic Affairs

in Taiwan in 2002. She has also coauthored the popular Organizational Behavior, Sixth Edition, textbook and M: Organizational Behavior, First Edition (McGraw-Hill/Irwin, 2012). She heads an international consortium of researchers delving into "Best International Human Resource Management Practices," and her research in this arena won an award from the American Society for Competitiveness' Board of Trustees. She also received an NSF grant to study globally distributed work. Dr. Von Glinow is the 2005 Academy of Management recipient of the Distinguished Service Award, which is one of the Academy's three highest honors bestowed.

Mary Ann is consultant to a number of domestic and multinational enterprises, and serves as a mayoral appointee to the Shanghai Institute of Human Resources in China. Since 1989, she has been a consultant in General Electric's "Workout" and "Change Acceleration Program" including "Coaching to Management." Her clients have included Asia Development Bank, American Express, Diageo, Knight Ridder, Burger King, Pillsbury, Westinghouse, Southern California Edison, Aetna, State of Florida, Kaiser Permanente, TRW, Rockwell Int'l, Motorola, N.Y. Life, Amoco, Lucent, and Joe's Stone Crabs, to name a few. She is on the Board of Friends of WLRN, Fielding University, Friends of Bay Oaks, the Pan-Pacific Business Association, and Animal Alliance in Los Angeles. She is actively involved in several animal welfare organizations and received the 1996 Humanitarian Award of the Year from Miami's Adopt-a-Pet.

dedication

Dedicated with love and devotion to Donna, and to our wonderful daughters, Bryton and Madison

—S.L.M.

Dedicated to Zack, Emma, Googun, Blue, Lucky, Chloe, and Grazia

—M.A.V.G.

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preface

Welcome to the dynamic world of organizational behavior! Knowledge is replacing infrastructure. Social media and virtual teams are transforming the way employees interact and accomplish organizational objectives. Values and self-leadership are replacing command-and-control management. Companies are looking for employees with emotional intelligence and team competencies, not just technical smarts.

Organizational Behavior, Seventh Edition, is written in the context of these emerging workplace realities. This edition explains how emotions are the foundation of employee motivation, attitudes, and decisions; how social networks generate power and shape communication patterns; how self-concept influences individual behavior, team cohesion, and leadership; and how adopting a global mindset has become an important employee characteristic in this increasingly interconnected world. This book also presents the reality that organizational behavior is not just for managers; it is relevant and valuable to anyone who works in and around organizations.

Linking Theory With Reality

Every chapter of *Organizational Behavior* is filled with examples to make OB knowledge more meaningful and reflect the relevance and excitement of this field. These stories about real people and organizations translate academic theories into relevant knowledge and real-life applications. For example, we describe how Hilcorp Energy Company has become one of the most successful oil and gas companies in the United States through job design and organization-level rewards; how JCPenney's sales dropped by one-third after its incoming CEO and fellow executives made a series of decision blunders; how Michigan software company Menlo Innovations has an intensive team-based "pair programming" work arrangement; how Telstra CEO David Thodey orchestrated a remarkable turnaround of the Australian telecommunications giant; how Deloitte Touche Tohmatsu employees are motivated through innovative game-based positive reinforcement to document client visits and attend online courses; and how online shoe retailer Zappos thrives on a strong corporate culture.

These real-life stories appear in many forms. Every chapter is filled with photo captions and in-text anecdotes about work life. Lengthier examples appear in *Global Connections* features, which "connect" OB concepts with real organizational incidents and situations. Case studies in each chapter also connect OB concepts to the emerging workplace realities. These stories provide representation across the United States and around the planet, covering a wide range of industries—from software to government, and from small businesses to the largest global organizations.

Global Focus

From its first edition, this book has been crafted around the reality that we live in a world of increasing globalization. The Seventh Edition continues this global focus by introducing the theme in the first chapter and by discussing global and cross-cultural issues in many other chapters. Furthermore, every chapter includes truly global examples, not just how American companies operate in other parts of the world. Some examples include how Tencent founder and CEO "Pony" Ma Huateng relies on transformational leadership rather than charisma to lead China's social media revolution; how the MARS model of individual behavior helps Iceland Foods Group in the United Kingdom create a high-performing workforce; how Brasilata in Sao Paulo, Brazil, succeeds through employee involvement and creativity; how the CEO of Alcoa Russia fended off corruption by emphasizing the company's values; and how DHL Express in Africa succeeds through high employee engagement.

Contemporary Theory Foundation

Organizational Behavior has a solid foundation in contemporary and classic research and writing, as reflected in the references. Each chapter is based on dozens of articles, books, and other sources. The most recent literature receives thorough coverage, resulting in what we believe is the most up-to-date organizational behavior textbook available. The topics in this book reflect our strong belief that organizational behavior is multi-disciplinary, not aligned mainly with one social science field. This book's references also reveal that we reach out to marketing, information management, human resource management, and other business disciplines for new ideas. Our approach is also to focus information that readers value, namely OB knowledge and practices. Consequently, with a few classic exceptions, we avoid writing a "who's who" book; most scholars are named in the references, not in the main text.

One of the driving forces for writing *Organizational Behavior* is to provide a faster conduit for emerging OB knowledge to reach students, practitioners, and fellow scholars. To its credit, this is apparently the first major OB book to discuss the full self-concept model (not just core self-evaluation), workplace emotions, social identity theory, global mindset, four-drive theory, specific elements of social networks, appreciative inquiry, affective events theory (but without the jargon), somatic marker theory (also without the jargon), virtual teams, mindfulness in ethical behavior, Schwartz's values model, employee engagement, learning orientation, workaholism, and several other groundbreaking topics. This edition continues this leadership by introducing the latest knowledge on predictors of moral intensity, distinguishing the two main types of matrix organizational structure, the degrees of virtuality (ranging from in-situ to virtual teams), task interdependence as a contingency in the team cohesion-performance relationship, communicator characteristics that influence coding and decoding, and the social characteristics of job design.

Organizational Behavior Knowledge for Everyone

Another distinctive feature of *Organizational Behavior* is that it is written for everyone in organizations, not just managers. The philosophy of this book is that everyone who works in and around organizations needs to understand and make use of organizational behavior knowledge. People throughout the organization—systems analysts, production employees, accounting professionals—are taking on more responsibilities as companies remove layers of management and give the rest of us more autonomy and accountability for our work outcomes. This book helps everyone to make sense of organizational behavior, and provides the conceptual tools to work more effectively in the workplace.

Active Learning and Critical Thinking Support

We teach organizational behavior, so we understand how important it is to use a textbook that offers deep support for active learning and critical thinking. Business school accreditation associations also emphasize the importance of the learning experience, which further reinforces our attention on classroom activities. This Seventh Edition includes almost three dozen case studies in various forms and levels of complexity, as well as four dozen self-assessments, most of which have been empirically tested and validated. This book is also a rich resource for in-class activities, some of which are not available in other organizational behavior books, such as the Employee Involvement Cases, Deciphering the (Social) Network, Test Your Knowledge of Personality, Mist Ridge, and the Cross-Cultural Communication Game.

Changes to the Seventh Edition

In response to reviews by dozens of organizational behavior instructors and researchers in several countries, there are numerous improvements throughout the book. Chapter 8 (teams) and Chapter 12 (leadership) have been significantly revised, and almost every other chapter has noticeable updates and revisions. Along with dozens of conceptual improvements, this edition has substantially revised the examples. All chapter-opening case studies are new or revised. Most captioned photos and Global Connections features are new or updated. We have also added more than 100 new in-text examples. Here are the main conceptual improvements in *Organizational Behavior,* Seventh Edition:

- *Chapter 1: Introduction to the Field of Organizational Behavior*—This opening chapter received considerable revision in the previous edition, so this edition has relatively minor refinements and updates, notably regarding the four perspectives of organizational effectiveness.

- *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, predictors of moral intensity, and mindfulness in ethical behavior. The sections on personality and personal values have also been further refined in several places.

- *Chapter 3: Perceiving Ourselves and Others in Organizations*—This book was apparently the first to discuss the full model of self-concept and its relevance to organizational behavior. This edition further refines this important topic, including a new exhibit that illustrates the full set of self-concept characteristics and processes. Other improvements to this chapter are found in the topics on attribution rules, fundamental attribution error, and improving perceptions through meaningful interaction.

- *Chapter 4: Workplace Emotions, Attitudes, and Stress*—This was the first OB book to discuss theories of emotion (i.e., affective events theory, somatic marker hypothesis, and affect infusion model) and to integrate those concepts with attitudes, motivation, decision making, and other topics. This edition continues this tradition by updating information on types of emotions, the relationship between emotions and attitudes, and emotional labor. The topics of cognitive dissonance and emotional intelligence outcomes and training have also been updated.

- *Chapter 5: Foundations of Employee Motivation*—This chapter has relatively minor updating, including some rewriting on employee drives and Maslow's needs hierarchy.

- *Chapter 6: Applied Performance Practices*—This edition introduces recent job design knowledge about the social characteristics of jobs as well as the predictability or information processing demands of jobs.

- *Chapter 7: Decision Making and Creativity*—The most noticeable change in this chapter is that the topic of escalation of commitment is significantly rewritten and updated. You will also find minor rewriting and updating on subjective expected utility, problems with problem identification, and a few other topics.

- *Chapter 8: Team Dynamics*—This chapter has been substantially revised and updated. The types of teams are now discussed around the emerging taxonomy of team permanence, skill differentiation, and authority differentiation. The team decision-making section has been substantially rewritten, including the addition of brainwriting as a team structure to improve creative decisions in teams. The team environment topic has been rewritten to distinguish environmental resources from drivers of change within teams. The task characteristics discussion now points out the tension between task complexity and task ambiguity. The virtual teams topic incorporates the emerging concept of virtuality. The chapter now outlines two key contingencies

(task interdependence and team norms) in the team cohesion-performance relationship. The outdated "groupthink" concept has been replaced with overconfidence as a team decision-making constraint. The topics of team diversity and team development processes (team identities and mental models) have also been revised.

- *Chapter 9: Communicating in Teams and Organizations*—Along with almost complete replacement or updating of examples throughout this chapter, this edition refines and updates the topic of effective coding and decoding. There is also minor rewriting on the topics of direct communication with top management and workplace communication through social media.

- *Chapter 10: Power and Influence in the Workplace*—The previous edition substantially revised this chapter (particularly on social networks), whereas this edition has relatively minor changes. In particular, the topics of impression management and ingratiation as well as minimizing organizational politics have been rewritten.

- *Chapter 11: Conflict and Negotiation in the Workplace*—This chapter has minor changes and updated content, particularly on task conflict, emotional stability as a factor that minimizes the link with relationship conflict, and conflict avoidance strategies.

- *Chapter 12: Leadership in Organizational Settings*—This chapter has been completely reorganized and substantially rewritten. Transformational leadership is widely considered the core perspective on this subject, so we now begin the chapter with the transformational leadership perspective (after the chapter introduction, which also describes shared leadership). The transformational leadership perspective also now includes "encourage experimentation" as one of its four elements. The second perspective, managerial leadership, is described and contrasted with transformational leadership. The managerial leadership perspective incorporates earlier behavioral leadership concepts, contemporary contingency leadership theories, and servant leadership. The other two leadership perspectives—implicit leadership and leadership competencies—have minor updates from the previous edition.

- *Chapter 13: 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. Other parts of this chapter, such as organic structures, received more subtle updating and revision.

- *Chapter 14: 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.

- *Chapter 15: Organizational Change*—This edition streamlines the discussion on resistance to change and updates the discussion of why employees resist change.

acknowledgments

Organizational behavior is a fascinating subject. It is also incredibly relevant and valuable, which becomes apparent while developing a world-class book such as *Organizational Behavior, Seventh Edition*. Throughout this project, we witnessed the power of teamwork, the excitement of creative thinking, and the motivational force of the vision that we collectively held as our aspiration. The tight coordination and innovative synergy was evident throughout this venture. Our teamwork is even more amazing when you consider that most team members on this project are scattered throughout the United States, and the lead co-author (Steve) spends most of his time on the other side of the planet!

Executive brand manager Mike Ablassmeir led the development of *Organizational Behavior* with unwavering enthusiasm and foresight. Managing development editor Laura Hurst Spell orchestrated the daily process with superhuman skill and determination, which is particularly important given the magnitude of this revision, the pressing deadlines, and the 24-hour time zones in which we operated. Jennifer Blankenship, our photo researcher, continues to amaze us. She tracked down photos that we sought from every corner of the globe. Debra Kubiak created a refreshing book design that elegantly incorporated the writing, exhibits, anecdotes, photos, and many other resources that we pack into this volume. We also extend our thanks to Elisabeth Nevins Caswell for superb copy editing, Katie Klochan for leading the production process like a precision timepiece, and Elizabeth Trepkowski for her excellent marketing and sales development work. Thanks to you all. This has been a truly wonderful journey!

Several dozen instructors around the world reviewed parts or all of *Organizational Behavior, Seventh Edition*, or related editions in other countries over the past few years. Their compliments were energizing, and their suggestions significantly improved the final product. The following people from U.S. colleges and universities provided the most recent feedback for improvements specifically for this edition:

supporting the learning process

AN INTERNATIONAL AUTHOR TEAM FOR THE GLOBAL EMPLOYEE

Drawing on their extensive international teaching and research experience, the authors have produced a book that is highly regarded for its global focus. Steve McShane teaches in Australia and Singapore and gives talks each year to schools throughout Asia and North America. As Director of the Center for International Business Education, Mary Ann Von Glinow regularly visits and conducts research in South America, China, and elsewhere around the world.

DEBATING POINTS

Debating Point boxes help students to think critically and to recognize that even seemingly obvious ideas have logical counterarguments. Debating Points also raise the bar by focusing on topics that are central to the world of work.

debating point
IS THERE ENOUGH EVIDENCE TO SUPPORT EVIDENCE-BASED MANAGEMENT?

One of the core anchors of organizational behavior is that knowledge must be built on a solid foundation of scientifically based research. This evidence-based management (EBM) approach particularly embraces scientific methods—relevant measures, appropriate sampling, systematic experimental design, and the like—because they produce more valid theories to guide management decisions. Scholars also advise managers to become more aware of these well-studied cause-effect principles, and to use diagnostic tools (such as surveys and checklists) to effectively apply those principles in the workplace. Invariably, supporters of the evidence-based management movement contrast this systematic approach with reliance on management fads, hyped consulting, or untested personal mental models.

It seems obvious that we should rely on good evidence rather than bad evidence (or no evidence at all) to make sound decisions in the workplace. Yet there is another side to this debate.[92] The question isn't whether good evidence is valuable; it is about the meaning of "good evidence." One concern is that scholars might be advocating an interpretation of good evidence that is far too narrow. They typically limit evidence to empirical research and consider qualitative information "anecdotal." Albert Einstein tried to avoid this questionable view by keeping the following message framed on his wall: "Not everything that can be counted counts, and not everything that counts can be counted."

Another concern is that managers don't view organizational research as particularly relevant to the issues they face.[93] This partly occurs because academic journals usually set very high standards for studies, requiring uncontaminated, quantifiable measures in environments that control for other factors. But managers do not operate in such pristine conditions. Their world is much more complex, with more obscure indicators of key variables. One indicator of this research–practice gap is that most organizational studies are correlational, whereas managers typically require knowledge of behavioral interventions. Only about 2 percent of organizational studies are real-world interventions.[94]

A third critique of the EBM movement is that the systematic elements of organizational research studies (e.g., sample size, measurement reliability, advanced data analysis methods) sometimes mask other potentially serious faults. Cross-cultural studies, for example, often use college student samples to represent an entire culture. Lab studies with students assume they replicate workplace conditions, without considering substantial differences in skills and team dynamics between the two settings. Indeed, some meta-analyses report substantially different results of studies using students versus employees. Finally, even if the published research is valid, it is usually biased because studies with nonsignificant results are much less likely to be published.

global connections 2.1

Working with High Power Distance in China[97]

As the only Westerner in a 50-employee start-up winery in China, Emilie Bourgois soon noticed that Chinese managers seemed to use their power more directly than did European or American bosses. "I was surprised to see that taking the initiative most of the time was seen as rude and as a failure to respect the executives' authority," says Bourgois, a public relations professional from Bordeaux, France. "At work, everyone had to perform well in their own tasks, but permission was required for anything other than what was expected."

This high power distance was also apparent in how Chinese managers interacted with staff. "Western-style bosses tend to develop a closer relationship with employees," Bourgois suggests. "The hierarchy is much more clearly divided in Chinese-dominant companies than it is in foreign ones."

Bourgois worked well with her colleagues at the Chinese winery, but she acknowledges that "beyond that, there is still an important cultural gap." She is now employed in the Beijing office of executive recruitment firm Antal International, where cultural differences seem to be less pronounced because the company has team building events to improve bonding and mutual understanding.

Emilie Bourgois, second from right with coworkers at Antal International in Beijing, discovered in an earlier job that Chinese-dominant companies have higher power distance compared with most Western firms.

REAL-WORLD EXAMPLES BRING OB TO LIFE

Every chapter is filled with examples to make OB knowledge more meaningful and reflect the relevance and excitement of this field. Opening vignettes set the stage; captioned photos depict OB concepts; and Global Connections features present more detailed vignettes.

SELF-ASSESSMENT
HOW MUCH DOES WORK DEFINE YOUR SELF-CONCEPT?

Work is an important part of our lives, but some people view it as secondary to other life interests, whereas others view work as central to their identity as individuals. The following scale estimates the extent to which you view work as a central or not-so-central life interest. Read each of the statements below and decide how accurate each one is in describing your focus in life. Then, use the scoring key in Appendix B at the end of this book to calculate your results. Remember that there are no right or wrong answers to these questions. Also, this self-assessment should be completed alone so that you can rate yourself honestly without concerns of social comparison. Class discussion will focus on the meaning of this scale and its relevance to self-concept and perceptions.

Work Centrality Scale

PLEASE INDICATE THE EXTENT TO WHICH YOU AGREE OR DISAGREE WITH EACH STATEMENT BELOW IN DESCRIBING YOUR FOCUS IN LIFE.	STRONGLY DISAGREE	MODERATELY DISAGREE	SLIGHTLY DISAGREE	SLIGHTLY AGREE	MODERATELY AGREE	STRONGLY AGREE
1. The most important things that happen in life involve work.	☐	☐	☐	☐	☐	☐
2. Work is something people should get involved in most of the time.	☐	☐	☐	☐	☐	☐
3. Work should be only a small part of one's life.	☐	☐	☐	☐	☐	☐
4. Work should be considered central to life.	☐	☐	☐	☐	☐	☐
5. In my view, an individual's personal life goals should be work-oriented.	☐	☐	☐	☐	☐	☐
6. Life is worth living only when people get absorbed in work.	☐	☐	☐	☐	☐	☐

Source: R. N. Kanungo, *Work Alienation: An Integrative Approach* (New York: Praeger, 1982).

SELF-ASSESSMENTS

Self-assessments are an important and engaging part of the active learning process. This edition features self-assessments in every chapter, including new scales such as proactive personality, romance of leadership, work centrality, sensing-intuitive type, and learning goal orientation. Most self-assessments are also available online in Connect.

student and instructor support materials

Organizational Behavior, Seventh Edition, includes a variety of supplemental materials to help instructors prepare and present the material in this textbook more effectively.

Online Learning Center (www.mhhe.com/mcshane7e)

The Online Learning Center provides instructors with the following teaching tools.

INSTRUCTOR'S MANUAL

This is one of the few textbooks for which the authors write the *Instructor's Manual,* ensuring that the instructor materials represent the textbook's content and support instructor needs. Each chapter includes the learning objectives, glossary of key terms, a chapter synopsis, complete lecture outline with thumbnail images of corresponding PowerPoint slides, and suggested answers to the end-of-chapter discussion questions. Also included are teaching notes for the chapter case(s), team exercises, and self-assessments. The *Instructor's Manual* also provides complete teaching notes for the additional cases.

TEST BANK AND EZ TEST

Updated for this edition, the Test Bank includes more than 2,000 multiple-choice, true/false, and essay questions. Each question identifies the relevant learning objective, Bloom's taxonomy level, AASCB standard for assurance of learning, and difficulty level.

In addition, McGraw-Hill's testing software, EZ Test, allows you to easily query for learning objectives that directly relate to the learning objectives for your course; the reporting features of EZ Test also enable you to aggregate student results, making the collection and presentation of assurance-of-learning data quick and easy. The program provides a means to create tests that are book-specific and even add your own questions. Multiple versions of a test can be created, and any test can be exported for use with course management systems such as WebCT and Blackboard or with any other course management system.

POWERPOINT PRESENTATION SLIDES

The PowerPoint slides have been prepared by the authors, allowing seamless integration between the slides and the *Instructor's Manual.* Each chapter includes more than two dozen slides, featuring key points, photographs, and figures from the text, as well as teaching tips and notes for using the slides.

Student Supplements

Students can access self-graded quizzes and chapter review materials.

Video Resources

ORGANIZATIONAL BEHAVIOR VIDEO DVD VOL. 2

For instructors who want to incorporate more real-world examples into the classroom, this compilation of video clips features interesting and timely issues, companies, and people related to organizational behavior. The clips and teaching notes are also located in the Instructor Center of the Online Learning Center and in the Connect Library Resources.

MANAGER'S HOT SEAT

Now instructors can put students in the hot seat with access to an interactive program. Students watch real managers apply their years of experience when confronting unscripted issues. As the scenario unfolds, questions about how the manager is handling the situation pop up, forcing the student to make decisions along with the manager. At the end of the scenario, students watch a post-scenario interview with the manager, to see how their responses matched up with the manager's decisions. The Manager's Hot Seat videos are now available as assignments in Connect.

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- PowerPoint files
- Test Bank
- Management Asset Gallery
- eBook
- Self-Assessments

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AACSB Statement

McGraw-Hill Education is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, the authors of *Organizational Behavior, Seventh Edition,* recognize the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and/or the Test Bank to the six general knowledge and skill guidelines in the AACSB standards.

The statements contained in *Organizational Behavior, Seventh Edition* are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Organizational Behavior* and the teaching package make no claim of any specific AACSB qualification or evaluation, we have within *Organizational Behavior* labeled selected questions according to the six general knowledge and skill areas.

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organizational behavior

Introduction to the Field of Organizational Behavior

After studying chapter 1, you should be able to:

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

1-2 Compare and contrast the four current perspectives of organizational effectiveness.

1-3 Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.

1-4 Discuss the anchors on which organizational behavior knowledge is based.

Quicken Loans is America's third-largest residential mortgage lender, yet it is almost the antithesis of a traditional financial institution. The Detroit-based company does business completely online and boasts a high-involvement, creative, customer-focused, and fun culture. "We encourage everyone who works at the company to be curious, look for ways to improve our processes, then take the next step and make the changes a reality," says one manager. The information technology group takes the creative process one step further through "Bullet Time," a half-day event each Monday during which information technology staff work on a project outside their usual duties that benefits the company. "You need to provide the freedom and motivation for employees to make a difference" explains Bill Parker, the company's Innovation Architect.

The company invests heavily in employee development, beginning with an intensive two-day orientation program, during which Chair Dan Gilbert and CEO Bill Emerson personally describe the company's culture and 18 principles (called "ISMs") that guide employee behavior. Emerson even hands out his e-mail address and personal cell number to keep the communication lines open. "I encourage leaders to be accessible because it breeds an inclusive culture," says Emerson.

Quicken Loans' work environment also supports its work hard–play hard culture. The company's offices in downtown Detroit (as well as in six other cities) are a riot of brightly colored walls and furniture, graffiti-painted concrete floors, and unusual spaces for impromptu gatherings and work breaks. Surrounded by progress charts and posters highlighting each of Quicken Loans' "ISMs," employees take time out to engage in Ping-Pong tournaments, basketball games, Nerfball battles, and costume contests. "We've done some pretty wild stuff, but people will respond well to that," suggests Quicken facilities director Melissa Price. "It creates an energy level that an old, tired space doesn't have."

Quicken Loans is also recognized for its strong community support, such as reviving Detroit's central business district, donating time and resources to charities, and assisting employees serving in the National Guard. The company isn't perfect. Yet it is recognized by multiple sources as one of the best financial institutions for

Quicken Loans has become one of America's most successful companies through high involvement, a focus on creativity, a strong culture, and other effective organizational behavior practices.

customer service and one of the best places to work in America. "There's so much room for growth," says Quicken Loans employee Ricardo Williams. "No one in the company limits you to where you're at."[1]

Welcome to the Field of Organizational Behavior!

This opening story about Quicken Loans illustrates some of the important ways that organizations succeed in today's turbulent environment. In every sector of the economy, organizations need to employ skilled and motivated people who can be creative, work in teams, and maintain a healthy lifestyle. They need leaders with foresight and vision, who support innovative work practices 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 organizational behavior book.

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) to the complex interplay among 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 (OB) and why it is important to your career and to organizations. Next, this chapter describes the "ultimate dependent variable" in OB by presenting the four main perspectives of organizational effectiveness. This is followed by an overview of three challenges facing organizations: globalization, increasing workforce diversity, and emerging employment relationships. We complete this opening chapter by describing four anchors that guide the development of organizational behavior knowledge.

The Field of Organizational Behavior

LO 1-1

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.[2]

The definition of organizational behavior begs the question: What are organizations? **Organizations** are groups of people who work interdependently toward some purpose.[3] 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.[4]

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

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.

necessarily, 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 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 it's providing home loans at Quicken Loans or designing better aircraft at Boeing, people working in organizations have some sense of collective purpose. As Steve Jobs, the late cofounder of Apple Inc. and Pixar Animation Studios, once said: "A company is one of humanity's most amazing inventions. It's totally abstract. Sure, you have to build something with bricks and mortar to put the people in, but basically a company is this abstract construct we've invented, and it's incredibly powerful."[5]

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, the 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.[6]

Until the 1930s, most organizational research and practice tried to improve work efficiency by changing working conditions and job duties. Employees' thoughts and feelings were ignored and considered irrelevant. Elton Mayo (left in photo), his research assistant and later professor Fritz Roethlisberger (right), and others at Harvard University adopted a completely different view. Their research at Western Electric Hawthorne Works near Chicago found that employee attitudes, formal team dynamics, informal groups, and supervisor leadership style strongly influenced employee performance and well-being. This focus, known as the "human relations" school, laid the foundation for the field of organizational behavior as we know it today.[8]

From the 1920s to the 1940s, 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. Also during that time, political philosopher and social worker Mary Parker Follett advocated new ways of thinking about several OB topics, including constructive conflict, team dynamics, organizational democracy, power, and leadership. In the late 1930s, Chester Barnard wrote insightful views regarding organizational communication, coordination, leadership and authority, organizations as open systems, and team dynamics.[7] 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.[9] 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 *makes a difference* to one's career success. OB helps us make sense of and predict the world in which we live.[10] 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.[11] 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.

Is OB just common sense? Visit **connect.mcgrawhill.com** to assess how much your personal theories about what goes on in organizations are consistent with current organizational behavior evidence.

Organizational Behavior Is for Everyone   A common misunderstanding is that organizational behavior is for managers. Although OB knowledge is critical for effective management, this book takes the broader view that the ideas presented in this book are valuable for everyone who works in and around organizations. Whether you are a geologist, mortgage loan banker, customer service representative, or chief executive officer, you need to understand and apply the many organizational behavior topics that are discussed in this book. Most organizations will probably always have managers, and this book recognizes the relevance of OB knowledge in these vital roles. But we also recognize that all employees are increasingly expected to manage themselves and work effectively with each other in the workplace. In the words of one forward-thinking OB writer more than four decades ago: Everyone is a manager.[12]

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. Quicken Loans illustrates this point: Its success has been driven by a strong workplace culture, individual rewards and development, teamwork, creative decision making, visionary leadership, and many other organizational behavior practices.
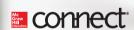
Numerous studies have reported that OB practices are powerful predictors of the organization's survival and success.[13] One investigation found that hospitals with higher levels of specific OB activities (e.g., training, staff involvement, rewards and recognition) have lower patient mortality rates. Another study found that companies receiving "best place to work" awards have significantly stronger financial and long-term stock market performance. Companies with higher levels of employee engagement also have significantly higher sales and profitability (see Chapter 5).

The bottom-line value of organizational behavior is also supported by human capital and investment portfolio studies. These investigations suggest that specific OB characteristics (employee attitudes, work–life balance, performance-based rewards, leadership, employee training and development) are important "positive screens" for selecting companies with the best long-term stock appreciation. For example, various studies report that a company's performance is significantly influenced by the quality of its chief executive officer. There is plenty of anecdotal evidence of this relationship, including the leadership failures that caused problems at JCPenney and SNC Lavalin.[14]

Perspectives of Organizational Effectiveness

LO 1-2

Apple, Inc. and Google, Inc. are the two most admired companies in the world, according to *Fortune* magazine's annual list.[15] Yet neither of these companies was on anyone's radar screen a dozen years ago. Apple was on life support in the late 1990s, barely clinging on to a few percentage points of market share in the computer industry. Google wasn't even registered as a company. It was little more than a computer project by two Stanford PhD students that was quickly outgrowing the dorm room where their equipment was housed. How did Apple and Google achieve their incredible successes? They consistently applied the four perspectives of organizational effectiveness that we discuss over the next few pages.

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Visit **connect.mcgrawhill.com** for activities and test questions to help you learn the four perspectives of organizational effectiveness.

Almost all organizational behavior theories have the implicit or explicit objective of making organizations more effective.[16] In fact, **organizational effectiveness** is considered the "ultimate dependent variable" in organizational behavior.[17] This means that organizational effectiveness is the outcome that most OB theories are ultimately trying to achieve. Many theories use different labels—organizational performance, success, goodness, health, competitiveness, excellence—but they are basically presenting models and recommendations to help organizations become more effective.

Many years ago, OB experts thought the best indicator of a company's effectiveness was how well it achieved its stated objectives. According to this definition, Delta Airlines would be an effective organization if it met or exceeded its annual sales and profit targets. Today, we know this isn't necessarily so. Any leadership team could set corporate goals that are easy to achieve but would put the organization out of business. These goals also could be left in the dust by competitors' more aggressive objectives. Worse still, some goals might point the organization in the wrong direction. Consequently, goal attainment is not part of the organizational effectiveness model in this book.

The best yardstick of organizational effectiveness is a composite of four perspectives: open systems, organizational learning, high-performance work practices, and stakeholders.[18] Organizations are effective when they have a good fit with their external environment, are learning organizations, have efficient and adaptive internal subsystems, and satisfy the needs of key stakeholders. Let's examine each of these perspectives in more detail.

organizational effectiveness
A broad concept represented by several perspectives, including the organization's fit with the external environment, internal subsystems configuration for high performance, emphasis on organizational learning, and an ability to satisfy the needs of key stakeholders.

OPEN SYSTEMS PERSPECTIVE

The **open systems** perspective of organizational effectiveness is one of the earliest and most well-entrenched ways of thinking about organizations.[19] Indeed, the other major organizational effectiveness perspectives might be considered detailed extensions of the open systems model. This perspective views organizations as complex organisms that "live" within an external environment, rather like the illustration in Exhibit 1.1. The word *open* describes this permeable relationship, whereas *closed systems* operate without dependence on or interaction with an external environment.

As open systems, organizations depend on the external environment for resources, including raw materials, job applicants, financial resources, information, and equipment. The external environment also consists of rules and expectations, such as laws and cultural norms, that place demands on how organizations should operate. Some environmental resources (e.g., raw materials) transform into outputs that are exported to the external environment, whereas other resources (e.g., job applicants, equipment) become subsystems in the transformation process.

Inside the organization are numerous subsystems, such as departments, teams, informal groups, work processes, technological configurations, and other elements. Rather like the Russian *matryoshka* dolls nested within each other, organizational subsystems are systems with their own subsystems.[20] For example, the Nordstrom department store in Spokane, Washington, is a subsystem of the Nordstrom chain, but the Spokane store is also a system with its own subsystems of departments, teams, and work processes. An organization's subsystems are organized interdependently so they interact with each other to transform inputs into various outputs. Some outputs (e.g., products, services, community support) may be valued by the external environment, whereas other outputs (e.g., employee layoffs, pollution) are by-products that may have adverse effects on the environment and the organization's relationship with that environment. Throughout this process, organizations receive feedback from the external environment regarding the value of their outputs and the availability of future inputs.

open systems
A perspective that holds that organizations depend on the external environment for resources, affect that environment through their output, and consist of internal subsystems that transform inputs to outputs.

Organization–Environment Fit   According to the open systems perspective, organizations are effective when they maintain a good "fit" with their external environment.[22] Good fit exists when the organization's inputs, processes, and outputs are aligned with the needs and expectations of the external environment. There are three ways that companies

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EXHIBIT 1.1   Open Systems Perspective of Organizations

maintain a good environmental fit. The most common strategy to fit with the external environment is to change the company's products and services, as well as how those outputs are produced. Zara, the world's largest fashion retailer, relies on continuous adaptation to maintain a good fit with its highly volatile external environment. As Global Connections 1.1 describes, the Spanish company receives continuous feedback from each of its 6,000 stores, and then uses that feedback along with ongoing creativity to rapidly design, manufacture, and deliver new styles. In contrast, fashion retailers with a poor environmental fit are overstocked with products that few people want to buy and respond slowly to changing preferences.

A second way that organizations maintain a good fit is actively managing their external environment. Many firms manage their environment through marketing, which attempts to increase demand for their products or services. Others gain exclusive rights to particular resources (e.g., to sell a known brand) or restrict competitor access to valued resources. Still others lobby for legislation that strengthens their position in the marketplace or try to delay legislation that would disrupt their business activities.

global connections 1.1

Zara Relies on Open Systems Thinking for Fast Fashion

Zara, the world's largest clothing retailer, thrives in one of the world's most volatile industries. What is its secret to success? The Spanish flagship brand of Inditex (which also owns Pull & Bear, Stradivarius, and other brands) has a business model that applies open systems thinking.

In the fashion industry, customer preferences change quickly and have limited predictability. Zara maintains a close fit with that turbulent environment by experimenting with numerous new styles, receiving almost immediate and continuous feedback about which ones are most popular, learning what minor adjustments would make the styles more appealing, and quickly producing and delivering new or revised styles to match current demand. Zara practically invented the notion of "fast fashion," whereby the company responds quickly to customer preferences and fashion trends. Most other retailers instead produce a limited variety of styles, offer only two or three batches of new designs each year, and require up to six months for those designs to show up in stores.

The nucleus of this open systems process is an aircraft hangar–sized room at Zara's headquarters in A Coruña, Spain (shown in the photo). In the center of the room is a long line of facing desks where regional managers from two dozen countries are in daily contact with each of the company's 6,000 stores in 86 countries. Equally important, sales staff are trained to ask customers about why they bought a garment or how a garment could be designed more to their liking. These customer comments are then quickly reported back to headquarters. On both sides of the room are designers and other staff who use this continuous store feedback to revise existing styles and spark ideas for new designs.

Suppose several regional managers receive reports that the new line of women's white jackets is selling slowly; however, customers have told sales staff they would buy that style of jacket in a cream-color with silkier fabric. Designers receive this information and quickly get to work designing a

Zara, the Spanish fashion retail giant, relies on an open systems perspective to achieve success in one of the world's most volatile industries. emileluider.com

cream-colored jacket with the preferred material. Some regional differences exist, of course, but Zara reports that most of its products are in demand globally. Zara also produces limited stocks of a large variety of designs. Thus, the company can sample a wider array of market preferences while minimizing the problem of having too much inventory. In fact, knowing that Zara's products are constantly changing attracts customers back to the stores more often.

Rapid and rich feedback from stores is vital, but Zara also thrives because of its quick response to that feedback. Most fashion retailers rely on independent manufacturers in distant countries that require several months' lead time to produce a garment. Zara uses such low-cost manufacturers to some extent, but half of its garments are made "in proximity" by nearby Spanish companies or companies in Portugal, Morocco, and Turkey. Nearby manufacturing costs more, but it often takes less than three weeks for a new design from these nearby sites to arrive in stores, which receive new stock twice each week.[21]