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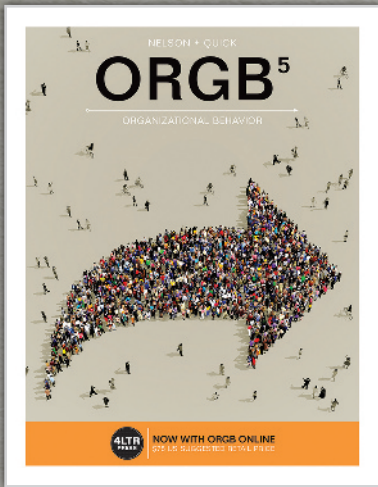
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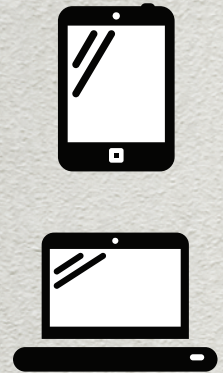
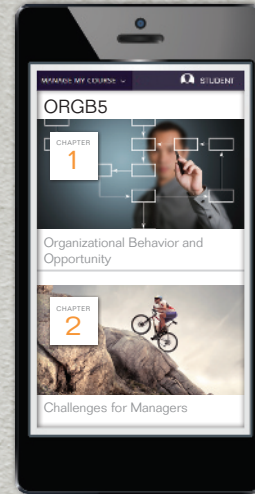
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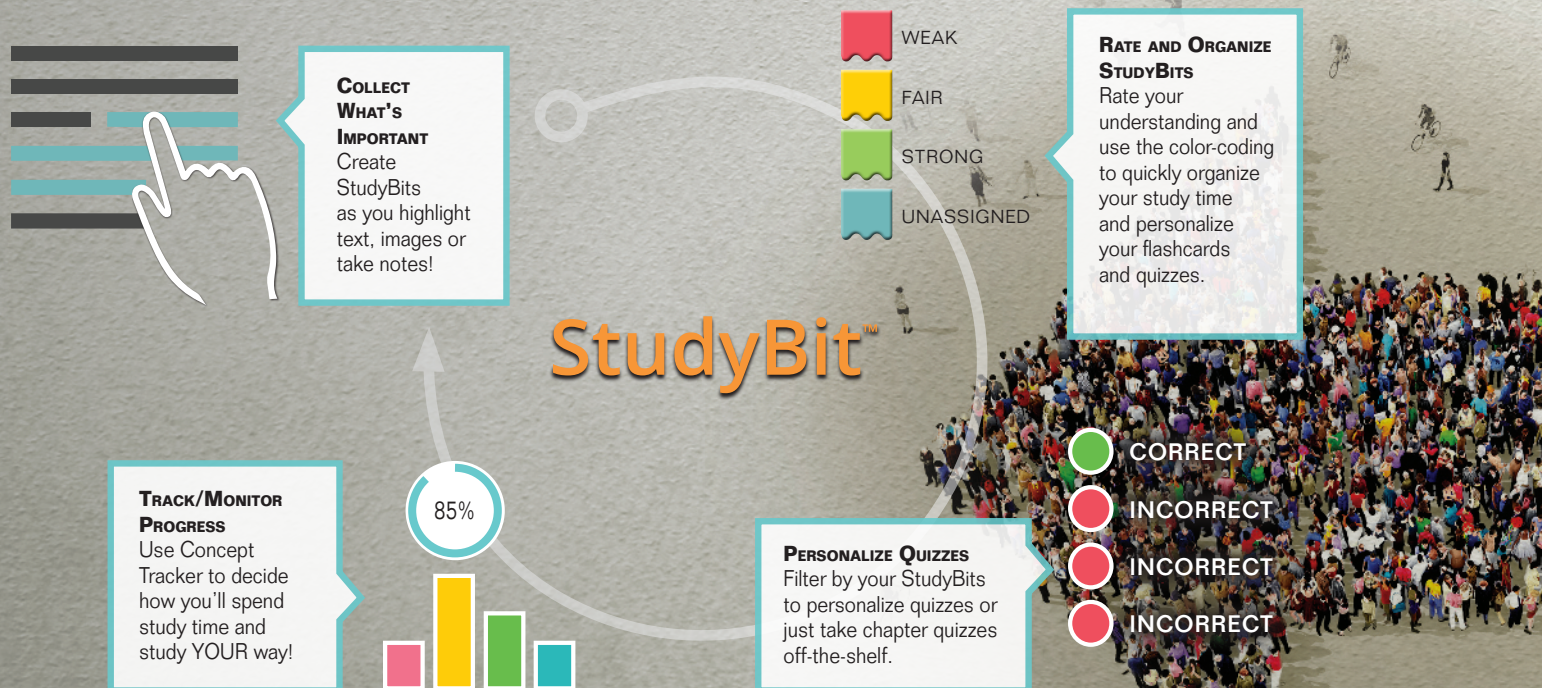
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# 1 | Organizational Behavior and Opportunity



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## LEARNING OUTCOMES

- 1-1 Define organizational behavior.
- 1-2 Identify four action steps for responding positively in times of change.
- 1-3 Identify the important system components of an organization.
- 1-4 Describe the formal and informal elements of an organization.
- 1-5 Identify factors that contribute to the diversity of organizations in the economy.
- 1-6 Describe the opportunities that change creates for organizational behavior.
- 1-7 Demonstrate the value of objective knowledge and skill development in the study of organizational behavior.

## HUMAN BEHAVIOR IN ORGANIZATIONS

Human behavior in organizations is complex and often difficult to understand. Organizations have been described as clockworks in which human behavior is logical and rational, but they often seem like snake pits to those who work in them.<sup>1</sup> The clockwork metaphor reflects an orderly, idealized view of organizational behavior devoid of conflict or dilemma because all the working parts (the people) mesh smoothly. The snake pit metaphor, on the other hand, conveys the daily conflict, distress, and struggle in organizations. Each metaphor reflects reality from a different perspective—the organization’s versus the individual’s. The snake pit metaphor expresses the dark side of human behavior, which is seen at its extreme in cases of road rage and workplace violence. Workplace incivility has become commonplace in many organizations, with an estimated 50% of workers saying that they experience uncivil behavior weekly. Incivility has negative affective, cognitive, and behavioral consequences for instigators, targets, and witnesses of such negative behaviors.<sup>2</sup> In contrast, the clockwork metaphor expresses the view of organizations as healthy and productive systems in which individuals have a clear sense of the shared vision and values, are personally invested in outcomes, feel that their contributions are significant, and receive support and respect from the organization’s leadership.<sup>3</sup>

This chapter serves as an introduction to the complex subject of organizational behavior. The first section provides an overview of human behavior in organizations, its interdisciplinary origins, and its responses to change. The second section presents an organizational context within which behavior occurs. The third section highlights the **opportunities** that exist in times of **change** and **challenge** for people at work.<sup>4</sup> The fourth section addresses the ways people learn about organizational behavior and explains how the text’s pedagogical features relate to the various learning styles. The final section presents the plan for the book.

We can define **organizational behavior** as the study of individual behavior and group dynamics in

organizations. The study of organizational behavior is primarily concerned with the psychosocial, interpersonal, and behavioral dynamics in organizations. However, organizational variables that affect human behavior at work are also relevant to the study of organizational behavior. These organizational variables include jobs, the design of work, communication, performance appraisal, organizational design, and organizational structure.

### 1-1a Understanding Human Behavior

The vast majority of theories and models of human behavior fall into two basic categories: that of an internal perspective and that of an external perspective. The internal perspective looks at workers’ minds to understand their

behavior. It is psychodynamically oriented, and its proponents understand human behavior in terms of the thoughts, feelings, past experiences, and needs of the individual. The internal perspective explains people’s actions and behavior in terms of their histories and personal value systems. The idea of this perspective is that internal processes of thinking, feeling, perceiving, and judging lead people to act in specific ways; therefore, people are best understood from the inside, and their behavior is best interpreted alongside their thoughts and feelings. The internal perspective has given rise to a wide range of motivational and leadership theories.

The external perspective, on the other hand, focuses on factors outside the person to understand behavior, that is, external events, consequences, and environmental forces. This perspective excludes consideration of a person’s history, feelings, thoughts, and personal value system in interpreting

actions and behavior. Thus, it has given rise to an alternative set of motivational and leadership theories, which are covered in Chapters 5 and 12. The internal and external perspectives offer alternative explanations for human behavior. For example, the internal perspective might say Mary is an outstanding employee because she has a high need

**Organizations have been described as clockworks, but they often seem like snake pits.**



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**opportunities** Favorable times or chances for progress and advancement.

**change** The transformation or modification of an organization and/or its stakeholders.

**challenge** The call to competition, contest, or battle.

**organizational behavior** The study of individual behavior and group dynamics in organizations.

for achievement, whereas the external perspective might say it is because she is extremely well paid for her work. Kurt Lewin combined both perspectives with his claim that behavior is a function of both the person and the environment.<sup>5</sup>

## 1-1b Interdisciplinary Influences

Organizational behavior is a blended discipline that has grown out of contributions from numerous earlier fields of study. The sciences of psychology, sociology, engineering, anthropology, management, and medicine have all contributed to our understanding of human behavior in organizations.

**Psychology**, the science of human behavior, was developed during the closing decades of the nineteenth century. Psychology traces its origins to philosophy and the science of physiology. One of the most prominent early psychologists, William James, held a degree in medicine (MD). Since its beginnings, psychology has branched into a number of specialized fields, including clinical, experimental, military, organizational, and social psychology. Organizational psychology frequently overlaps with organizational behavior; for instance, both investigate work motivation.<sup>6</sup> Johnson & Johnson, Valero Energy, and Chaparral Steel all used psychological research on American military personnel from the World War I era to develop their sophisticated personnel selection methods.<sup>7</sup>

**Sociology**, the science of society, has contributed greatly to our knowledge of group and intergroup dynamics. Because sociology takes society rather than

the individual as its point of departure, sociologists focus on the variety of roles within a society or culture, the norms and standards of behavior in groups, and the consequences of compliant and deviant behavior. Individuals have a role set that is determined by their social position, and roles affect how people interact within organizations. The Professional Role Behaviors Survey, for example, studied how the roles of various



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medical practitioners changed during hospital restructuring and these changes influenced organizational behavior and culture.<sup>8</sup>

**Engineering** is the applied science of energy and matter. It enhances our understanding of the design of work. Frederick Taylor took basic engineering ideas and applied them to human behavior at work, influencing the early study of organizational behavior.<sup>9</sup> With his engineering background, Taylor placed special emphasis on human productivity and efficiency in work behavior. Job preparation and performance shifted from a long apprenticeship and a cre-

ative, problem-solving approach to work to training in and automated performance of simplified tasks. A study published in 1990 showed that Taylor's notions of performance standards and differential piece-rate systems were still shaping organizational goal-setting programs at Black & Decker, IBM, and Weyerhaeuser at that time.<sup>10</sup>

**Anthropology**, the science of human learned behavior, is especially important to our understanding of *organizational culture*. In fact, anthropological research has been used to examine the effects of efficient organizational cultures on organizational performance<sup>11</sup> and the ways pathological personalities may lead to dysfunctional organizational cultures.<sup>12</sup> In one case study, Schwartz used a psychodynamic, anthropological mode of inquiry to explore corporate decay at General Motors and NASA.<sup>13</sup>

**Management**, originally called *administrative science*, is the study of overseeing activities and supervising people in organizations. It includes the design, implementation, and management of various administrative and organizational systems. March and Simon take the human organization as their point of departure to investigate administrative practices that enhance the effectiveness of the system.<sup>14</sup> Management is the first discipline to take the modern corporation as the unit of analysis, a viewpoint that distinguishes its contribution to the study of organizational behavior.

**Medicine**, the applied science of treating diseases to enhance an individual's health and well-being, focuses on both physical and psychological health as well as industrial mental health.<sup>15</sup> As modern care defeats acute diseases, medical attention is shifting to more chronic diseases such as hypertension and to issues involved in occupational

health and well-being.<sup>16</sup> These trends have contributed to the growth of corporate *wellness programs* such as Johnson & Johnson's "Live for Life Program." Moreover, *ergonomics* has gained increasing attention as a way to prevent medical problems resulting from poor design of workstations, resulting in the loss of billions of dollars from higher healthcare costs and lower worker productivity.<sup>17</sup> Such costs can be cut nearly in half by implementing the results of medical research into better workplace design.<sup>18</sup>

## 1-2 BEHAVIOR IN TIMES OF CHANGE

Early research of individuals and organizations in the midst of environmental change found that people often experience change as a threat and respond by relying on well-learned and dominant forms of behavior.<sup>19</sup> That is, people often become rigid and reactive in the midst of change, rather than open and responsive. This behavior works well in the face of gradual, incremental change. However, rigid and well-learned behavior may be a counterproductive response to significant change, such as outsourcing. Prompted by dramatic advances in Internet and networking technology, outsourcing has been unavoidable in much of American industry.<sup>20</sup> Yet factors such as employee attrition and the potential for data loss have caused many companies to modify their outsourcing strategies to keep both talent and information within the organization.<sup>21</sup> Big changes disrupt people's habitual behavior and force them to learn new skills, often creating discomfort and discontent. To such employees, Eric Brown, CEO of Johnson Products Company, Inc., recommends looking for the positive opportunities in change and viewing challenge as a good rather than bad experience. His action steps for adapting to change are to (1) have a positive attitude, (2) ask questions, (3) listen to the answers, and (4) be committed to success.<sup>22</sup>

Success is never guaranteed, however, and change sometimes results in failure. Some of the world's greatest leaders, such as Winston Churchill, experienced dramatic failures before they achieved lasting success. It was their capacity to learn from the failure and to respond positively to new opportunities that helped them overcome early setbacks. Knowing this, one venture capitalist with whom the authors have worked likes to ask an executive who is seeking to build a business to tell him about his or her greatest failure. He wants to hear how the executive responded to the failure and what he or she learned from the experience.

So change carries both the risk of failure and the opportunity for success; our behavior often determines the outcome. Moreover, success can come through

the accumulation of small wins and through the use of microprocesses, as has been found with middle managers engaged in institutional change.<sup>23</sup>

## 1-3 THE ORGANIZATIONAL CONTEXT

A complete understanding of organizational behavior requires an understanding of both human behavior and of the organizational context—that is, the specific setting—within which behavior is acted out.

### 1-3a Organizations as Open Systems

Just as two different perspectives offer complementary explanations for human behavior, two views shape complementary explanations of organizations. Organizations are open systems of interacting components, including people, tasks, technology, and structure. These internal components also interact with components in the organization's task environment.

Today, the corporation is the dominant organizational form for much of the Western world, but other organizational forms have dominated other societies. Religious organizations, such as the temple corporations of ancient Mesopotamia and the churches in colonial America, can often dominate society.<sup>24</sup> So can military organizations, such as the clans of the Scottish Highlands and the regional armies of the People's Republic of China.<sup>25</sup> All of these societies are woven together by family organizations, which themselves may vary from nuclear and extended families to small, collective communities.<sup>26</sup> The purpose and structure of religious, military, and family organizational forms varies, but people within different organizations often behave alike. In fact, early discoveries about power and leadership in work organizations were remarkably similar to findings about power and leadership within families.<sup>27</sup>

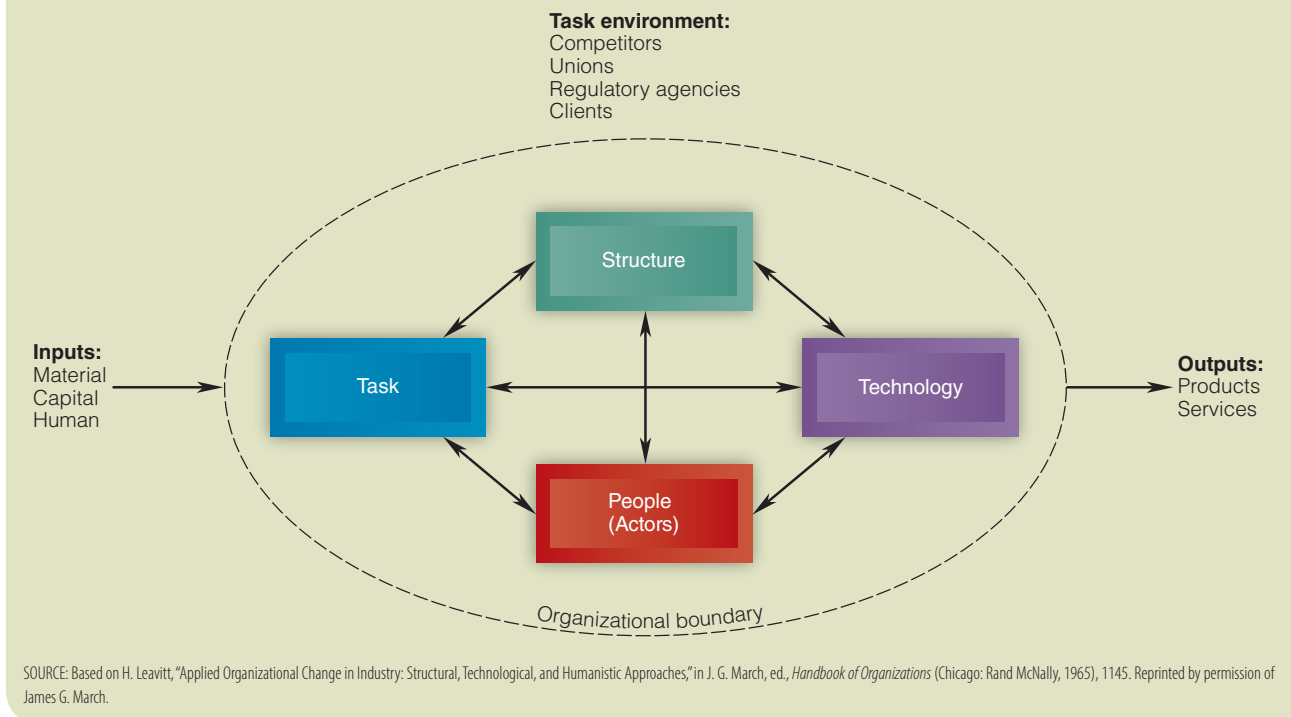
Because organizations are so varied in function, manufacturing products such as aircraft components or delivering services such as money management, for example, we must first understand the open system components of an organization and its task environment in order to see how the organization performs.

Accordingly, Katz and Kahn in one study, and Leavitt in another, established open system frameworks for understanding organizations.<sup>28</sup> The four major internal components are task, people, technology, and structure. These four components, along with the organization's inputs, outputs, and key elements in the task environment, are depicted in Figure 1.1. The **task** of the organization is its mission, purpose, or goal

**task** An organization's mission, purpose, or goal for existing.



**FIGURE 1.1** AN OPEN-SYSTEMS VIEW OF ORGANIZATION



for existing. The **people** are the human resources of the organization. The **technology** is the wide range of tools, knowledge, and/or techniques used to transform inputs into outputs. The **structure** involves the systems of communication, authority and roles, and workflow.

In addition to these major internal components, the organization as a system also has an external task environment composed of different constituents such as suppliers, customers, and federal regulators. Thompson describes the task environment as that element of the environment related to the organization's degree of goal attainment, or its basic task.<sup>29</sup> A number of organizations are using or considering the use of Twitter as a way of networking into elements of their task environments.<sup>30</sup> For example, NASA uses Twitter to update followers on the status of upcoming shuttle flights.

The organization system works by taking inputs, converting them into throughputs, and delivering outputs to its task environment. *Inputs* are the

human, informational, material, and financial resources used by the organization. *Throughputs* are the materials and resources as they are transformed by the organization's technology component. Once the transformation is complete, they become *outputs* for customers, consumers, and clients. The actions of suppliers, customers, regulators, and other elements of the task environment affect the organization and the behavior of people at work. The role of modern corporations has expanded to include corporate social responsibility. Customers expect these organizations to be good corporate citizens, creating social value as well as financial wealth for their shareholders.<sup>31</sup>

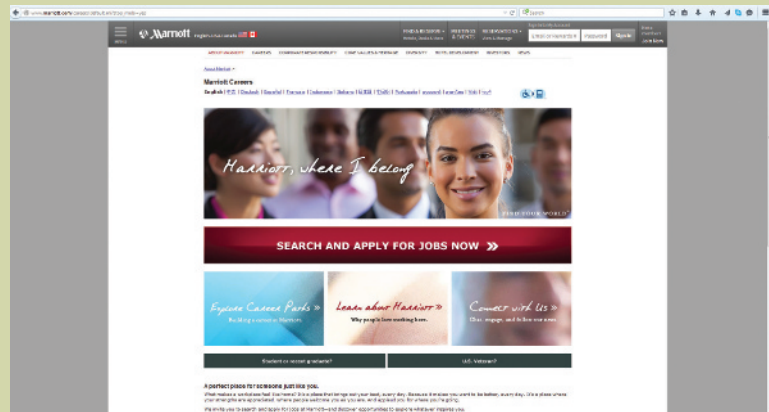
## 1-4 THE FORMAL AND INFORMAL ORGANIZATION

The open systems view of organizations suggests that they are designed like clockwork (recall the clockwork metaphor described at the beginning of this chapter), with a neat, precise, interrelated functioning. The **formal organization** is the official, legitimate, and most visible part of the organization, and it enables people to think of organizations in logical and rational ways. The snake pit metaphor mentioned earlier originates from the study of the **informal organization**, which is unofficial and

# Formal Organizational Elements Help Make Marriott a Great Place to Work

Marriott is no Google, and it doesn't strive to be. Marriott employees **love** working at Marriott, and a large part of their affinity for the hotel chain can be attributed to its formal employee policies, from its hiring, flexible scheduling, and career development programs to its wide-ranging perks and benefits. These formal organizational elements have had a positive impact on worker attitudes and desire to remain with the company. Marriott employees consider each other as family rather than colleagues. By far, it is the company's recruitment and hiring practices that have the most positive effect on organizational outcomes.

Marriott's EVP of HR believes that due to the company's practice of "hiring friendly and training technically," it has experienced lower turnover and increased numbers of employees who not only believe in serving their customers, but delight in doing so.



Source: Marriott International, Inc.

SOURCE: L. Gallagher, "Why Employees Love Marriott," *Fortune*, 171 (March 15, 2015), 112–118.

less visible. The **Hawthorne studies**, conducted during the 1920s and 1930s, first suggested the importance of the informal elements. During the so-called interview study, the third of the four Hawthorne studies, the researchers began to fully appreciate the informal elements of the Hawthorne Works as an organization.<sup>32</sup> The formal and informal elements of the organization are depicted in Figure 1.2.

Because the formal and informal elements of an organization can sometimes conflict, we must understand both. Such conflicts erupted in many organizations during the early years of the twentieth century and were embodied in the union–management strife of that era. Sometimes these formal–informal conflicts escalated into violence. For example, supervisors at the Homestead Works of U.S. Steel during the 1920s were issued pistols “just in case” they felt it necessary to shoot unruly, dangerous steelworkers. However, during that same era, the progressive Eastman Kodak company provided financial backing for employees’ neighborhood communities, such as Meadowbrook in Rochester, New York. Kodak’s concern for employees and attention to informal issues made unions unnecessary at the company.

The informal elements of the organization are often points of diagnostic and intervention activities in organizational development, though the formal elements must always be considered because they provide the context for the informal.<sup>33</sup> It is the informal elements involving people’s feelings, thoughts, and attitudes about their work that most affect their behavior and performance, but individual behavior plays out in the context of both the formal and informal elements of the

**Hawthorne studies** Studies conducted during the 1920s and 1930s that suggested the importance of the informal organization.

**FIGURE 1.2** FORMAL AND INFORMAL ORGANIZATION



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The open systems view of an organization suggests that it is designed and run like clockwork.

system, becoming, in the process, organizational behavior. Employees' moods, emotions, and dispositions all influence critical organizational outcomes such as job performance, decision making, creativity, turnover, teamwork, negotiation, and leadership.<sup>34</sup>

## 1-5 DIVERSITY OF ORGANIZATIONS

Most attempts to explain or predict organizational behavior rely heavily on factors within the organization and give less weight to external environmental considerations.<sup>35</sup> Yet organizational behavior always occurs in the



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### The United States Economy

The U.S. economy is the largest in the world, with a gross domestic product of more than \$17.7 trillion in 2014. The largest sectors are service (46%), product manufacture of nondurable

goods (15%), and durable goods (8%). Taken together, the production of products and the delivery of services account for 69% of the U.S. economy. Government and fixed investments account for the remaining 31%.

SOURCE: U.S. Bureau of Economic Analysis, "Table 1.1.5 Gross Domestic Product," <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=5>, accessed March 24, 2015.

context of a specific organizational setting, so students can benefit from being sensitive to that industrial context and from developing an appreciation for the diversity of various organizations.<sup>36</sup>

Large and small organizations operate in each sector of the economy: the private, manufacturing, service, government, and nonprofit sectors. In the private sector are a great variety of organizations that play an important role in the economy. The manufacturing sector includes the production of basic materials, such as steel, and the production of finished products, such as automobiles and electronic equipment. The service sector includes transportation, financial services, insurance, and retail sales. The government sectors, which provide essential infrastructure, and nonprofit organizations are important to our collective well-being because they meet needs that other sectors do not address. For example, in France, the not-for-profit Action Tank has discovered a solution for poor consumers who find access to even low-cost products and services out of their reach.<sup>37</sup>

Hundreds of small, medium-sized, and large organizations contribute to the economic health and human welfare of the United States. Throughout this book, we provide examples from a variety of organizations to help you develop a greater appreciation for your own organization and for others in the diverse world of private business enterprises and nonprofit organizations.

## 1-6 CHANGE CREATES OPPORTUNITIES

Global competition, which is a leading force driving change at work, has increased significantly during the past few decades, especially in industries such as banking, finance, and air transportation. As a result, change has accelerated and, with it, both opportunities and risks. Corporate competition creates performance and cost pressures, changes that have a ripple effect on people and their behavior at work. Although one such risk for employees is the marginalization of part-time professionals, good management practice can ensure their integration.<sup>38</sup> Furthermore, although competition may lead to downsizing and restructuring, it also provides the opportunity for revitalization.<sup>39</sup> And small companies don't necessarily lose in this competitive environment. Scientech, a small power and energy company, needed to enhance its managerial talent and service quality to meet the challenges of growth and big-company competitors, and it consequently

## HOT TREND



### Sustainable Solution Is “Good to Go”

When eighteen social entrepreneurial Fellows from the DO School in Dumbo, New York, were asked to help provide a solution to New York City’s paper waste problem, the budding entrepreneurs launched the “Good to Go” cup. Here’s how the “Good to Go” cup works. A customer buys a cup of coffee at one location, and instead of tossing the cup in the garbage or the recycling bin, he or she brings the empty cup to another location to be washed and reused. The actual “Good to Go” cup is made from a sturdier material than the regular Styrofoam disposable cup but lighter than ceramic. There is no shortage of disposable cups tossed every day in a city the size of Brooklyn. For environmentally conscious consumers, the “Good to Go” cup is a sensible and innovative way to keep millions of cups from ending up in the landfill. It is also a way to align consumer sustainability culture with the city’s “on-the-move” disposable culture. According to Brooklyn Roasting Company co-owner Jim Munson, “Coffee that tastes good and does good resonates with New Yorkers.” The coffee business appears to have been presented with a viable way to maximize opportunities created by shifting customer values.



Source: Brooklyn Roasting Company

Blablot101/Shutterstock.com

SOURCE: A. Malito, “City News: Hey, Coffee Drinkers: A Citi Bike for Cups,” *Wall Street Journal* (April 4, 2014): A16.

improved its performance. Thus, competition spurred its increased success.

Product and service quality are the major ways that companies can win in a competitive environment. IBM, Control Data Services, Inc., Northwest Airlines (now Delta), and Southwest Airlines all used problem-solving skills to achieve high-quality products and services in their attempts to deal with competitive forces. Change in the coffee industry has been a key stimulus for both Caribou Coffee and Starbucks as they innovate and improve.

Too much change, however, leads to chaos, and too little change leads to stagnation. Also, winning in a competitive industry can be a transient victory; staying ahead of the competition requires constant change.

### 1-6a Global Competition in Business

Managers and executives in the United States face radical change in response to increased global competition. According to noted economist Lester Thurow, this competition is characterized by intense rivalry between the United States, Japan, and Europe in core industries.<sup>40</sup> As a result, all categories of employees face increased pressure to be productive and to add value to the firm.

Moreover, corporate warfare and competition make employment uncertain for people in companies or industries that pursue cost-cutting strategies to achieve economic success. Five months after taking over as CEO of Microsoft, Satya Nadella notified employees of impending organizational changes, not limited to job cuts, required for the technology giant to return to its core business.<sup>41</sup> The global competition in the automotive industry among Japanese, U.S., and European car companies exemplifies the intensity that other industries can expect in the future.

Some people feel that the future must be the focus in coming to grips with this international competition, whereas others believe we can deal with the future only by studying the past.<sup>42</sup> Global, economic, and organizational changes have dramatic effects on the study and management of organizational behavior.

### 1-6b Customer Focused for High Quality

Global competition has challenged organizations to become more customer focused, to meet changing product and service demands, and to exceed customers’ expectations of high quality. Quality has the potential to give organizations in viable industries a competitive

edge against international competition. By aiming to be number one in experience, for example, Caribou Coffee competes with a customer-focused, high-quality approach.

Quality has become a rubric for products and services of high status. Total quality is defined in many ways.<sup>43</sup> Total quality management (TQM) is the total dedication to continuous improvement and to customers so that the customers' needs are met and their expectations exceeded. This customer-oriented philosophy of management has important implications for virtually all aspects of organizational behavior. Quality cannot be optimized because customer needs and expectations are always changing, but it is embedded in highly successful organizations. Part of what has catapulted Toyota to the top of the auto industry is its attention to quality and detail throughout the organization. Even though TQM consulting has experienced a boom-to-bust cycle, the main concepts underlying its initial rise in popularity are here to stay.

Quality improvement enhances the probability of organizational success in increasingly competitive industries. One study of 193 general medical hospitals examined seven TQM practices and found them positively related to the financial performance of the hospital.<sup>44</sup> Indeed, quality improvement is an enduring feature of an organization's culture and of the economic competition we face today. It leads to competitive advantage through customer responsiveness, results acceleration, and resource effectiveness.<sup>45</sup> In evaluating quality improvement ideas for people at work, three key questions should be asked: (1) Does the idea improve customer response? (2) Does the idea accelerate results? (3) Does the idea increase the effectiveness of resources? A "yes" answer means the idea should be implemented to improve quality.

Six Sigma is a philosophy for company-wide quality improvement developed by Motorola and popularized by General Electric. Characterized by its customer-driven approach, through its emphasis on using quantitative data to make decisions and its priority of saving money,<sup>46</sup> it has evolved into a high-performance system for executing business strategy. Part of its quality program is a twelve-step problem-solving method specifically designed to lead a Six Sigma "Black Belt" to significant improvement within a defined process. It tackles problems in four phases: (1) measure, (2) analyze, (3) improve, and (4) control. In addition, it forces executives to align the right objective and targets, and it forces quality improvement teams to mobilize for action in order to accelerate and monitor sustained improvement. Six Sigma is set up so that that it can be

**TABLE 1.1** CONTRASTING SIX SIGMA AND TOTAL QUALITY MANAGEMENT

Six Sigma	Total Quality Management
Executive ownership	Self-directed work teams
Business strategy execution system	Quality initiative
Truly cross-functional	Largely within a single function
Focused training with verifiable return on investment	No mass training in statistics and quality Return on investment
Business results oriented	Quality oriented

SOURCE: M. Barney, "Motorola's Second Generation," *Six Sigma Forum Magazine* (May 2002): 13.

applied to a range of situations, from manufacturing settings to service work environments. Table 1.1 contrasts Six Sigma and TQM.

Any quality control method has some success and some failure, and some methods may work better in a given organization than others due to differences in organizational culture. One study, with a strong emphasis on exploring statistical modeling techniques, compared Six Sigma to two other methods for quality improvement (specifically, Taguchi's methods and the Shainin system) and found it to be the most complete strategy of the three.<sup>47</sup> On the other hand, statistical data on the actual economic effect of Six Sigma is lacking, and the method has come under some critique.<sup>48</sup> It is important for managers to consider which of a variety of options is best for their organization.

### 1-6c Behavior and Quality at Work

Whereas total quality may draw on reliability engineering or just-in-time management, total quality improvement can succeed only when employees have the skills and authority to respond to customer needs.<sup>49</sup> Total quality has important direct effects on the behavior of employees at all levels in the organization, not just on employees working directly with customers. Thus, chief executives can advance total quality by engaging in participative management, being willing to change things, focusing quality efforts on customer service (not cost cutting), including quality as a criterion in reward systems, improving the flow of information regarding quality-improvement successes or failures, and being actively and personally involved in quality efforts. While serving as chair of Motorola, George Fisher emphasized



Martin Barrault/Getty Images

Quality is customer-oriented philosophy of management with important implications for virtually all aspects of organizational behavior

have excelled by integrating innovation into every aspect of healthcare delivery, from leadership and goal-setting to patient care.<sup>50</sup>

According to George H. W. Bush, “Quality management is not just a strategy. It must be a new style of working, even a new style of thinking. A dedication to quality and excellence is more than good business. It is a way of life, giving something back to society, offering your best to others.”<sup>51</sup>

Quality is one watchword for competitive success. Organizations that do not respond to customer needs find their customers choosing alternative product and service suppliers who are willing to exceed customer expectations. Keep in mind, however, that total quality isn’t a panacea for all organizations, and it doesn’t guarantee unqualified success.

the behavioral attributes of leadership, cooperation, communication, and participation as important elements in the company’s Six Sigma program.

Quality improvement is crucial to competitive success. The U.S. Department of Commerce sponsors an annual award in the name of Malcolm Baldrige, former secretary of commerce in the Reagan administration, to recognize companies excelling in quality improvement and management. The Malcolm Baldrige National Quality Award examination evaluates an organization in seven categories: leadership, information and analysis, strategic quality planning, human resource utilization, quality assurance of products and services, quality results, and customer satisfaction. Hospitals and health systems that have won the Malcolm Baldrige Award

### 1-6d Managing Organizational Behavior in Changing Times

Over and above the challenge of quality improvement to meet international competition, managing organizational behavior during changing times is challenging for at least three other reasons: (1) the increasing globalization of organizations’ operating territory, (2) the increasing diversity of organizational workforces, and (3) the continuing demand for higher levels of moral and ethical behavior at work.

Each of these three issues is explored in detail in Chapter 2 and highlighted throughout the text as they appear intertwined with contemporary organizational practices. For example, the issue of women in the



### Four Things That Worry Business

Dominic Barton is global managing director of McKinsey Consulting. Ninety percent of his clients are Fortune 100 CEOs and other world leaders, including governments and nonprofit organizations. This provides him with good insight into what is consuming leaders’ energies in a global and uncertain business climate. The following are four concerns that are consistent for many global business leaders:

- Anticipating the effects of geopolitics
- Keeping up with fast-moving technologies
- Protecting systems from threats of cyberattacks
- Responding to shifts in economic market power

SOURCE: G. Colvin, “Four Things That Worry Business,” *Fortune* (October 27, 2014): 32.

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# How Do You Learn?

To gain a better understanding of yourself as a learner so that you can maximize your potential and develop strategies for specific learning environments, you need to evaluate the way you prefer to learn and process information. “What about You?” on the Chapter Review Card offers a short learning-style assessment.

workplace concerns workforce diversity and at the same time overlaps with the globalization issue. Gender roles are often defined differently in various cultures, and sexual harassment often plagues organizations in the United States, Europe, Israel, and South Africa.

## 1-7 LEARNING ABOUT ORGANIZATIONAL BEHAVIOR

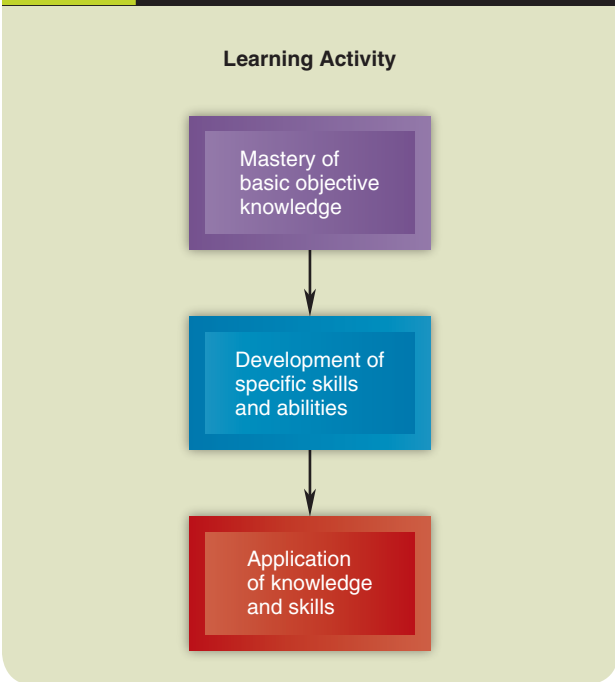
The study of organizational behavior is based on scientific knowledge and applied practice. It involves abstract ideas, such as valence and expectancy in motivation, as well as concrete matters, such as observable behaviors and medical symptoms of distress at work. Therefore, learning about organizational behavior includes at least three activities, as shown in Figure 1.3. First, the science of organizational behavior requires the mastery of a certain body of **objective knowledge**. Objective knowledge results from research, experimentation, and scientific observation. Second, the practice of organizational behavior requires **skill development** based on knowledge and an understanding of oneself in order to master the abilities essential to success. Third, both objective knowledge and skill development must be applied in real-world settings.

Learning can be challenging and fun if student diversity is addressed in the learning process, when students have more options and can take greater responsibility as coproducers.<sup>52</sup> Teaching and learning styles should be aligned carefully, and educators should be aware that teaching is no

**objective knowledge**  
Knowledge that results from research and scientific activities.

**skill development** The mastery of abilities essential to successful functioning in organizations.

FIGURE 1.3 LEARNING ABOUT ORGANIZATIONAL BEHAVIOR



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longer merely verbal and visual but has now become virtual.<sup>53</sup> If you are a visual learner, use charts, maps, PowerPoint slides, videos, the Internet, notes, or flash cards and write things out for visual review. If you are an auditory learner, then listen, take notes during lectures, consider taping them so that you can fill in gaps later, review your notes frequently, and recite key concepts aloud. If you are a tactile learner, trace words as you are saying them, write down facts several times, and make study sheets.

### 1-7a Objective Knowledge

In any field of study, objective knowledge is developed through basic and applied research. Since the early research on scientific management, research on organizational behavior has continued to provide objective knowledge involving theories, conceptual models, and various research findings. In this book, the objective knowledge in each chapter is reflected in the supporting notes. Mastering the concepts and ideas that come from these notes enables you to discuss intelligently topics such as motivation, performance, leadership,<sup>54</sup> and executive stress.<sup>55</sup>

We encourage instructors and students of organizational behavior to think critically about the objective knowledge that has been gained in the study of organizational behavior. Only by engaging in critical thinking can

one question or challenge the results of specific research or consider how such research should be applied in a particular work setting. Rote memorization does not prepare students to appreciate the complexity of specific theories or the intricacies of interrelated concepts, ideas, and topics. Critical thinking, by contrast, enables students to identify inconsistencies and limitations in the current body of objective knowledge.

Critical thinking, based on knowledge and understanding of basic ideas, leads to inquisitive exploration and is a key to accepting the responsibility of coproducer in the learning process. A questioning, probing attitude is at the core of critical thinking. The student of organizational behavior should evolve into a critical consumer of knowledge related to organizational behavior—one who is able to intelligently question the latest research results and distinguish plausible, sound, new approaches from fads that lack substance or adequate foundation. Ideally, the student of organizational behavior develops into a scientific, professional manager who is knowledgeable in the art and science of organizational behavior.

### 1-7b Skill Development

Learning about organizational behavior requires doing as well as knowing. Furthermore, the development of skills and abilities requires that students be challenged by the instructor and by themselves. The “What about You?” features on the Chapter Review Cards give you a chance to learn about yourself, challenge yourself, and apply what you are learning.

The U.S. Department of Labor tries to ensure that people acquire the necessary skills to be successful in the workplace.<sup>56</sup> The essential skills identified by the department are (1) resource management skills, such as time management; (2) information management skills, such as data interpretation; (3) personal interaction skills, such as teamwork; (4) systems behavior and performance skills, such as cause–effect relationships;

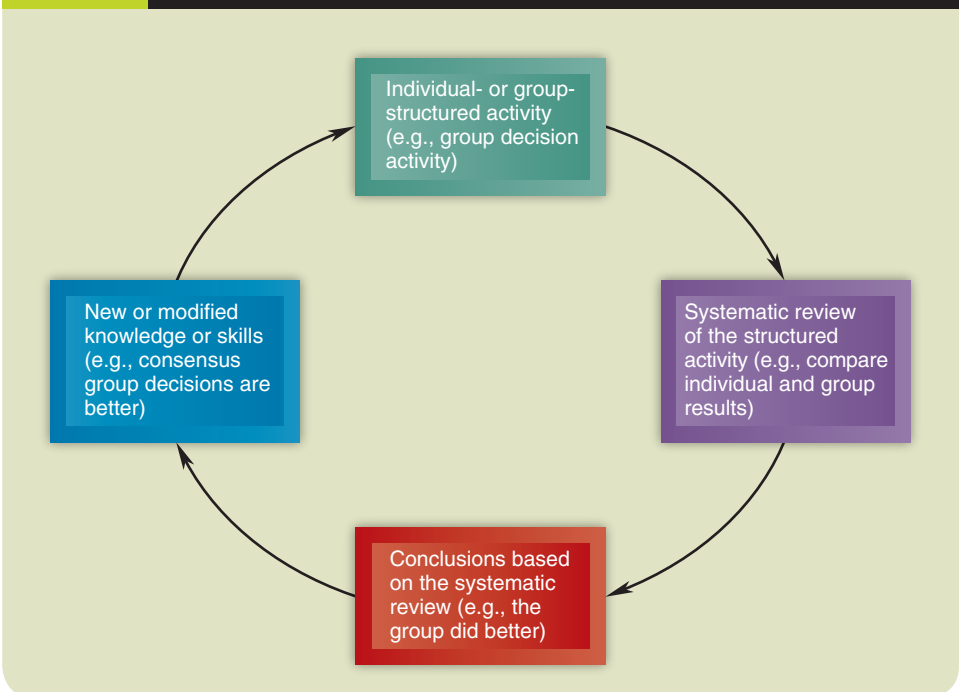
and (5) technology utilization skills, such as troubleshooting. Many of these skills, such as decision making and information management, are directly related to the study of organizational behavior.<sup>57</sup> Employers increasingly demand that workers possess effective teamwork and collaboration skills. Eighty percent of employers surveyed cited the ability to work in groups as a highly desirable attribute of recruits.<sup>58</sup>

Developing skills is different from acquiring objective knowledge because it requires structured practice and feedback. A key function of experiential learning is engaging the student in individual or group activities that are systematically reviewed, leading to new skills and understandings. However, objective knowledge acquisition and skill development are interrelated, as shown in Figure 1.4. The student engages in an individual- or group-structured activity and then systematically reviews that activity, gaining new or modified knowledge and skills.

If skill development and structured learning occur in this way, there should be an inherently self-correcting element to learning because of the modification of the student’s knowledge and skills over time.<sup>59</sup> To ensure that skill development does occur and that the learning is self-correcting as it occurs, three basic guidelines must be followed.

First, students must accept responsibility for their own behavior, actions, and learning. This is key to the

**FIGURE 1.4** LEARNING FROM STRUCTURED ACTIVITY



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**1920s**  
supervisors at U.S. Steel issued pistols

**\$17.7 trillion**  
U.S. gross domestic product in 2014

**3**  
activities involved in learning organizational behavior

**12**  
steps in the GE Six Sigma problem-solving method

**46%**  
of the U.S. GDP comes from the service sector

coproducer role in the learning process. A group cannot learn for its members. Members must accept responsibility for what they each individually do and learn. Denial of responsibility helps no one, least of all the learner.

Second, each student must actively participate in the individual- or group-structured learning activity. Structured learning is not passive; it is active. In group activities, everyone suffers if just one person adopts a passive attitude. All must actively participate.

Third, each student must be open to new information, new skills, new ideas, and experimentation. This does not mean that students should be indiscriminately open. It does mean that students should have nondefensive, open attitudes so that they can learn and adjust to new ideas.

### 1-7c Application of Knowledge and Skills

Understanding organizational behavior includes an appreciation and understanding of working realities as well as of science and of oneself. One of the advantages of structured, experiential learning is that a person can explore new behaviors and skills in a comparatively safe environment. Fortunately, losing your temper in a classroom activity and learning about the potentially adverse impact on other people will have dramatically different consequences from losing your temper with an important customer in a tense work situation. Thus, learning spaces

that offer the interface of student learning styles with institutional learning environments give learners safe spaces to engage their brains to form abstract hypotheses, to actively test these hypotheses through concrete experiences, and to reflectively observe the outcomes in behavior and experience.<sup>60</sup> The ultimate objective of skill application and experiential learning is that one transfers the process employed in learning from structured activities in the classroom and learning spaces to learning from unstructured opportunities in the workplace.

Although organizational behavior is an applied discipline, students are not “trained” in organizational behavior. Rather, they are “educated” in organizational behavior and are coproducers in learning. The distinction between these two modes of learning is found in the degree of direct and immediate applicability of either knowledge or skills. As an activity, training ties objective knowledge or skill development more directly to specific applications. By contrast, education enhances a person’s residual pool of objective knowledge and skills that may then be selectively applied later—sometimes significantly later—when the opportunity presents itself. Hence, education is consistent with the concept of lifelong learning. Especially in a growing area of knowledge such as organizational behavior, the student can think of the first course as the outset of lifelong learning about the subject.

**Learning about organizational behavior requires doing as well as knowing.**

# STUDY TOOLS 1

## LOCATED AT BACK OF THE TEXTBOOK

- Rip out chapter review card

## LOCATED AT [WWW.CENGAGE.COM/LOGIN](http://WWW.CENGAGE.COM/LOGIN)

- Track your knowledge and understanding of key concepts in business using 4LTR Press Online
- Review key term flashcards and create your own using StudyBits
- Create and complete practice quizzes based off of your notes and StudyBits
- Complete Online activities such as Matching and Fill-in-the-Blank exercises
- View chapter highlight box content, including the chapter videos, key exhibits and executive profiles.

# 2 | Challenges for Managers



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## LEARNING OUTCOMES

- 2-1 Describe the factors that affect organizations competing in the global economy.
- 2-2 Explain how cultural differences form the basis of work-related attitudes.
- 2-3 Describe the challenges and positive influences diversity brings to today's business environment.
- 2-4 Discuss the role of ethics, character, and personal integrity in the organization.
- 2-5 Explain five issues that pose ethical dilemmas for managers.
- 2-6 Describe the effects of technological advances on today's workforce.

Key challenges that managers face today stem from the fact that business is increasingly global in scope.<sup>1</sup> Globalization is driven by the spread of economic logics centered on freeing, opening, deregulating, and privatizing economies to attract investment as well as technological innovations that are revolutionizing communication.<sup>2</sup> The resulting challenges for managers can be viewed as both opportunities and threats.

Chief executive officers of U.S. corporations have cited three challenges managers must overcome to remain competitive: (1) globalizing the firm's operations to compete in the global village; (2) leading a diverse workforce; and (3) encouraging positive ethics, character, and personal integrity.<sup>3</sup>

## 2-1 COMPETING IN THE GLOBAL ECONOMY

Only a few years ago, business conducted across national borders was referred to as *international* activity, a term implying that the individual's or the organization's nationality is held strongly in consciousness.<sup>4</sup> *Globalization*, by contrast, suggests that the world is free from national boundaries and is borderless.<sup>5</sup> U.S. workers now compete with workers in other countries. Organizations from other countries, such as the auto manufacturers Honda, Toyota, Nissan, and Daimler Benz, are establishing subsidiaries in the United States.

Similarly, what were once called *multinational organizations* (organizations that did business in several countries) are now referred to as **transnational organizations**, indicating that the global viewpoint supersedes national issues.<sup>6</sup> Transnational organizations such as 3M, Dow Chemical, and Coca-Cola operate worldwide across long distances and employ a multicultural mix of workers.

### 2-1a Social and Political Changes

Social and political upheavals have led organizations to change the way they conduct business as a result of thinking globally. Toyota, for example, is one Japanese company thinking big, thinking globally, and thinking



Companies like Coca-Cola, are transnational and are recognized around the world (sign is from Berlin, Germany)

differently by learning to speak to the 60-million-strong Generation Y, or so-called millennials.<sup>7</sup>

Business ventures in China have become increasingly attractive to U.S. companies. One challenge U.S. managers have tackled is understanding the Chinese way of doing business, ways that have been shaped by the Communist Party, socialism, feudalistic values, and *guanxi* (building networks for social exchange). Once *guanxi* is established, individuals can ask favors of each other with the expectation that the favor will be returned. Thus, many Chinese use *guanxi*, or personal connections, to conduct business or obtain jobs.

The concept of *guanxi* is not unique to China. There are similar concepts in many other countries, including Russia and Haiti. It is a broad term that can mean anything from strongly loyal relationships to ceremonial gift giving, sometimes seen as bribery. *Guanxi* is more common in societies with underdeveloped legal support for private businesses.<sup>8</sup>

Americans can learn to build their own *guanxi* in order to interact effectively with Chinese managers. This would involve understanding the Chinese chain of command and negotiating slow, general agreements. Using the foreign

What major challenges must managers overcome to remain competitive?



**transnational organization** An organization in which the global viewpoint supersedes national issues.

**guanxi** The Chinese practice of building networks for social exchange.

government as a local franchisee may be effective in China. For example, KFC's operation in China is a joint venture between KFC (60%) and two Chinese government bodies (40%).<sup>9</sup>

The opening of trade barriers is a third issue that affects organizations competing in a global economy. In 1993, the European Union integrated fifteen nations into a single market by removing trade barriers. At that time, the member nations of the European Union were Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. By 2007 Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia had also joined. Europe's integration provides many opportunities for U.S. organizations to engage 494 million potential customers. Companies such as Ford Motor Company and IBM, which entered the market early with wholly-owned subsidiaries, were able to capitalize on their much anticipated head start.<sup>10</sup> Competition within the European Union will intensify, however, as will competition from Japan and the former Soviet nations.

The United States, Canada, and Mexico dramatically reduced trade barriers with the North American Free Trade Agreement (NAFTA), which took effect in 1994. Organizations found promising new markets for their products, and many companies located plants in Mexico to take advantage of low labor costs. Prior to NAFTA, Mexico placed heavy tariffs on U.S. exports. The agreement immediately eliminated many of these tariffs and provided that the remaining tariffs be phased out over time.

Given these changes, managers must think globally and adopt a long-term view. Entering global markets requires long-term strategies.

## 2-1b Cultural Differences

One key for any company competing in the global marketplace is to understand diverse cultures. Whether managing culturally diverse individuals within a single location or managing individuals at remote locations around the globe, organizations must appreciate the

**expatriate manager** A manager who works in a country other than her or his home country.

differences among cultures. Edgar Schein suggests that to understand an organization's culture or, more broadly, any culture, one should dig below the surface of visible artifacts and uncover the basic underlying assumptions at the core of the culture.<sup>11</sup>

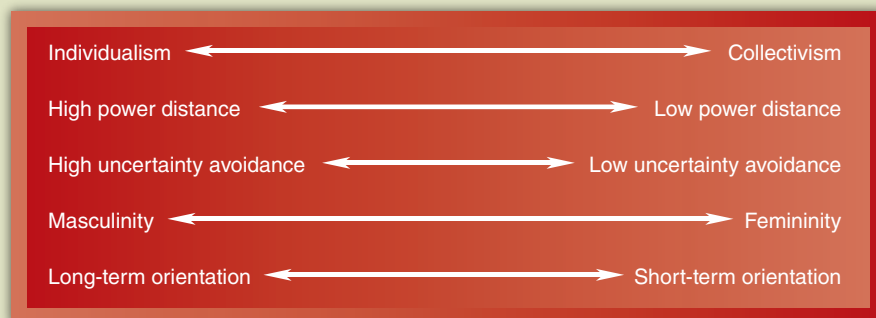
*Microcultural differences* (i.e., differences within cultures) are key to our understanding of the global work environment.<sup>12</sup> One such difference is the gap between generations, which Toyota, as previously mentioned, is addressing by learning to speak to the 60-million-strong millennial Generation Y.<sup>13</sup>

When considering differences among cultures, symbols are extremely important because they can generate misunderstanding or inhibit communication if they are interpreted incorrectly. Consider the thumbs-up sign, which means approval in the United States but is an obscene gesture in Australia. Consider also the Windows icon representing a manila file folder, which is meaningless to Europeans who have never used such folders.<sup>14</sup>

Do cultural differences translate into differences in work-related attitudes? To answer this question, the pioneering Dutch researcher Geert Hofstede, with his colleagues, surveyed 160,000 managers and employees of IBM working in sixty different countries. Thus, the researchers were able to study individuals from the same company in the same jobs but living in different countries. They found that national culture explains more differences in work-related attitudes than does age, gender, profession, or position in the organization. Five dimensions of cultural differences that formed the basis for work-related attitudes were identified (Figure 2.1).<sup>15</sup>

Management careers have taken on a global dimension in that working in transnational organizations may give managers the opportunity to work in other countries. **Expatriate managers**, those who work in a

**FIGURE 2.1 HOFSTEDE'S DIMENSIONS OF CULTURAL DIFFERENCES**



SOURCE: Based on Academy of Management, P.O. Box 3020, Briarcliff Manor, NY 10510-8020. Cultural Constraints in Management Theories. G. Hofstede, Academy of Management Executive 7 (1993).

country other than their home country, benefit greatly from knowledge of cultural differences.

*International executives* are executives whose jobs have international scope, whether they have an expatriate assignment or deal with international issues. What kind of competencies should an individual develop to prepare for an international career? Some key competencies are integrity, insightfulness, risk taking, courage to take a stand, and ability to bring out the best in people. Learning-oriented attributes of international executives include cultural adventurousness, flexibility, openness to criticism, desire to seek learning opportunities, and sensitivity to cultural differences.<sup>16</sup> Further, strong human capital generally has a positive effect on internationalization.<sup>17</sup> Notice that all these qualities are based on core competencies and the ability to learn from experience.

Because workplace customs vary widely, understanding cultural differences becomes especially important for companies that are considering opening foreign offices. It is wise to do the research in advance. Consulate offices and companies operating within the foreign country provide excellent information about national customs and legal requirements. Table 2.1 presents a business guide to cultural differences in three countries: Japan, Mexico, and Saudi Arabia.

Another reality affecting global business practices is the cost of layoffs in other countries. As the economy has become more global, downsizing has presented challenges worldwide. For example, dismissing a forty-five-year-old middle manager with twenty years of service and a \$50,000 annual salary varied in cost from a low of \$13,000 in Ireland to a high of \$130,000 in Italy.<sup>18</sup> Laying off this manager in the United States would have cost approximately \$19,000. The wide variability in costs stems from the various legal protections that certain countries give workers. In Italy, laid-off employees must receive a so-called notice period payment (one year's pay if they have nine years or more of service) plus a severance payment (based on pay and years of service). U.S. companies operating overseas often adopt the European tradition of training and retraining workers to avoid overstaffing and potential layoffs. Appreciating the customs and rules for doing business in another country is essential to global success.

2-2

## CULTURAL DIFFERENCES AND WORK-RELATED ATTITUDES

Hofstede's work has implications for work-related attitudes. We'll now take a closer look at how his five dimensions of cultural differences are manifest in a variety of countries.

### 2-2a Individualism versus Collectivism

In cultures where **individualism** predominates, the social framework is loose and employees put loyalty to themselves and their families ahead of loyalty to their company and work group. Cultures characterized by **collectivism**, on the other hand, are tightly knit social frameworks in which individual members depend strongly on others and group decisions are valued and accepted.

North American and European cultures are individualistic in orientation. Managers in Great Britain and the Netherlands, for example, emphasize and encourage individual achievement. In contrast, in collectivist cultures, such as Israeli *kibbutzim* and Japan, people view group loyalty and unity as paramount. Collectivistic managers seek to fit harmoniously within the group and encourage their employees to do the same. The world's regions are patterned with varying degrees of this cultural difference.

### 2-2b Power Distance

**Power distance** relates to the acceptance of the unequal distribution of power. In countries with a high power distance, bosses are afforded more authority, which is seldom bypassed, titles are used, and formality is the rule. Managers and employees in such countries see one another as fundamentally different kinds of people. India, Venezuela, and Mexico all demonstrate high power distance.

In societies with low power distance, people believe in minimizing inequality. People at various power levels in these countries are less threatened by and more willing to trust one another. Managers and employees judge each other on a basis of equality. Managers are given authority only if they have expertise. Employees frequently bypass the boss in order to get work done in countries with a low power distance, such as Denmark and Australia.

### 2-2c Uncertainty Avoidance

Cultures with high **uncertainty avoidance** are concerned with security and tend to avoid conflict. People in such

**individualism** A cultural orientation in which people belong to loose social frameworks and their primary concern is for themselves and their families.

**collectivism** A cultural orientation in which individuals belong to tightly knit social frameworks and depend strongly on extended families or clans.

**power distance** The degree to which a culture accepts unequal distribution of power.

**uncertainty avoidance** The degree to which a culture tolerates ambiguity and uncertainty.