SECOND EDITION

ORGANIZATIONAL BEHAVIOUR

STEPHEN P. ROBBINS
TIMOTHY A. JUDGE
TIMOTHY T. CAMPBELL

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Brief contents

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For password-protected online resources tailored to support the use of this textbook in teaching, please visit **http://catalogue.pearsoned.co.uk/educator/product/Organizational-Behaviour-2E/9781292016559.page**

Contents

CHAPTER 16 Organizational culture 456

CHAPTER 18 Organizational change and stress management 520

Preface

Welcome to the second edition of *Organizational Behaviour*.

This book draws on previous work by Stephen Robbins and Tim Judge, that has long been considered the standard for all organizational behaviour textbooks, to produce a particularly European OB textbook without losing sight of the global context. It continues the tradition of making current, relevant research come alive for students while maintaining its hallmark features – clear writing style, cutting-edge content and compelling pedagogy, while dealing with the variability of organizational behaviour across Europe.

This edition is a comprehensive and rigorous revision. We're confident that this edition reflects the most important research and topical issues facing organizations, managers and employees.

Key changes to the second edition

A *substantial* update:

- More than 700 new references!
- Every chapter has been updated and includes new sections

The following features are either **completely rewritten** or **substantially revised**:

- Opening vignette
- Face the facts
- OB in the news
- glOBal
- Myth or science?
- Point/counterpoint
- Experiential exercises
- Ethical dilemmas
- Case incidents
- *NEW* The **Employability *AND*** . . . feature helps the reader understand how the chapter topic will enhance their ability to gain and maintain employment.
- *NEW* **Photos and captions** throughout the text have been updated to help engage students in the concepts being covered.
- *NEW* The **Summary** and **Implications for managers** sections are now separate features, making it easier for students to focus on and recognize practical ways to apply the chapter's material on the job.

The features of the book

Writing style: a particular feature of the book is the conversational and 'student friendly' writing style. Concepts are carefully explained in an understandable fashion without compromising the more complex theoretical aspects.

Examples: an important method of supporting students understanding of concepts is to relate what is being learned to the real world. This book is packed full of recent examples drawn primarily from Europe, but also globally, and from a wide variety of organizations.

The three-level model of analysis: this book presents OB at three levels of analysis. It begins with individual behaviour and then moves to group behaviour. Finally it adds the organization system to capture the full complexity of organizational behaviour.

Opening vignettes: each chapter begins with an introduction to the topic by using a real-world illustration. The intention is to provide an example students can relate back to as the topic is explored and perhaps question their initial assumptions.

'Myth or science?' boxes: this feature presents a commonly accepted 'fact' about human behaviour, followed by confirming or disproving research evidence. Some examples include 'You can't teach an old dog new tricks', 'First impressions count' and 'Money can't buy happiness'. These boxes provide repeated evidence that common sense can often lead us astray in the attempt to understand human behaviour, and that behavioural research offers a means for testing the validity of commonsense notions.

'OB in the news': OB concepts regularly appear in the media, such as job satisfaction, employee loyalty and workplace conflict. This feature prepares students to recognize and evaluate these issues when presented with them in newspapers, magazines, TV, etc.

'Face the facts': these boxes highlight interesting facts from recent surveys that emphasize key aspects of the text. For example, diversity across Europe, the extent of employee engagement, and the popularity of working in teams. Students should be encouraged to further explore the validity, implications and reasons for the results.

Experiential exercises: an experiential, hands-on, in-class exercise is included in each chapter that will make for unique and entertaining exercises to highlight a key chapter concept.

Ethical dilemmas: each chapter has an associated ethical dilemma. The recognition of ethical issues when dealing with people has risen significantly over the past decade. For instance, is it okay to lie during negotiations? Is fudging parts of your CV acceptable because 'everybody else does it'? Are large bonuses acceptable for top management when the company has posted huge financial losses? This feature helps students to recognize ethical issues and think about how they would resolve them.

Case incidents: there are two case incidents at the end of each chapter that are devised to apply what has been learnt in the chapter to short, interesting, real-world events.

Point/counterpoint dialogues: an important skill for students is the ability to formulate supported arguments rather than simply describe concepts. These dialogues allow students to see two sides of an OB controversy and to stimulate their critical thinking. They are especially useful to stimulate class discussions.

Employability *AND* . . . features: employability (the ability to gain and maintain employment) is high on the agenda across Europe. The proposition for graduates is that they are generally being taught the technical skills they require to enter the workforce, but the additional skills that they really need to perform – such as working with and contributing to a team, time management, making decisions, demonstrating leadership, communicating effectively and many more – are lacking. These are OB issues. This feature helps students to understand how the chapter topic can enhance their employability.

Further pedagogy: each chapter has a structure that makes it easy for students to follow. *Learning objectives* are provided at the outset of each chapter and linked to the text throughout in marginal annotations. These objectives are then linked to the *Questions for review* at the end of the chapter. There is also a running glossary of key terms and definitions in the margin adjacent to the point at which the term is first discussed at length.

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We would like to thank the team at Pearson Education for their excellent efforts in getting this book to print and into the hands of students and faculty. Our gratitude to the commitment and dedication of the OB research community, without which there would be no textbook.

To Joanne; Helen and David; and Sam and Leo who continue to prove I still have a lot to learn about human behaviour.

This book is wholeheartedly dedicated to a great friend and always my big brother, Clynton.

Timothy T. Campbell

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Tables

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CHAPTER 1

What is organizational behaviour?

Learning objectives

After studying this chapter, you should be able to:

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

The contradictions are what make human behaviour so maddening and yet so fascinating, all at the same time.

Joan D. Vinge

GOOGLE: THE HAPPINESS MACHINE

VIEW Pictures Ltd/Alamy

Google's various offices and campuses around the globe reflect the company's overarching philosophy which is nothing less than 'to create the happiest, most productive workplace in the world'. As ambitious as this goal sounds, the firm could well consider itself to have achieved it. In 2015, Google was ranked number 1 on *Fortune*'s '100 Best Companies to Work For' list (for the sixth time) and by the Great Place to Work Institute as the 'World's Best Multinational Workplace'. A walk around a Google office has been described as a dizzying excursion through a labyrinth of play areas; cafes, coffee bars and open kitchens; sunny outdoor terraces with chaises; gourmet cafeterias that serve free breakfast, lunch and dinner; Broadway-themed conference rooms with velvet drapes; and conversation areas designed to look like vintage subway cars.

When discussing the perks, in the course of a brief conversation, a Googler mentioned subsidised massages; free once-a-week eyebrow shaping; free yoga and Pilates classes; a course she took called 'Unwind: the art and science of stress management'; a course in advanced negotiation taught by a Wharton professor; a health consultation and follow-up with a personal health counsellor; an author series and an appearance by the novelist Toni Morrison. This is in addition to a full array of more traditional employee benefits.

At times Google's largesse can sound excessive and wasteful from a bottom-line perspective. Yet it would be a mistake to conclude that Google gives out such perks just to be nice. People Operations (or POPS – what Google calls its HR department) rigorously monitors a slew of data about how employees respond to benefits, and it rarely throws money away.

At the heart of POPS is a sophisticated employee-data tracking programme, an effort to gain empirical certainty about every aspect of Google's workers' lives – not just the right level of pay and benefits but also such trivial-sounding details as the optimal size and shape of the cafeteria tables and the length of the lunch lines. Google has even hired social scientists to study the organization. The scientists run dozens of experiments on employees in an effort to answer questions about the best way to manage a large firm.

POPS has uncovered many nuggets of optimal organizational behaviour. One of the biggest findings is that middle managers matter, which overturned Google founders Larry Page and Sergey Brin's one-time presumption that you could run a company in which nobody was the boss of anyone else. As for the cafeterias, researchers found that the ideal lunch line should be about three or four minutes long – that's short enough that people don't waste time but long enough that they can meet new people. The tables should be long, so workers who don't know each other are forced to chat. And, after running an experiment, Google found that stocking cafeterias with 8-inch plates alongside 12-inch plates encouraged people to eat smaller, healthier portions.

Laszlo Bock, the head of POPS, says the ultimate goal is to use Google's experience to answer some big questions about the workplace: Are leaders born or made? Are teams better than individuals at getting things done? Can individuals sustain high performance over their lifetimes? POPS isn't close to being able to answer those questions right now, but Bock argues that Google can eventually shed light on some of them.

In time, Bock argues, Google's finding – which it often shares with other HR professionals – may improve all our jobs. 'You spend more time working than doing anything else,' he says. 'If you work 8 or 10 hours a day, it's more time than you spend sleeping, more time than you spend with your spouse. When you add it up it gets really depressing. You like your job, but for all time it should be – and it could be – something more. So why isn't it?'

Sources: Farhad Manjoo (2013) 'The Happiness Machine: how Google became such a great place to work', *Slate*, 21 January 2013, http://www.slate.com/articles/technology/technology/2013/01/google_people_operations_the_secrets_of_the_world_s_most_scientific_human.2.html; James B. Stewart (2013) 'Looking for a lesson in Google's perks', *New York Times*, 15 March 2013, http://www.nytimes.com/2013/03/16/business/at-google-a-place-to-work-and-play.html; https://www.google.com/about/company/. Accessed 8 October 2015.

Google is a company that recognizes the key to its success is people. If its people are effectively managed, they are more likely to innovate, deliver a quality product and service, constantly improve existing offerings and provide performance that is beyond expectations. As the opening vignette demonstrates, Google's approach to managing its people doesn't derive from 'common sense' or intuition but from knowledge gained through systematic study. This is where organizational behaviour comes into play.

REFLECTION

How much of effective management do you think is common sense?

The importance of interpersonal skills

1 Demonstrate the importance of interpersonal skills in the workplace.

Until the late 1980s, business school curricula emphasized the technical aspects of management, specifically focusing on economics, accounting, finance and quantitative techniques. Course work in human behaviour and people skills received minimal attention relative to the technical aspects of management. Over the past three decades, however, business faculty have come to realize the importance that an understanding of human behaviour plays in determining a manager's effectiveness, and required courses on people skills have been added to many curricula. As a director of leadership at MIT's Sloan School of Management once put it, 'M.B.A. students may get by on their technical and quantitative skills the first couple of years out of school. But soon, leadership and communication skills come to the fore in distinguishing the managers whose careers really take off.'[1] Similarly, a UK graduate employer survey revealed that candidates are normally academically proficient, but lacking in so-called 'soft skills' such as team working, communicating effectively, leadership and cultural awareness. The employers claimed that developing these interpersonal skills is essential for managerial effectiveness.[2]

Justin Sullivan/Getty Images

Succeeding in management today requires good interpersonal skills, aptly demonstrated by Tim Cook. Few tougher assignments can be envisaged than replacing the legendary Steve Jobs at Apple. But that's exactly what Tim Cook did. Originally derided as 'wooden' and 'lacking charisma', Cook led Apple so strongly that he earned the No. 1 spot on *Fortune*'s list of the World's Greatest Leaders in 2015. Cook believes in letting employees have freedom, listening attentively, humility, diversity and admitting mistakes.

Recognition of the importance of developing managers' interpersonal skills is closely tied to the need for organizations to get and keep high-performing employees. Regardless of labour market conditions, outstanding employees are always in short supply and the competition for talented employees is forecast to get even more fierce in most of Europe up to 2020 and beyond.[3] Companies with reputations as good places to work – such as Admiral, NetApp, SAS Institute, Microsoft, Hilti, Cisco, Capital One, Torfs, EMC[2] and Quintiles[4] – have a big advantage. A recent survey of hundreds of workplaces, and more than 200,000 respondents, showed the social relationships among co-workers and supervisors were strongly related to overall job satisfaction. Positive social relationships also were associated with lower stress at work and lower intentions to quit.[5] Having managers with good interpersonal skills is likely to make the workplace more pleasant, and research indicates that

EMPLOYABILITY *AND* ORGANIZATIONAL BEHAVIOUR

When Lucas was reflecting on his first corporate job after leaving university, he recalls, 'As a finance graduate I thought my work day would be all about showing off my skills. It took me less than a week to find out I was very wrong. I was the least experienced and treated like it, I couldn't seem to say anything sensible when my boss asked me questions, I didn't know what to do in meetings and just stared at the e-mails "pinging" on my computer, not knowing how to respond, or even if I should respond.'

The issues Lucas faced are very common. There has been a concern for some time that university graduates are not adequately prepared for employment. According to a YouGov survey more than half of employers said all or almost all graduate recruits started work without crucial abilities such as team work, communication, time management and the ability to meet deadlines. A poll of the company leaders found that fewer than one in five businesses believe graduates are ready for work. The EU Parliamentary Research Service claims the EU faces a paradox: a high youth unemployment rate while there are around 2 million unfilled vacancies across Europe. The implication being that the youths do not have the work skills required to be selected to fill the vacancies. Higher Education (HE) Authorities around Europe have put employability at the centre of their national HE strategies.

Employability can be thought of as the ability to gain and maintain employment (meaning employability skills are relevant at the start and throughout an individual's career). The proposition for graduates is that they are generally being taught the technical skills they require to enter the workforce, but the additional skills that they really need to perform, such as working with and contributing to a team, time management, making decisions, demonstrating leadership, positively contributing, communicating effectively, structuring their day, relating to colleagues and many more, are lacking. You have probably noticed that these are organizational behaviour issues! Understanding the subject is essential for employability no matter what the occupation. Because of this, each chapter will have an Employability *AND* feature demonstrating how an understanding of the chapter topic can enhance your employability.

employees who know how to relate to their managers well with supportive dialogue and proactivity will find their ideas are endorsed more often, further improving workplace satisfaction.[6] Creating a pleasant workplace also appears to make good economic sense. Companies with reputations as good places to work have been found to generate superior financial performance.[7]

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

What managers do

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

managers
An individual who achieves goals through other people.

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

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

Managers get things done through other people. They make decisions, allocate resources and direct the activities of others to attain goals. Managers do their work in an **organization**, which is a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals. On the basis of this definition, manufacturing and service firms are organizations, and so are schools, hospitals, churches, retail stores, police departments and government agencies. The people who oversee the activities of others and who are responsible for attaining goals in these organizations are managers (although they're sometimes called *administrators*, especially in not-for-profit organizations).

Management functions

In the early part of the twentieth century, a French industrialist by the name of Henri Fayol wrote that all managers perform five management functions: planning, organizing,

commanding, coordinating and controlling.[8] Today, we have condensed these to four: planning, organizing, leading and controlling.

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

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

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

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

Because organizations exist to achieve goals, someone has to define those goals and the means for achieving them; management is that someone. The **planning** function encompasses defining an organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive set of plans to integrate and coordinate activities. Evidence indicates that this function is the one that increases the most as managers move from lower-level to mid-level management.[9]

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

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

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

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

Management roles

In the late 1960s, Henry Mintzberg, then a graduate student at Massachusetts Institute of Technology, undertook a careful study of five executives to determine what those managers did on their jobs. On the basis of his observations, Mintzberg concluded that managers perform ten different, highly interrelated roles – or sets of behaviours.[10] As shown in Table 1.1 these ten roles can be grouped as being primarily (1) interpersonal, (2) informational and (3) decisional.

Table 1.1 Mintzberg's managerial roles

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

Source: Adapted from H. Mintzberg, *The Nature of Managerial Work*, 1st edn, © 1980, pp. 92–3. Reprinted with permission of Pearson Education, Inc., Upper Saddle River, NJ.

Interpersonal roles

All managers are required to perform duties that are ceremonial and symbolic in nature. For instance, when the Dean of a university hands out degrees at graduation or a factory supervisor gives a group of high school students a tour of the premises, he or she is acting in a *figurehead* role. All managers also have a *leadership* role. This role includes hiring, training, motivating and disciplining employees. The third role within the interpersonal grouping is the *liaison* role. Mintzberg described this activity as contacting outsiders who provide the manager with information. These may be individuals or groups inside or outside the organization. The sales manager who obtains information from the quality-control manager in their own company has an internal liaison relationship. When that sales manager has contacts with other sales executives through a marketing trade association, they have an outside liaison relationship.

Informational roles

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

Decisional roles

Mintzberg identified four roles that revolve around making choices. In the *entrepreneur* role, managers initiate and oversee new projects that will improve their organization's performance. As *disturbance handlers*, managers take corrective action in response to unforeseen problems. As *resource allocators*, managers are responsible for allocating human, physical and monetary resources. Finally, managers perform a *negotiator* role, in which they discuss issues and bargain with other units to gain advantages for their own unit.

Management skills

Still another way of considering what managers do is to look at the skills or competencies they need to achieve their goals. Researchers have identified a number of skills that differentiate effective from ineffective managers.[11]

Technical skills

technical skills
The ability to apply specialised knowledge or expertise.

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

Human skills

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

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

Many people are technically proficient but poor listeners, unable to understand the needs of others, or weak at managing conflicts. Because managers get things done through other people, they must have good human skills.

Conceptual skills

conceptual skills
The mental ability to analyse and diagnose complex situations.

Managers must have the mental ability to analyse and diagnose complex situations. These tasks require **conceptual skills**. Decision making, for instance, requires managers to identify problems, develop alternative solutions to correct those problems, evaluate those alternative solutions and select the best one.

After they have selected a course of action, managers must be able to organize a plan of action and then execute it. The ability to integrate new ideas with existing processes and innovate on the job are also crucial conceptual skills for today's managers.

Effective versus successful managerial activities

Fred Luthans and his associates looked at the issue of what managers do from a somewhat different perspective.[12] They asked the question 'Do managers who move up the quickest in an organization do the same activities and with the same emphasis as managers who do the best job?' You would tend to think that the managers who are the most effective in their jobs would also be the ones who are promoted the fastest. But that's not what appears to happen.

Luthans and his associates studied more than 450 managers. What they found was that these managers all engaged in four managerial activities:

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

The 'average' manager in the study spent 32 per cent of their time in traditional management activities, 29 per cent communicating, 20 per cent in human resource management activities and 19 per cent networking. However, the amount of time and effort that different managers spent on those four activities varied a great deal. Specifically, as shown in Figure 1.1, managers who were *successful* (defined in terms of the speed of promotion within their organization) had a very different emphasis from managers who were *effective* (defined in terms of the quantity and quality of their performance and the satisfaction and commitment of their employees). Among successful managers, networking made the largest relative contribution to success, and human resource management activities made the least relative contribution. Among effective managers, communication made the largest relative contribution and networking the least. More recent studies, conducted in a variety of countries (Australia, Israel, Italy, Japan and the United States), further confirm the link between networking and success within an organization.[13] For example, one study found that Australian managers who actively networked received more promotions and enjoyed other rewards associated with career success. And the connection between communication and effective managers is also clear. A study of 410 US managers indicates that managers who seek information from colleagues and employees – even if it's negative – and who explain their decisions are the most effective.[14]

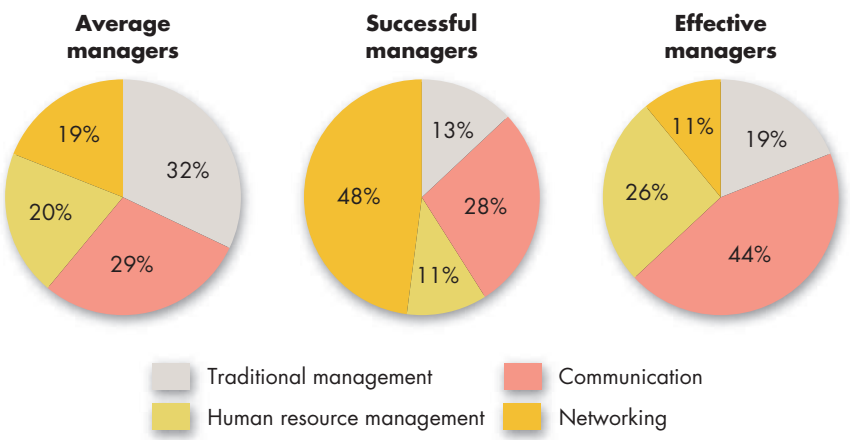


Figure 1.1 Allocation of activities by time

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

A review of the manager's job

One common thread runs through the functions, roles, skills, activities and approaches to management: each recognizes the paramount importance of managing people. Regardless of whether it is called 'the leading function', 'interpersonal roles', 'human skills', or 'human resource management, communication and networking activities', it's clear that managers need to develop their people skills if they're going to be effective and successful.

Enter organizational behaviour

3 Define *organizational behaviour (OB).*

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

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

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

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

To sum up our definition, OB is the study of what people do in an organization and how their behaviour affects the organization's performance. And because OB is concerned specifically with employment-related situations, it emphasizes behaviour as related to concerns such as jobs, work, absenteeism, employment turnover, productivity, human performance and management.

Although debate exists about the relative importance of each, OB includes the core topics:

- Motivation
- Leader behaviour and power
- Interpersonal communication
- Group structure and processes
- Attitude development and perception
- Change processes
- Conflict and negotiation
- Work design[15]

Complementing intuition with systematic study

4 Show the value to OB of systematic study.

Each of us is a student of behaviour. Since our earliest years, we've watched the actions of others and have attempted to interpret what we see. Whether or not you've explicitly thought about it before, you've been 'reading' people almost all your life. You watch what others do and try to explain to yourself why they have engaged in their behaviour. In addition, you've attempted to predict what they might do under different sets of conditions. Unfortunately, your

casual or commonsense approach to reading others can often lead to erroneous predictions. However, you can improve your predictive ability by supplementing your intuitive opinions with a more systematic approach.

The systematic approach used in this book will uncover important facts and relationships and will provide a base from which more accurate predictions of behaviour can be made. Underlying this systematic approach is the belief that behaviour is not random. Rather, there are certain fundamental consistencies underlying the behaviour of all individuals that can be identified and then modified to reflect individual differences.

These fundamental consistencies are very important. Why? Because they allow predictability. Behaviour is generally predictable, and the *systematic study* of behaviour is a means to making reasonably accurate predictions. When we use the phrase **systematic study**, we mean looking at relationships, attempting to attribute causes and effects, and basing our conclusions on scientific evidence – that is, on data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner.

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

evidence-based management (EBM)
Basing managerial decisions on the best available scientific evidence.

intuition
A gut feeling not necessarily supported by research.

An approach that complements systematic study is evidence-based management. **Evidence-based management (EBM)** involves basing managerial decisions on the best available scientific evidence. We'd want doctors to make decisions about patient care based on the latest available evidence, and EBM argues that we want managers to do the same. That means managers must become more scientific in how they think about management problems. For example, a manager might pose a managerial question, search for the best available evidence and apply the relevant information to the question or case at hand. You might think it's difficult to argue against this (what manager would argue that decisions shouldn't be based on evidence?), but the vast majority of management decisions are still made spontaneously, with little or no systematic study of available evidence.[16]

Systematic study and EBM add to **intuition**, or those 'gut feelings' about what makes others (and ourselves) 'tick'. Of course, the things you have come to believe in an unsystematic way are not necessarily incorrect. Jack Welch (former CEO of GE) noted, 'The trick, of course, is to know when to go with your gut.'

'Preconceived notions versus substantive evidence' MYTH OR SCIENCE?

Assume that you signed up to take an introductory university course in finance. On the first day of class, your tutor asks you to take out a piece of paper and answer the following question: 'What is the net present value at a discount rate of 12 per cent per year of an investment made by spending €1,000,000 this year on a portfolio of shares, with an initial dividend next year of €100,000 and an expected rate of dividend growth thereafter of 4 per cent per year?' It's unlikely you'd be able to answer that question without some instruction in finance.

Now, change the scenario. You're in an introductory course in organizational behaviour. On the first day of class, your tutor asks you to write the answer to the following question: 'What's the most effective way to motivate employees at work?' At first you might feel a bit of reluctance, but once you began writing, you'd likely have no problem coming up with suggestions on motivation.

That's one of the main challenges of teaching, or taking, a course in OB. You enter an OB course with a lot of *preconceived notions* that you accept as *facts*. You think you already know a lot about human behaviour.[17] That's not typically true in finance, accounting or even marketing. So, in contrast to many other disciplines, OB not only introduces you to a comprehensive set of concepts and theories; it has to deal with a lot of commonly accepted 'facts' about human behaviour and organizations that you've acquired over the years. Some examples might include: 'You can't teach an old dog new tricks'; 'leaders are born, not made' and 'two heads are better than one'. But these 'facts' aren't necessarily true. So one of the objectives of a course in organizational behaviour is to *replace* popularly held notions, often accepted without question, with science-based conclusions.

As you'll see in this book, the field of OB is built on decades of research. This research provides a body of substantive evidence that is able to replace preconceived notions. Throughout this book, we've included boxes titled 'Myth or Science?' They call your attention to some of the most popular of these notions or myths about organizational behaviour. We use the boxes to show how OB research has disproved them or, in some cases, shown them to be true. Hopefully, you'll find these boxes interesting. But more importantly, they'll help remind you that the study of human behaviour at work is a science and that you need to be vigilant about 'off-the-top-of-your-head' explanations of work-related behaviours.

But if we make *all* decisions with intuition or gut instinct, we're likely working with incomplete information – like making an investment decision with only half the data about the potential for risk and reward.

Relying on intuition is made worse because we tend to overestimate the accuracy of what we think we know. Surveys of human resource managers have also shown many managers hold 'commonsense' opinions regarding effective management that have been flatly refuted by empirical evidence.

We find a similar problem when relying on business press and popular media for management wisdom. The business press tends to be dominated by fads. As one writer put it, 'Every few years, new companies succeed, and they are scrutinised for the underlying truths they might reveal. But often there is no underlying truth; the companies just happened to be in the right place at the right time.'[18] Although we try to avoid it, we might also fall into this trap. It's not that the business press stories are all wrong; it's that without a systematic approach, it's hard to separate the wheat from the chaff.

Big data

It is good news for the future of business that researchers, the media and company leaders have identified the potential of data-driven management and decision-making. While 'big data' – the extensive use of statistical compilation and analysis – has been applied to many areas of business, increasingly it is applied to making effective decisions (which we cover in Chapter 5) and managing human resources (covered in Chapter 17). Online retailers may have been the first to notice and act upon information on customer preferences newly available through the internet shopping experience, information far superior to data gathered in simple store transactions. This enabled online retailers to create more targeted marketing strategies than ever before.

The bookselling industry is a case in point: before online selling, brick-and-mortar bookstores could collect data about book sales only to make their projections about consumer interests and trends. With the advent of Amazon, suddenly a vast array of information about consumer preferences became available for tracking: what customers bought, what they looked at, how they navigated the site and what they were influenced by (such as promotions, reviews and page presentation). The challenge for Amazon then was to identify which statistics were *persistent*, giving relatively constant outcomes over time, and *predictive*, showing steady causality between certain inputs and outcomes. The company used these statistics to develop algorithms that let it forecast which books customers would like to read next. Amazon then could base its wholesale purchase decisions on the feedback customers provided, both through these passive methods and through solicited recommendations for upcoming titles, by which Amazon could continuously perfect its algorithms.

The success of Amazon has revolutionized bookselling – and even retail industries – and has served as a model for innovative online retailers. It also illustrates what big data can do for other businesses that can capitalize on the wealth of data available through virtually any internet connection, from Facebook posts to sensor readings to GPS signals from cell phones. Savvy businesses use big data to manage people as well as technology. A recent study of 330 companies found that the data-driven companies were 5 per cent more productive and 6 per cent more profitable than their competitors. These may seem like small percentage gains, but they represent a big impact on economic strength and measurable increases in stock market evaluations for these companies, which are in the top third of their industries.[19] Another study of 8,000 firms in 20 countries confirms that constant measuring against targets for productivity and other criteria is a hallmark of well-run companies.[20]

The use of big data for managerial practices is a relatively new area but one that holds convincing promise. In dealing with people, leaders often rely on hunches and estimate the influence of information that they've heard most recently, that has been frequently repeated, or that is of personal relevance.

Obviously, this is not always the best evidence because all managers (all people) have natural biases. A manager who uses data to define objectives, develop theories of causality and test those theories can find which employee activities are relevant to the objectives.[21]

We're not advising that you throw your intuition, or all the business press, out the window. Nor are we arguing that research is always right. Researchers make mistakes, too. What we are advising is to use evidence as much as possible to inform your intuition and experience. That is the promise of OB.

Disciplines that contribute to the OB field

5 Identify the major behavioural science disciplines that contribute to OB.

Organizational behaviour is an applied behavioural science that is built on contributions from a number of behavioural disciplines. The predominant areas are psychology and social psychology, sociology and anthropology. As you shall learn, psychology's contributions have been mainly at the individual or micro level of analysis, while the other disciplines have contributed to our understanding of macro concepts such as group processes and organization. Figure 1.2 is an overview of the major contributions to the study of organizational behaviour.

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

Psychology

Psychology is the science that seeks to measure, explain and sometimes change the behaviour of humans and other animals. Psychologists concern themselves with studying and attempting to understand individual behaviour. Those who have contributed and continue to add to the

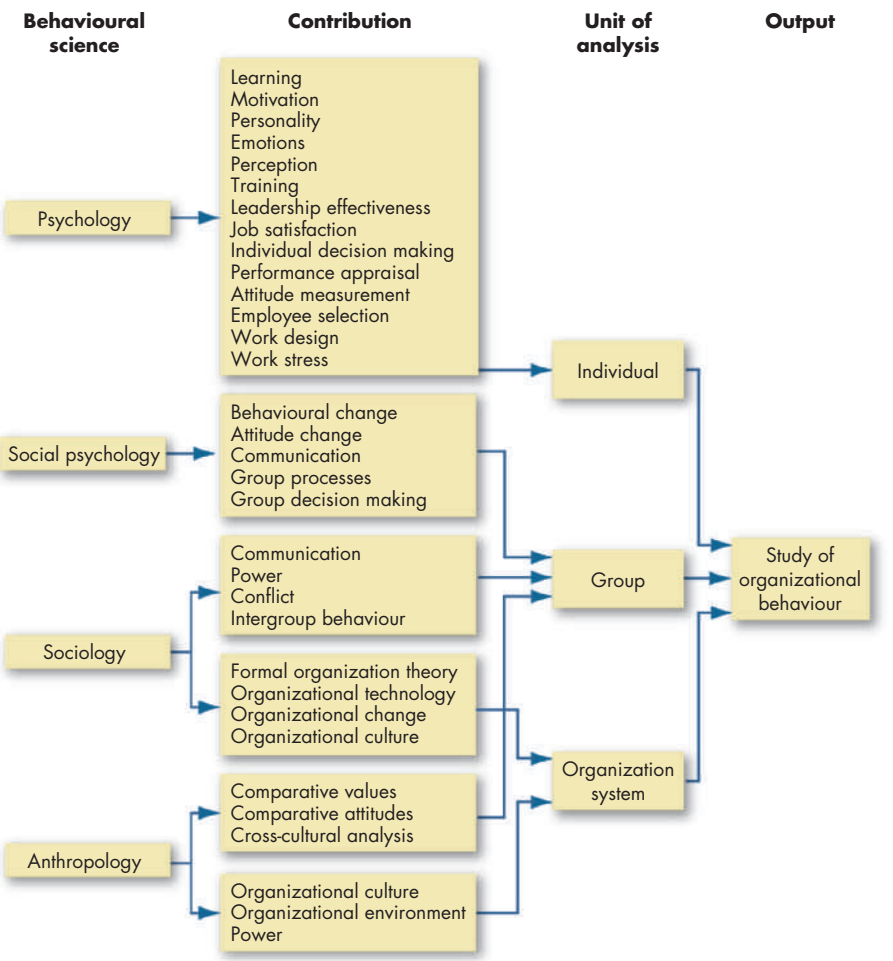


Figure 1.2 Towards an OB discipline

knowledge of OB are learning theorists, personality theorists, counselling psychologists and, most important, industrial and organizational psychologists.

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

Social psychology

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

Social psychology blends concepts from both psychology and sociology, though it is generally considered a branch of psychology. It focuses on peoples' influence on one another. One major area receiving considerable investigation from social psychologists has been *change* – how to implement it and how to reduce barriers to its acceptance. In addition, we find social psychologists making significant contributions in the areas of measuring, understanding and changing attitudes; communication patterns; and building trust. Finally, social psychologists have made important contributions to our study of group behaviour, power and conflict.

Sociology

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

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

Anthropology

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

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

There are few absolutes in OB

6 Demonstrate why few absolutes apply to OB.

There are laws in the physical sciences – chemistry, astronomy, physics – that are consistent and apply in a wide range of situations. They allow scientists to generalize about the pull of gravity or to be confident about sending astronauts into space to repair satellites. But as a noted behavioural researcher aptly concluded, 'God gave all the easy problems to the physicists.' Human beings are complex. Because we are not alike, our ability to make simple, accurate and sweeping generalizations is limited. Two people often act very differently in the same situation, and the same person's behaviour changes in different situations. For instance, not everyone is motivated by money, and you are not likely to behave the same way in classes on Monday as you did at a party the night before.

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

That doesn't mean, of course, that we can't offer reasonably accurate explanations of human behaviour or make valid predictions. However, it does mean that OB concepts must reflect situational, or contingency, conditions. We can say that x leads to y, but only under conditions specified in z – the **contingency variables**. The science of OB was developed by applying general concepts to a particular situation, person or group. For example, OB scholars would avoid stating that everyone likes complex and challenging work (the

general concept). Why? Because not everyone wants a challenging job. Some people prefer the routine over the varied or the simple over the complex. In other words, a job that is appealing to one person may not be to another, so the appeal of the job is contingent on the person who holds it.

As you proceed through this book, you'll encounter a wealth of research-based theories about how people behave in organizations. But don't expect to find a lot of straightforward cause-and-effect relationships. There aren't many!

Organizational behaviour theories mirror the subject matter with which they deal, and people are complex and complicated.

Challenges and opportunities for OB

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

Understanding organizational behaviour has never been more important for managers than it is today. A quick look at a few of the dramatic changes now taking place in organizations supports this claim. For instance, the typical employee is getting older; more and more women are in the workplace; corporate downsizing and the heavy use of temporary workers are severing the bonds of loyalty that historically tied many employees to their employers; and global competition is requiring employees to become more flexible and to learn to cope with rapid change. The recent global recession has brought to the forefront the challenges of working with and managing people during uncertain times.

As a result of these changes and others such as the rising use of technology, employment options have adapted to include new opportunities for workers.

Figure 1.3 details some of the types of options individuals may find offered to them by organizations or for which they would like to negotiate. Under each heading in the exhibit, you will find a grouping of options from which to choose – or combine. For instance, at one point in your career you may find yourself employed full-time in an office in a localized, nonunion setting with a salary and bonus compensation package, while at another point you may wish to negotiate for a flexitime, virtual position and choose to work from overseas for a combination of salary and extra paid time off.

In short, today's challenges bring opportunities for managers to use OB concepts.

In this section, we review some of the most critical issues confronting managers for which OB offers solutions – or at least meaningful insights towards solutions.

Responding to economic pressures

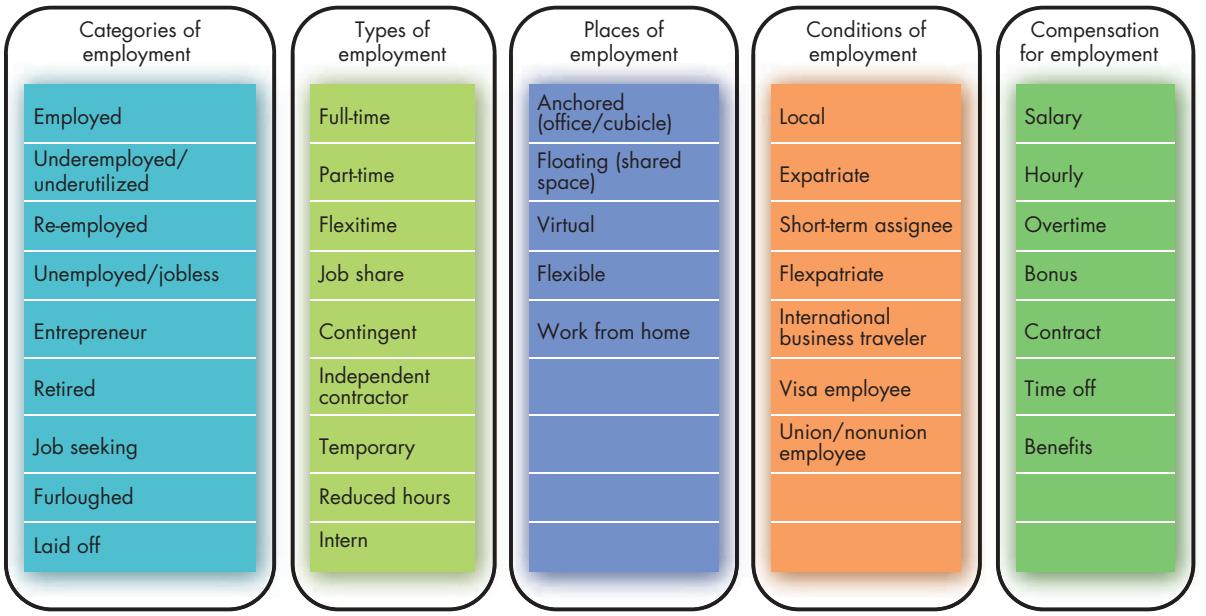
When the US economy plunged into a deep and prolonged recession in 2008, virtually all other large economies around the world followed suit. Layoffs and job losses were widespread, and those who survived the axe were often asked to accept pay cuts. When times are bad, managers are on the front lines with employees who must be fired, who are asked to make do with less and who worry about their futures. The difference between good and bad management can be the difference between profit and loss or, ultimately, between survival and failure.

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

Responding to globalization

Organizations are no longer constrained by national borders. The quintessentially British Rolls-Royce cars are owned by the German firm BMW. The famous Dutch brewing company Heineken owns over 100 breweries in more than 60 countries. ExxonMobil, an American company, receives almost 75 per cent of its revenues from sales outside the United States.

Figure 1.3 Employment options



Employed – working for a for-profit or nonprofit company, organization, or for an individual, either for money and/or benefits, with established expectations for performance and compensation

Underemployed/underutilized – working in a position or with responsibilities that are below one's educational or experience attainment level, or working less than full-time when one wants full-time employment

Re-employed – refers to either employees who were dismissed by a company and rehired by the same company, or to employees who left the workforce (were unemployed) and found new employment

Unemployed/jobless – currently not working; may be job seeking, either with or without government benefits/assistance, either with or without severance pay from previous job, either new to the workforce or terminated from previous employment, either short-term unemployed (months) or long-term/chronic unemployed (years)

Entrepreneur – one who runs his or her own business, either as a sole worker or as the founder of a company with employees

Retired – one who has ended his or her career in a profession, either voluntarily by choice or involuntarily by an employer's mandate

Job seeking – currently unemployed; actively looking for a job, either with or without government benefits from previous job or from disability/need, either with or without severance pay from previous job, either new to the workforce or terminated from previous employment

Furloughed—similar to a layoff; an employer-required work stoppage, temporary (weeks up to a month, usually); pay is often suspended during this time, though the person retains employment status with the company

Laid off – can be a temporary employer-required work stoppage, usually without pay, but is more often a permanent termination from the company in which the employee is recognized to be not at fault

Full-time – hours for full-time employment are established by companies, generally more than 30 hours per week in a set schedule, sometimes with salary pay and sometimes with hourly pay, often with a benefit package greater than that for the part-time employment category

Part-time – hours for full-time employment are established by companies, generally less than 30 hours per week in a set schedule, often with hourly pay, often with a benefit package less than that for the full-time employment category

Flexitime – an arrangement where the employee and employer create nonstandard working hours, which may be a temporary or permanent schedule; may be an expectation for a number of hours worked per week

Job share – an arrangement where two or more employees fill one job, generally by splitting the hours of a full-time position that do not overlap

Contingent – the workforce of outsourced workers (including professional service firms, specialized experts and business consultants), these employees are paid hourly or by the job and do not generally receive any company benefits and are not considered as part of the company; contingent workers may be also temporary employees or independent contractors

Independent contractor – an entrepreneur in essence, but often a specialist professional who does not aspire to create a business but who provides services or goods to a company

Temporary – individuals who may be employed directly by the organization or through an employment agency/temporary agency; their hours may be fixed per week or vary, they do not generally receive any company benefits and are not considered as part of the company; they are employed either for a short duration or as a trial for an organization's position openings

Reduced-hours – reduction in the normal employee's work schedule by the employer, sometimes as a measure to retain employees/reduce layoffs in economic downturns as in Germany's *Kurzarbeit* programme, which provides government subsidies to keep workers on the job at reduced hours; employees are only paid for the time they work

Intern – short-term employment, often with an established term, designed to provide practical training to a pre-professional, either with or without pay

Anchored – an employee with an assigned office, cubicle, or desk space

Floating – an employee with a shared space workplace and no assigned working area

Virtual – an employee who works through the internet and is not connected with any office location

Flexible – an employee who is connected with an office location but may work from anywhere

Work from home – an employee who is set up by the company to work from an office at home

Local – employees who work in one established location

Expatriate – employees who are on extended international work assignments with the expectation that they will return (repatriate) after an established term, usually a year or more; either sent by corporate request or out of self-initiated interest

Short-term assignee – employees on international assignments longer than business trips yet shorter than typical corporate expatriate assignments, usually 3 to 12 months

Flexpatriate – employees who travel for brief assignments across cultural or national borders, usually 1 to 2 months

International business traveller – employees who take multiple short international business trips for 1 to 3 weeks

Visa employee – an employee working outside of his or her country of residence who must have a work visa for employment in the current country

(continued)

Union/nonunion employee – an employee who is a member of a labour union, often by trade, and subject to its protections and provisions, which then negotiates with management on certain working condition issues, or an employee who works for a nonunion facility or who sometimes elects to stay out of membership in a unionized facility

Salary – employee compensation based on a full-time workweek, where the hours are generally not kept on a time clock but where it is understood that the employee will work according to job needs

Hourly – employee compensation for each hour worked, often recorded on time sheets or by time clocks

Overtime – for hourly employees, compensation for hours worked that are greater than the standard workweek and paid at an hourly rate determined by law

Bonus – compensation in addition to standard pay, usually linked to individual or organizational performance

Contract – prenegotiated compensation for project work, usually according to a schedule as the work progresses

Time off – either paid or unpaid; negotiated time off according to the employment contract (including vacation time, sick leave and personal days) and/or given by management as compensation for time worked

Benefits – generally stated in the employment contract or the Human Resources Employee Handbook; potentially include health insurance plans, savings plans, retirement plans, discounts and other options available to employees at various types of employment

Figure 1.3 Employment options (continued)

Sources: J. R. Anderson Jr, et al., 'Action items: 42 trends affecting benefits, compensation, training, staffing and technology', *HR Magazine*, January 2013, p. 33; M. Dewhurst, B. Hancock and D. Ellsworth, 'Redesigning knowledge work', *Harvard Business Review*, January–February 2013, pp. 58–64; E. Frauenheim, 'Creating a new contingent culture', *Workforce Management*, August 2012, pp. 34–9; N. Koeppen, 'State job aid takes pressure off Germany', *Wall Street Journal*, 1 February 2013, p. A8; and M. A. Shaffer, M. L. Kraimer, Y.-P. Chen and M. C. Bolino, 'Choices, challenges, and career consequences of global work experiences: a review and future agenda', *Journal of Management*, July 2012, pp. 1282–1327.

And all major automobile manufacturers now build cars outside their borders; for instance, Honda builds cars in the US, Ford in Brazil, Volkswagen in Mexico, Toyota in England and both Mercedes and BMW in South Africa.

These examples illustrate that the world has become a global village. In the process, the manager's job is changing.

Increased foreign assignments

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

Christian Mueller / Shutterstock

Although the history of the Adidas Group can be traced back to the early 1920s, it began in earnest in the late 1940s, when Adi Dassler registered the *'Adi Dassler adidas Sportschuhfabrik'* and set to work with 47 employees in the small town of Herzogenaurach, Germany (where the company is still headquartered). Today the company employs around 50,000 people in over 160 countries, produces more than 650 million product units every year, generates sales of about €14.5 billion and has more than 2,500 wholly owned stores worldwide, such as the London store shown here. Adidas is truly a global organization.

Source: http://www.adidas-group.com/en/group/history/

Working with people from different cultures

Even in your own country, you're going to find yourself working with bosses, peers and other employees who were born and raised in different cultures. What motivates you may not motivate them. Or your style of communication may be straightforward and open, but they may find this approach uncomfortable and threatening. To work effectively with people from different cultures, you need to understand how their culture, geography and religion have shaped them and how to adapt your management style to their differences.

Overseeing movement of jobs to countries with low-cost labour

It's increasingly difficult for managers in advanced nations, where minimum wages are typically €10 or more an hour, to compete against firms who rely on workers from China and other developing nations where labour is available for about 50 cents an hour. It's not by chance that a good portion of Europeans wear clothes made in China and work on computers whose microchips came from Taiwan. Further, in the European Union cost differentials have meant a migration of jobs from West to East. In Germany, hourly labour compensation costs are about €36, compared with some €10 in the Czech Republic and €8 in Poland.[22] In a global economy, jobs tend to flow to places where lower costs provide business firms with a comparative advantage. Such practices, however, are often strongly criticized by trade unions, politicians, local community leaders and others who see this exporting of jobs as undermining the job markets in developed countries. Managers must deal with the difficult task of balancing the interests of their organization with their responsibilities to the communities in which they operate.

Adapting to differing cultural and regulatory norms

'Going global' for a business is not as simple as typing in an overseas email address, shipping goods off to a foreign port, or building facilities in other countries. To be successful, managers need to know the cultural practices of the workforce in each country where they do business.

AP/ Press Association Images

In the global economy, jobs tend to shift from developed nations to countries where lower labour costs give firms a comparative advantage. China's low cost manufacturing has transformed the country and the world economy with it. In 1990, it produced less than 3 per cent of global manufacturing output by value; its share now is nearly a quarter. China produces about 80 per cent of the world's air-conditioners, 70 per cent of its mobile phones and 60 per cent of its shoes.

Source: 'Made in China? Asia's dominance in manufacturing will endure. That will make development harder for others', *The Economist*, 14 March 2015.

For instance, in some countries a large percentage of the workforce enjoys long holidays. There will be country and local regulations to consider, too. Managers of subsidiaries abroad need to be aware of the unique financial and legal regulations applying to 'guest companies' or else risk violating them, which can have economic and even political consequences. Such violations can have implications for their operations in that country and also for political relations between countries. Additionally, managers need to be cognizant of differences in regulations for their competitors in that country; often, the laws will give national companies significant financial advantages over foreign subsidiaries.

Managing workforce diversity

One of the most important challenges for organizations is *workforce diversity*, the concept that organizations are becoming more heterogeneous in terms of gender, age, race, ethnicity, sexual orientation and inclusion of other diverse groups. Whereas globalization focuses on differences among people *from* different countries, workforce diversity addresses differences among people *within* given countries.

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

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

In Europe, since the foundation of the European Union (EU) in 1957, it has been enlarged five times to create a membership of 28 states around 60 years later. The EU guarantees the freedom of movement of people between the states. The effect has been to create considerably more diverse workforces in EU member countries in terms of nationalities, cultures, languages and religions.

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

Improving customer service

Today, the majority of employees in developed countries work in service jobs. For instance, in the United Kingdom, Germany and Japan, the percentages working in service industries are around 81, 68 and 65, respectively. Service employees include technical support representatives, fast-food counter workers, sales clerks, nurses, automobile repair technicians, consultants, financial planners and flight attendants. The shared characteristic of their jobs is substantial interaction with an organization's customers. OB can help managers increase the success of these interactions by showing how employee attitudes and behaviour influence customer satisfaction.

Demographic ageing

FACE THE FACTS

Demographic ageing is one of the main challenges facing Europe in the coming years.

- By 2020, a quarter of Europeans will be over 60 years of age. Combined with low birth rates, this will bring about significant changes to the structure of European society which will impact the economy, the labour market, health care systems and many other aspects of life.
- According to the latest projections, by 2060 the EU population will be 517 million, i.e. only about 16 million higher than in 2010, yet the working-age population will decline by 42 million over the same period.
- Children born in the EU after 2011 have a one-in-three chance of reaching their 100th birthday.

Source: Based on European Commission (2014) *Population Ageing in Europe: Facts, implications and policies*

Many an organization has failed because its employees failed to please customers. Management needs to create a customer-responsive culture. OB can provide considerable guidance in helping managers create such cultures – in which employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs and willing to do what's necessary to please the customer.[23]

Improving people skills

We opened this chapter by demonstrating how important people skills are to managerial effectiveness. We said that 'this book has been written to help both managers and potential managers develop those people skills'.

As you proceed through the chapters, we'll present relevant concepts and theories that can help you explain and predict the behaviour of people at work. In addition, you'll gain insights into specific people skills that you can use on the job. For instance, you'll learn ways to design motivating jobs, techniques for improving your listening skills and how to create more effective teams.

Working in networked organizations

Networked organizations allow people to communicate and work together even though they may be thousands of miles apart. Independent contractors can telecommute via computer to workplaces around the globe and change employers as the demand for their services changes. Software programmers, graphic designers, systems analysts, technical writers, photo researchers, book and media editors, and medical transcribers are just a few examples of people who can work from home or other non-office locations.

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

Enhancing employee well-being at work

The typical employee in the 1960s or 1970s showed up at a specified workplace Monday through Friday and worked for clearly defined 8- or 9-hour chunks of time. That's no longer true for a large segment of today's workforce. Employees are increasingly complaining that the line between work and nonwork time has become blurred, creating personal conflicts and stress. At the same time, today's workplace presents opportunities for workers to create and structure their own roles. And even if employees work at home or from half a continent away, managers need to consider their well-being at work.

One of the biggest challenges to maintaining employee well-being is the new reality that many workers never get away from the virtual workplace. Communication technology allows many technical and professional employees to do their work at home, in their cars, or on the beach in Dubai – but it also means many feel like they never really get a break. Another challenge is that organizations are asking employees to put in longer hours. According to a recent study, one in four employees show signs of burnout, partially as a result of longer work hours, and two in three report high stress levels and fatigue.[24] This may actually be an underestimate because workers report maintaining 'always on' access for their managers through email and texting. Finally, employee well-being is challenged by heavy outside commitments. Millions of single-parent households and employees with dependent parents have even more significant challenges in balancing work and family responsibilities, for instance.

As a result of their increased responsibilities in and out of the workplace, employees want more time off. Recent studies suggest employees want jobs that give them flexibility in their work schedules so they can better manage work–life conflicts.[25] In fact, 56 per cent of men and women in a recent study reported that work–life balance was their definition of career success, more than money, recognition and autonomy.[26] Most college and university students say attaining a balance between personal life and work is a primary career goal; they want a life as well as a job. Organizations that don't help their people achieve work–life balance will find it increasingly difficult to attract and retain the most capable and motivated employees.

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

Creating a positive work environment

Although competitive pressures on most organizations are stronger than ever, some organizations are trying to realize a competitive advantage by fostering a positive work environment. Sometimes they do this by creating pleasing physical environments with attractive modern workstations, workplace 'perks' such as Google's free lunches, or a shared commitment to environmental sustainability initiatives such as recycling.[27] But, more often, employees perceive a work environment as positive or negative in terms of their work experiences with other employees, rather than in the quality of its physical surroundings. Jeff Immelt and Jim McNerney have tried to maintain high-performance expectations while fostering a positive work environment in their organizations (GE and Boeing, respectively). 'In this time of turmoil and cynicism about business, you need to be passionate, positive leaders,' Immelt has told his top managers.

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

A real growth area in OB research is **positive organizational scholarship** (also called *positive organizational behaviour*), which studies how organizations develop human strengths, foster vitality and resilience, and unlock potential. Researchers in this area say too much of OB research and management practice has been targeted towards identifying what's wrong with organizations and their employees. In response, they try to study what's *good* about them.[28] Some key independent variables in positive OB research are engagement, hope, optimism and resilience in the face of strain.

Positive organizational scholars have studied a concept called 'reflected best-self' – asking employees to think about when they were at their 'personal best' in order to understand how to exploit their strengths. The idea is that we all have things at which we are unusually good, yet too often we focus on addressing our limitations and too rarely think about how to exploit our strengths.[29]

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

OB IN THE NEWS

Richard Branson tells staff – take as much holiday as you like

by Claer Barrett

Sir Richard Branson, the billionaire founder of Virgin Group, has told 170 staff working for its head office that they can take as much annual leave as they like, providing it will not damage the business.

'Flexible working has revolutionised how, where and when we all do our jobs,' Sir Richard said on his website. 'So if working nine to five no longer applies, then why should strict annual leave (vacation) policies?'

Sir Richard said he was inspired by Netflix, the US-based video streaming service which has a similar policy on not tracking staff holidays. The company reported that staff morale, creativity and productivity had all risen since the 'non policy' was introduced.

The blurring of the boundaries between work life and home life caused by advances in mobile technology meant that companies were 'no longer able to accurately track employees' total time on the job', Sir Richard said, adding that there was no need for his staff to ask for prior approval before taking time off.

'It is left to the employee alone to decide if and when he or she feels like taking a few hours, a day, a week or a month off, the assumption being that they are only going to do it when they feel 100 per cent comfortable that they and their team are up to date on every project and that their absence will not in any way damage the business – or, for that matter, their careers,' he added.

FT *Source*: Claer Barrett, 'Richard Branson tells staff: take as much holiday as you like', *Financial Times*, 25 September 2014.

Improving ethical behaviour

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

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

Members of organizations are increasingly finding themselves facing **ethical dilemmas and ethical choices**, in which they are required to define right and wrong conduct. For example, should they 'blow the whistle' if they uncover illegal activities taking place in their company? Should they follow orders with which they don't personally agree? Do they give an inflated performance evaluation to an employee whom they like, knowing that such an evaluation could save that employee's job? Do they allow themselves to 'play politics' in the organization if it will help their career advancement?

What constitutes good ethical behaviour has never been clearly defined and, in recent years, the line differentiating right from wrong has become even more blurred. Employees see people all around them engaging in unethical practices – elected officials are accused of taking bribes; corporate executives inflate company profits so they can cash in lucrative share options; and managers 'looking the other way' when their sales team mislead customers to win orders. When caught, these people give excuses such as 'everyone does it' or 'you have to seize every advantage nowadays'. Determining the ethically correct way to behave is especially difficult in a global economy because different cultures have different perspectives on certain ethical issues.[30] Fair treatment of employees in an economic downturn varies considerably across cultures, for instance. Perceptions of religious, ethnic and gender diversity differ across countries (as we'll see in Chapter 2). Is it any wonder employees are expressing decreased confidence in management and increasing uncertainty about what is appropriate ethical behaviour in their organizations?[31]

Does national culture affect organizational practices? glOBal

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

There are no simple responses to this dilemma. Some researchers propose that managers need to make a concerted effort to adapt their organizational culture to match the culture of the countries in which they operate. These authors note that within any country, there is a great deal of similarity in management practices that is likely the result of culture or values. If a country's basic outlook is highly individualistic, then organizational culture should also emphasize individual contributions and efforts. Conversely, if national culture values collectivism, then organizational culture should emphasize group contributions and cohesiveness. From this perspective, successful international management is all about tailoring management practices and values to fit with the cultural values of each country in which the company operates.

On the other hand, some propose that national culture should not, and does not, make much difference in shaping organizational culture. These researchers note that even within a single country, there can be a great deal of variation in values and norms. The development of practices to match a culture is fraught with problems of stereotyping and overgeneralizing about the degree to which everyone in a given country shares the same values. These authors also note that in tailoring practices to each country, a firm loses the potential value of having a unifying organizational culture. From this perspective, companies should try as much as possible to create a strong culture that operates across borders to create a unified global workforce.

Sources: Based on B. Gerhart, 'How much does national culture constrain organizational culture?', *Management and Organization Review*, 5, 2 (2009), pp. 241–59; A. S. Tsui, S. S. Nifadkar and A. Y. Ou, 'Cross-national, cross-cultural organizational behavior research: Advances, gaps, and recommendations,' *Journal of Management*, 33, 3 (2007), pp. 426–78; G. Johns, 'The essential impact of context on organizational behavior', *Academy of Management Review*, 31, 2 (2006), pp. 386–408.

Managers and their organizations are responding to this problem from a number of directions.[32] They're writing and distributing codes of ethics to guide employees through ethical dilemmas. They're offering seminars, workshops and other training programmes to try to improve ethical behaviours. They're providing in-house advisers who can be contacted, in many cases anonymously, for assistance in dealing with ethical issues, and they're creating protection mechanisms for employees who reveal internal unethical practices.

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

Coming attractions: developing an OB model

Compare the three levels of analysis in this book's OB model.

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

An overview

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

A **model** is an abstraction of reality, a simplified representation of some real-world phenomenon. Figure 1.4 presents the skeleton on which we will construct our OB model. It proposes three types of variables (inputs, processes and outcomes) at three levels of analysis (individual, group and organizational). The model proceeds from left to right, with inputs leading to processes and processes leading to outcomes. Notice that the model also shows that outcomes can influence inputs in the future.

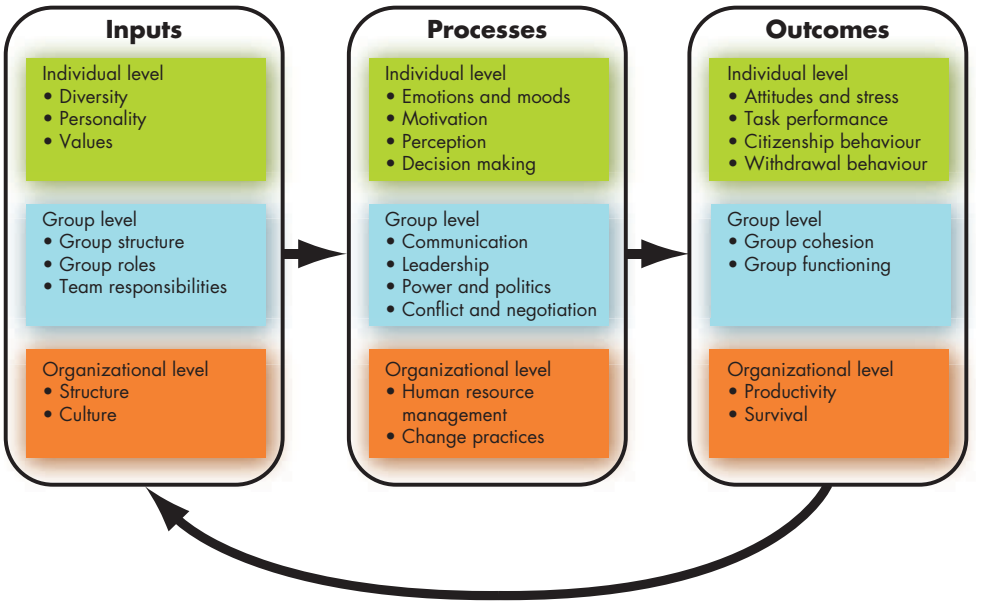


Figure 1.4 A basic OB model

Inputs

input
Variables that lead to processes.

Inputs are the variables like personality, group structure and organizational culture that lead to processes. These variables set the stage for what will occur in an organization later. Many are determined in advance of the employment relationship. For example, individual diversity characteristics, personality and values are shaped by a combination of an individual's genetic inheritance and childhood environment. Group structure, roles and team responsibilities are typically assigned immediately before or after a group is formed. Finally, organizational structure and culture are usually the result of years of development and change as the organization adapts to its environment and builds up customs and norms.

Processes

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

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

Outcomes

outcomes
Key factors that are affected by some other variables.

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

Attitudes and stress

attitudes
Evaluations employees make about objects, people, or events.

stress
An unpleasant psychological process that occurs in response to environmental pressures.

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

Some people might think that influencing employee attitudes and stress is purely soft stuff, and not the business of serious managers, but as we will show, attitudes often have behavioural consequences that directly relate to organizational effectiveness. The belief that satisfied employees are more productive than dissatisfied employees has been a basic tenet among managers for years, though only now has research begun to support it. Ample evidence shows that employees who are more satisfied and treated fairly are more willing to engage in the above-and-beyond citizenship behaviour so vital in the contemporary business environment.

Task performance

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

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

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

Citizenship behaviour

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

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

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

Withdrawal behaviour

withdrawal behaviour The set of actions employees take to separate themselves from the organization.

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

Employee withdrawal can have a very negative effect on an organization. The cost of employee turnover alone has been estimated to run into the thousands of euros, even for entry-level positions. Absenteeism also costs organizations significant amounts of money and time every year. A recent survey by PwC revealed the average cost of absence to United Kingdom employers was just over €1,000 per employee per year.[33] The Confederation for British Industry (CBI) believes that absenteeism levels are the main reason why United Kingdom productivity lags behind the United States and some parts of Europe.[34] Across Europe, as well as the United Kingdom, absence is particularly high in the Netherlands, Sweden, Norway and Iceland.

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

All organizations, of course, have some turnover. If the 'right' people are leaving the organization – the marginal and submarginal employees – turnover can actually be positive. It can create an opportunity to replace an underperforming individual with someone who has higher skills or motivation, open up increased opportunities for promotions and bring new and fresh ideas to the organization.[35] In today's changing world of work, reasonable levels of employee-initiated turnover improve organizational flexibility and employee independence, and they can lessen the need for management-initiated layoffs.

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

Group cohesion

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

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

There is ample evidence showing that cohesive groups are more effective.[36] These results are found both for groups that are studied in highly controlled laboratory settings and also for work

teams observed in field settings. This fits with our intuitive sense that people tend to work harder in groups that have a common purpose. Companies attempt to increase cohesion in a variety of ways ranging from brief icebreaker sessions to social events like picnics, parties and outdoor adventure-team retreats. Throughout the book we will try to assess whether these specific efforts are likely to result in increases in group cohesiveness. We'll also consider ways that picking the right people to be on the team in the first place might be an effective way to enhance cohesion.

Group functioning

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

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

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

Productivity

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

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

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

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

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

Service organizations must include customer needs and requirements in assessing their effectiveness. Why? Because a clear chain of cause and effect runs from employee attitudes and behaviour to customer attitudes and behaviour to a service organization's productivity. Sears, the US department store firm, has carefully documented this chain.[37] The company's management found that a 5 per cent improvement in employee attitudes leads to a 1.3 per cent increase in customer satisfaction, which in turn translates into a 0.5 per cent improvement in revenue growth. By training employees to improve the employee–customer interaction, Sears was able to improve customer satisfaction by 4 per cent over a 12-month period, generating an estimated €175 million in additional revenues.

Survival

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

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

Having reviewed the input, process and outcome model, we're going to change the figure up a little bit by grouping topics together based on whether we study them at the individual, group or organizational level. As you can see in Figure 1.5, we will deal with inputs, processes and outcomes at all three levels of analysis, but we group the chapters as shown here to correspond with the typical ways that research has been done in these areas. It is easier to understand one unified presentation about how personality leads to motivation which leads to performance,

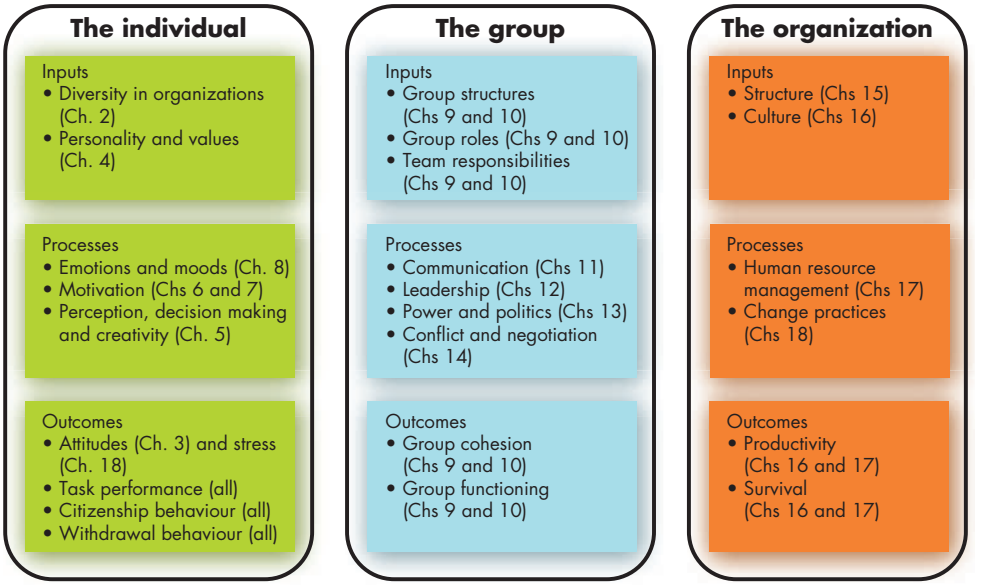


Figure 1.5 The plan of the book

than to jump around levels of analysis. Because each level builds on the one that precedes it, after going through them in sequence you will have a good idea of how the human side of organizations function.

SUMMARY

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

IMPLICATIONS FOR MANAGERS

- Resist the inclination to rely on generalizations; some provide valid insights into human behaviour, but many are erroneous.
- Use metrics and situational variables rather than 'hunches' to explain cause-and-effect relationships.
- Work on your interpersonal skills to increase your leadership potential.
- Improve your technical skills and conceptual skills through training and staying current with organizational behaviour trends like big data.
- Organizational behaviour can improve your employees' work quality and productivity by showing you how to empower your employees, design and implement change programmes, improve customer service and help your employees balance work–life conflicts.

Lost in translation?

POINT / COUNTERPOINT

POINT ➤

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

- *Half-Naked Interview* (Amazon Digital, 2013)
- *The Chimp Paradox: The Mind Management Program to Help You Achieve Success, Confidence, and Happiness* (Tarcher, 2013)
- *Monopoly, Money, and You: How to Profit from the Game's Secrets of Success* (McGraw-Hill, 2013)
- *Nothing to Lose, Everything to Gain: How I Went from Gang Member to Multimillionaire Entrepreneur* (Portfolio Trade, 2013)
- *Ninja Innovation: The Ten Killer Strategies of the World's Most Successful Businesses* (William Morrow, 2013)
- *From Wags to Riches: How Dogs Teach Us to Succeed in Business & Life* (BenBella Books, 2011)
- *Winnie-the-Pooh on Management: In Which a Very Important Bear and His Friends Are Introduced to a Very Important Subject* (Penguin, 2011)
- *The Art of War from SmarterComics: How to be Successful in Any Competition* (Writers Of The Round Table Press, 2011)

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

Organizational behaviour is a complex subject. Few, if any, simple statements about human behaviour are generalizable to all people in all situations. Should you really try to apply leadership insights you got from a book about Napolean or *The Simpsons* Mr Burns to managing software engineers in the twenty-first century?

COUNTERPOINT ➤

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

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

- *Market Segmentation, Service Quality, and Overall Satisfaction: Self-Organizing Map and Structural Equation Modeling Methods*
- *The Effects of Performance Rating, Leader–Member Exchange, Perceived Utility, and Organizational Justice on Performance Appraisal Satisfaction: Applying a Moral Judgment Perspective*
- *Nonlinear Moderating Effect of Tenure on Organizational Identification (OID) and the Subsequent Role of OID in Fostering Readiness for Change*
- *Examining the Influence of Modularity and Knowledge Management (KM) on Dynamic Capabilities*

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

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

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

QUESTIONS FOR REVIEW

1. What is the importance of interpersonal skills?
2. What do managers do in terms of functions, roles and skills?
3. What is organizational behaviour (OB)?
4. Why is it important to complement intuition with systematic study?

5. What are the major behavioural science disciplines that contribute to OB?
6. Why are there few absolutes in OB?
7. What are the challenges and opportunities for managers in using OB concepts?
8. What are the three levels of analysis in this book's OB model?

EXPERIENTIAL EXERCISE

WORKFORCE DIVERSITY

Purpose

To learn about the different needs of a diverse workforce.

Time required

Approximately 40 minutes.

Participants and roles

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

Nancy is 28 years old. She is a divorced mother of three children, ages 3, 5 and 7. She is the department head. She earns €30,000 per year on her job and receives another €1,800 per year in child support from her ex-husband.

Ethel is a 72-year-old widow. She works 25 hours per week to supplement her €4,000 annual pension. Including her hourly wage of €6.25, she earns €11,500 per year.

John is a 34-year-old black male born in Trinidad. He is married and the father of two small children. John attends university at night and is within a year of earning his bachelor's degree. His salary is €13,500 per year. His wife is a lawyer and earns approximately €35,000 per year.

Fu is a 26-year-old physically impaired male Asian. He is single and has a master's degree in education. Fu is paralysed and confined to a wheelchair as a result of a car accident. He earns €16,000 per year.

Mike is a 16-year-old white male high school student who works 15 hours per week after school and during holidays. He earns €4.20 per hour, or approximately €3,000 per year.

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

Background

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

- Supplementary health care for employee:
  Plan A (not deductible and pays 90 per cent) = €1,500
  Plan B (€100 deductible and pays 80 per cent) = €1,000
  Plan C (€500 deductible and pays 70 per cent) = €250
- Supplementary health care for dependents (same deductibles and percentages as above):
  Plan A = €1,000
  Plan B = €750
  Plan C = €250
- Supplementary dental plan = €250
- Life insurance:
  Plan A (€12,500 coverage) = €250
  Plan B (€25,000 coverage) = €500
  Plan C (€50,000 coverage) = €1,000
  Plan D (€125,000 coverage) = €1,500
- Mental health plan = €250
- Prepaid legal assistance = €150
- Holiday = 2 per cent of annual pay for each week, up to 6 weeks a year
- Pension at retirement equal to approximately 50 per cent of final annual earnings = €750
- Four-day workweek during the 3 summer months (available only to full-time employees) = 4 per cent of annual pay
- Day-care services (after company contribution) = €1,000 for all of an employee's children, regardless of number
- Company-provided transportation to and from work = €375
- College tuition reimbursement = €500
- Language class tuition reimbursement = €250

The task

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

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

ETHICAL DILEMMA

LYING IN BUSINESS

Do you think it's ever okay to lie? If you were negotiating for the release of hostages, most people would probably agree that if lying would lead to the hostages' safety, it's okay. What about in business, where the stakes are rarely life or death? Business executives have gone to jail for lying. Calisto Tanzi, founder of Italian firm Parmalat presided over one of the biggest corporate scandals in history. After being caught embezzling an estimated €800 million from his own firm he found himself in Milan prison. The career of one of the world's most respected business leaders crashed to an ignominious end when Lord Browne, chief executive of BP, resigned immediately after revelations that he had lied to a high court judge.

But what about less extreme cases? Tony Wells had 30 years' experience of working in information technology, in jobs ranging from programming to senior management. The 49-year-old decided to look for a new job and began sending his CV to recruitment agencies. In the year that followed, not a single agency called him back. As an experiment, he changed his age on his CV to 30 and had five phone calls within three days. Perhaps you wouldn't lie on your CV, but would you omit facts?

Questions

1. In a business context, is it ever okay to lie? If yes, what are those situations? Why is it okay to lie in these situations?
2. A recent survey revealed that 24 per cent of managers said they have fired someone for lying. Do you think it's fair to fire an employee who lies, no matter what the nature of the lie? Explain.
3. In business, is withholding information for your own advantage the same as lying? Why or why not?
4. In a business context, if someone has something to gain by lying, what percentage of people, do you think, would lie?

Source: Based on 'Lying at work could get you fired', *UPI*, 5 March 2006; 'Brain scans detect more activity in those who lie', Reuters, 29 November 2004; www.msnbc.msn.com/id/6609019; P. Ekman and E. L. Rosenberg, *What the Fact Reveals: Basic and Applied Studies of Spontaneous Expression Using the Facial Action Coding System (CAPS)*, 2nd edn (New York: Oxford University Press, 2004); E. Crooks, C. Hoyos and N. Tait, 'Browne quits BP after lying to court', *Financial Times*, 1 May 2007; K. Thomas, 'Why IT workers are lying about their age', *Financial Times*, 30 March 2005.

CASE INCIDENT 1

Trust, pride and camaraderie at Ferrari

Since 1947, the year Ferrari's 125 S first triumphed in competition, the Italian car manufacturer with the prancing horse logo has become one of the world's most respected luxury brands. No one knows this better than the company's 2,700 employees. 'We are aware that we are working to perpetuate a myth,' says one employee. 'Ferrari is unique in the world.'

One of the keys to the company's outstanding success has been its high-quality work environment. This is no accident. Ferrari invests time and resources in creating a comfortable and stimulating organizational climate, where people feel motivated and involved, and where they can make the most of themselves while working as part of a team.

Ferrari is home to several distinctive employee development programmes, including Learning Point, an e-learning centre; and Creativity Club, which stimulates employees' original thinking through meetings with artists, theatrical actors, chefs and other creative souls. 'Ferrari offers growth opportunities that I never found in my previous work experiences,' comments one employee. 'Managers are my friends. Here people say hello to each other with a smile.'

Ferrari's leaders also pay careful attention to maintaining a clean, safe working environment; the factory and offices are designed with temperature controls, natural lighting and noise control. 'We work in a serene and very clean environment, where passion and perseverance are rewarded,' says one employee.

The company provides incentives through innovative reward programmes, many tied to the car-racing theme. Through the 'Grand Quality Prix' programme, employees 'race' around a metaphorical track by offering ideas, suggestions and innovative solutions that, if approved and implemented, increase their individual scores. Employees who reach either of two 'pit stops' or the finish line receive an award.

Of course, one of the greatest perks of working at Ferrari is the opportunity to take pride in the company's strong tradition and indulge a passion for automobiles. To this end, every employee receives two tickets to the Imola and Monza F1 races and to the GT championship. They also get to see new Formula 1 and GT cars before they are shown to the public.

'Many people here wear the Ferrari logo. That means a great attachment to the company and to its values,' says

one employee. 'I am proud to be part of this company, where we are all one family, part of a team of excellent people working well together. We work for a common, important, and unique objective: to help Ferrari to continue to be a part of history.'

Source: Based on '100 Best Workplaces in Europe 2007' Great Place to Work Institute/*Financial Times* see http://www.greatplacetowork.com/ and http://www.ft.com/reports/bestwork2007; www.ferarri.com. Accessed 10 October 2015.

Questions

1. Describe the initiatives Ferrari is employing to engage its employees.
2. Why do you think Ferrari is using these initiatives? What outcomes might be expected?
3. Would these programmes be suitable for all organizations? Why or why not?
4. Would you be satisfied working for this company?

Should managers walk around?

CASE INCIDENT 2

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

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

The popular television programme *Undercover Boss*, with versions in the UK, France, Germany, the US and about 10 other countries, took MBWA to the next level. The premise was having top executives from companies like Chiquita Brands, nPower, DHL and Oxfam work incognito among line employees. Executives reported that this process taught them how difficult many of the jobs in their organizations were, and just how much skill was required to perform even the lowest-level tasks. They also said the experience taught them a lot about the core business in their organizations and sparked ideas for improvements.

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

Sources: Based on T. Peters and N. Austin, 'Management by walking about', *Economist*, 8 September 2008, www.economist.com; F. Aguirre, M. White, K. Schaefer and S. Phelps, 'Secrets of an undercover boss', *Fortune*, 27 August 2010, pp. 41–4; J. Larsson, I. Backstrom and H. Wiklund, 'Leadership and organizational behavior: similarities between three award-winning organizations', *International Journal of Management Practice*, 3 (2009), pp. 327–45.

Questions

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