TERRI A. SCANDURA

ESSENTIALS OF
ORGANIZATIONAL
BEHAVIOR

AN EVIDENCE-BASED APPROACH

THIRD EDITION

Essentials of Organizational Behavior

Third Edition

To T. K.

For keeping it real.

Essentials of Organizational Behavior

An Evidence-Based Approach

Third Edition

Terri A. Scandura
University of Miami

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PREFACE

After decades of using organizational behavior (OB) textbooks, I realized they were not communicating the right message for today's students. They memorized theories and dutifully wrote them down on exams, but I felt they were missing out on how to apply these theories to become a better leader. Students want takeaway skills they can put into practice immediately. A new approach to teaching OB is needed, and this textbook shows students how to be effective leaders and managers in organizations. With a focus on leadership and management development, students will go beyond memorizing theories and will apply the most relevant concepts to effectively motivate followers, lead their teams, and champion organizational change.

I have researched leadership for over 35 years. During 5 of those years, I was an acting dean at a major research university undergoing change. With this position, I put OB concepts into practice every day—I hired people, motivated them, set goals, and did annual performance appraisals. I helped employees, students, and faculty cope with organizational change. Based upon my research and the practical experience as an administrator with several direct reports, I began to look at my courses differently. I wanted to translate our rich evidence base into skills that managers can use every day. I also wanted to show how managers can become effective leaders through applications of course concepts. My process to achieve this was to start incorporating more skill-based assessments, role-plays, and team activities into each class meeting. Feedback from students was extremely positive, and many cited these exercises as high points in their learning experience in my course evaluations. I decided to write a textbook that reviewed OB theory and distilled the most relevant concepts for the development of effective leaders in organizations. Keeping a sharp focus on what the evidence base in OB supports, I searched for and developed exercises and activities that reinforce the key takeaways from each area I taught.

This "essentials" book is not a condensed version of a larger OB textbook. It was written with an eye toward the fundamentals every managerial leader needs to know and how to apply them. I used an evidence-based approach, making prescriptions based on research. Theories are reviewed critically, and students are encouraged to think critically about what they read. End-of-chapter assessments and activities make the linkage from theory to practice for students. For example, Chapter 9 includes an activity in which students role-play giving a performance appraisal. Based on my practical experience, performance appraisal is one of the most challenging scenarios a new manager faces. The activity is realistic and encourages students to practice the skill set of how to provide feedback in an effective way. This textbook fills another need by adopting an integrative OB textbook approach with a framework of leadership and management development throughout. Each section begins with a "map" of the field of OB that allows instructors to create integrated learning modules that can be used in courses of varying lengths (for example, 6-week courses and 15-week courses). References are made to other chapters in multiple places so students can

see the connections across topics in OB. For example, Chapter 8 discusses core concepts in motivation and refers to the chapter immediately following, which focuses on the role of rewards in motivating followers. As a set, these two chapters comprise a learning module on "leaders as motivators."

The cases at the end of each chapter cover a wide range of organizational situations including small businesses, hospitals, large corporations, and many other types of organizations. My colleagues and I have tested the cases and exercises with students, and they resonate with both MBAs and undergraduates. Regardless of the career paths students choose, they will find these assessments and activities valuable as they develop leadership and management skills.

TARGET AUDIENCES

I have written this book to be appropriate for upper-level undergraduate courses and MBA core courses in OB. Case studies and exercises will prepare students at all levels for today's workplace. The content and activities have been carefully written so students can respond to discussion questions and assessments. For undergraduates, the role-plays and team activities at the end of the chapters are particularly valuable. This experiential approach to learning supports the application of OB fundamentals, and the activities are interesting and fun. Textbook reviews have also indicated that this textbook will work very well in industrial/organizational psychology courses as well as courses in higher education leadership. In writing the textbook, I kept in mind that some OB courses are being offered in hybrid or online formats. The features of this textbook support these formats (for example, all boxed inserts, case studies, and activities have discussion questions that can be answered by students and submitted as assignments).

Approach

I always wanted a concise OB textbook that did certain things for my students. This textbook was written with three guiding principles:

1. An *evidence-based management approach* to the field of OB so practice recommendations are grounded in research.

2. Emphasis on *critical thinking* in Chapter 1 and throughout the textbook so students can evaluate the strengths and weaknesses of research before they move to practice applications.

3. A focus on *leadership development* for managers so rather than just memorizing theories, students apply them to cases and a variety of activities at the end of each chapter, including activities, role-plays, and case studies.

Evidence-Based Management

Hundreds of references to classic and current OB research are used in this textbook to build a new way of looking at the research as the foundation for leadership development. The evidence-based management approach is described in detail in Chapter 1.

The coverage of research is comprehensive, with a focus on the most important topics managers need to become effective leaders. These are the topics I have selected to teach for over 30 years to undergraduate, MBA, and executive MBA students. This textbook offers a research-based approach that translates theory into practice, focusing on the contemporary approaches rather than the historical/classical approaches. Most students are less interested in historical development of theory and more interested in theories they can apply to be more effective leaders. There is far less emphasis on theories that don't have solid research support than other textbooks that I have used and read. In fairness, certain topics are noted for their contribution to broad-based understanding of OB, followed by a critical assessment of the research support.

Critical Thinking

Over the years, I have heard colleagues lament, "Our students don't think critically." One day while teaching, it occurred to me that I had never actually included a lecture on critical thinking—what it is and why it is important. It wasn't in my OB textbook. I researched critical thinking and started to lecture on it in my class lectures. I began to see a difference in how my students approached the material in my courses. The quality of classroom discussion improved, and students began to really discuss strengths and weaknesses of theory and develop relevant examples as applications. Their answers on essay questions went beyond memorization to demonstration of understanding concepts, plus providing examples to show they could apply them as managers.

It just makes sense that we teach our students about critical thinking, and this is a major theme of this textbook. Critical thinking is defined and discussed in detail in Chapter 1 so students will understand what it is and why it is important for a managerial leader to think critically.

Developing Principled Leaders

I have an extensive background studying the importance of leadership within organizations, in addition to holding positions of leadership at several points in my career. Leadership core concepts are covered in the textbook in Chapter 6; however, while I believe this is foundational to a leadership and management development approach to OB, this chapter might be assigned earlier as many OB instructors do (this book is written to have such flexibility). In addition to a full chapter on leadership and ethical leadership highlights, each chapter includes a section discussing leadership implications in the context of the topic being discussed, as well as end-of-chapter activities designed to enhance students' understanding of leadership and their own leadership styles and tendencies. In this edition of the textbook, a theme throughout is the development of principled leaders with a focus on ethical decision-making. Examples of this theme throughout the textbook follow. The Chapter 1 opening discusses CEO departures due to ethics scandals. In Chapter 7, the What's #Trending in OB box, discusses "Power and Ethics: Making Tough Choices." The Research in Action box for Chapter 12 (Communication) discussions networks and ethics and how this impacted the Enron scandal. Chapter 14 (Organizational Culture) discusses how leaders shape the ethical climates or organizations. Chapter 15 includes a Research in Action box, "Ethical Leadership During Organizational Change."

Trends in Organizational Behavior

Along with the three guiding principles of evidence-based management, critical thinking, and leadership development, this textbook also touches upon emerging topics in OB. Throughout the chapters, there is an emphasis on globalization and cross-cultural OB. For example, cross-cultural differences in stress are compared in Chapter 15. A number of the chapters feature discussions on ethics as well. Finally, in a number of places, positive psychology is integrated into the presentation of OB topics. For example, mindfulness is discussed as a coaching strategy for managing emotions and moods in the leadership implications section of Chapter 3. A new boxed feature, What's #Trending in OB? has been added to each chapter to highlight a current trend in the field that people are talking about (often on social media). For example, the Chapter 8 box, "Putting the Past Behind You: Performance Resets and Motivation," discusses cutting-edge research on how people can let go of poor performance, which hinders their future performance.

FEATURES

Learning Objectives

The learning objectives included at the beginning of each chapter highlight the key topics covered in the chapter and note the skills students will develop after reading. These learning objectives are directly tied to main headings within the chapter and can be used to measure and assess students' understanding of chapter material.

Chapter-Opening Vignette

Each chapter begins with a research-based challenge facing managers based upon empirical data, often from national polls or consulting firms. For example, Chapter 7 discusses what it feels like to have power, based on research. These highlights are intended to get the students' attention so they immediately see the relevance of the material in the chapter that follows.

What's #Trending in OB? and Research in Action Boxes

Within each chapter, there are two types of boxed inserts to enhance the application of the material to the student's development as a leader—What's #Trending in OB? and Research in Action. What's #Trending in OB? highlights current applications of OB research in real organizations or consulting examples. For example, in Chapter 5, the What's Trending in OB box discusses the use of big data analytics to improve leaders' decision-making. Research in Action vignettes demonstrate how OB research translates to leadership practice. An example is a short discussion of current research on the rise of workplace incivility that asks the question of whether we need to "send in Miss Manners." Included in each of these boxed features are discussion questions to stimulate the student's thinking on the application and can be used for in-class discussion. These discussion questions may be assigned prior to class to encourage students to read and apply the highlighted practice and research in these inserts. These boxed inserts can be integrated into class discussions to show how practice and research use OB theories. For online learning, the discussion questions can be assigned for discussion board posts.

Critical Thinking Questions

To support critical thinking throughout the course, critical thinking questions are integrated within the textbook. These questions encourage students to pause, think, and then apply the material just covered to an organizational challenge for leaders. For instructors teaching online courses, these questions can be assigned to check the student comprehension of assigned textbook readings.

Key Terms

Key terms featured in each chapter have been set in color throughout the text. Students will be able to quickly search for and locate these key terms.

The Toolkit

Each chapter contains a "Toolkit" in which the student will apply the concepts covered within that chapter. Each chapter's Toolkit contains the following features:

- **Key terms** highlighted within the chapter.

- The **toolkit activities,** which are team exercises or role-plays in which the students interact with other students to apply the material. I have used these exercises in my classes, and I am pleased to provide them all in one package so you don't have to search for them and copy them for class.

- A short **case study** illustrating one or more concepts from the chapter. These cases are followed by discussion questions that can be assigned prior to in-class case discussion.

- At least one online, interactive **self-assessment,** including personality tests or leadership assessments. Self-assessments are available online only in the SAGE Vantage platform.

- Years ago, one of my MBA students asked me if I could compile a list of 10 books that every manager should read. I have included **Suggestions for Further Reading** on the online Instructor Resource Site at **edge.sagepub.com/ scandura3e** to encourage further reading on classic and current books on OB topics.

New to This Edition

For this edition, I retained the features that have made *Essentials of Organizational Behavior: An Evidence-Based Approach* successful in its second edition, while updating with current research and strengthening the evidence-based approach:

- *Updated chapter scenarios*—As in the last edition, all the chapters start with a scenario that features research on an interesting real-world problem based on research or practice.

- *Updated Leadership Implications*—The Leadership Implications at the end of each chapter have been retained and expanded.

- *Critical Thinking Questions*—Critical Thinking Questions in the chapters have been revised or added to reflect changes in the content of the chapters.

- *New What's #Trending in OB? and Research in Action boxes*—New boxes on What's #Trending in OB? have been added for each chapter. Research in Action boxes have been retained and updated or replaced as features.

- *New Toolkit Activities*—Both instructors and students responded positively to the Toolkit Activities, and additional Toolkit items have been added. Based upon feedback from instructors (particularly in the online environment), Discussion Questions have been added for all Toolkit Activities and Case Studies.

- *New and updated Case Studies*—Cases have been either replaced or expanded in length. Cases cover current issues in organizational behavior such as "Perspective Taking: Health Versus Wealth During the COVID-19 Pandemic." A new feature for the third edition is that each chapter will have one or two longer cases (3,000–5,000 words) selected from SAGE business cases (these cases are provided on the Instructor Resources website).

Updated Chapters

Each chapter has been thoroughly updated to include new developments, new scholarship, and recent events in organizational behavior.

Chapter 1: What Is Organizational Behavior?

- New opening vignette on the crises in organizations leading to increased CEO turnover.

- New Research in Action box focusing on the application of evidence-based management (EBM) to increase donations to universities.

- Expanded coverage of outcomes in OB to include thriving.

- New What's #Trending in OB? box on "Organizational Behavior in the Gig Economy."

- New Case Study on "People Analytics and EBM at Google."

- New Self-Assessment, "Are You Thriving?"

Chapter 2: Personality and Person–Environment Fit

- New opening vignette on the personality effect in Unicorns (a privately held start-up company with a value of over $1 billion) with a profile of Adam Neumann at WeWork.

- Updated research on personality change, self-monitoring, psychological capital, and person–environment fit.

- New What's #Trending in OB? box on "Personality Traits and Social Media Addiction."

- New section on resilience, which is positive adaptation to adversity.

Chapter 3: Emotions and Moods

- Updated research in opening vignette, "Does Lack of Sleep Make You Grumpy?"

- New research on moral emotions is discussed.

- New figures for Affective Events Theory and the Effects of Mood and Affect on Performance that better communicate concepts.

- New What's #Trending in OB? box, "Is It OK to Cry at Work?"

- New section on Regulating Emotions.

Chapter 4: Attitudes and Job Satisfaction

- Updated opening vignette with 2017 Society of Human Resource Management job satisfaction report data (and two new figures).

- New research on generational differences, gender, and trans employee job satisfaction added.

- New Research in Action box, "More than Job Satisfaction: What's your Calling?" Discussion of ideological contract fulfilment (ICF) and new key term added.

- New figure for Responses to Job Dissatisfaction that better communications the content.

- New What's #Trending in OB? Box, "Your Attitude May Derail Your Job Search."

- Expanded and updated research on employee engagement and two new figures added from HR.com.

- New Case Study, "Job Satisfaction in a Network of Family-Owned Companies."

Chapter 5: Perception, Decision-Making, and Problem-Solving

- New chapter opening, "Would You Be Happier if You Were Richer?" to introduce the effects of perceptions on personal wealth.

- New Research in Action box, "Perception Is not Reality."

- New discussion of big data analytics in decision-making with key terms added.

- New What's #Trending in OB? box, "Using Big Data Analytics to Improve Decisions." Examples from Coca-Cola, Netflix, Whole Foods, and Tesla included.
- New Figure for Three-Component Model of Creativity to better communicate the content.
- New Leadership Implications focusing on making ethical decisions.
- New Case Study, "Making Decisions Using Machine Learning at Lufthansa."

Chapter 6: Leadership

- Updated opening vignette with new 2019 Edelman Trust Barometer data (and a new figure).
- New research on personality traits, trust, and humble leadership added.
- New What's #Trending in OB? box, "Is Narcissism Good for Business?" (updated from previous edition).
- New figure for path–goal theory that better communicates the content.
- New research on inclusive leadership (and a new section) added.
- New research on followership (and a new section) added.
- New figure for Relational Attributions in Response to a Negative Career Event added that better communicates the content.
- New Case Study, "Melissa Reiff: Servant Leader of The Container Store."

Chapter 7: Power and Politics

- Chapter has been reorganized and begins with discussion of the difference between power and influence.
- New research on influence tactics, impression management, perceptions of politics, and political skill added.
- New What's #Trending in OB? box, "Power and Ethics: Making Tough Choices."

Chapter 8: Motivation: Core Concepts

- Updated research on grit in chapter opening.
- Updated research in Research in Action Box, "Who Cares About Fairness?"
- New What's #Trending in OB? box, "Putting the Past Behind You: Performance Resets and Motivation."
- New Case Study, "Vision Boards at Lululemon."
- Updated research on Maslow's hierarchy, goal setting, and job characteristics theory.

Chapter 9: Motivation: Applications

- Updated research on the meaning of money and gift exchange in chapter opening.

- Updated research on intrinsic motivation and pay dispersion.

- New figure for The Self-Determination Continuum of Research to better communicate the content.

- New What's Trending in OB? box, "New Directions in Performance Reviews: Beyond the Bell Curve."

- Updated discussion of remote working with discussion of the shift due to COVID-19.

- New Case Study, "Increasing Motivation at Delta One Chennai."

Chapter 10: Group Processes and Teams

- Updated chapter opening, "Does Trust Impact Team Performance?"

- New What's #Trending in OB? box, "Distributed Virtual Work Teams During COVID-19."

- Expanded coverage of virtual teams and how leaders can build trust in virtual teams.

- New table (updated) summarizing best practices in virtual team leadership.

- Expanded discussion of knowledge exchange, innovation, and leading diversity in multicultural teams.

- Expanded discussion of leadership implications for empowerment in self-managed work teams.

Chapter 11: Managing Conflict and Negotiation

- Updated opening vignette with new statistics on the costs of workplace conflict, and new summary figure.

- Updated research on leadership and conflict resolution, mindfulness, incivility, workplace aggression, workplace violence, and team conflict.

- New What's #Trending in OB? box, "Minefields in Managing Organizational Conflict."

- Updated research in Research in Action box, "Is Workplace Bullying Becoming more Uncivilized? Send in Miss Manners!"

- Expanded discussion of negotiation with new sections on Emotions at the Bargaining Table and Cross-Cultural Negotiation.

- Discussion of failed negotiation between Daimler and Chrysler.
- New figure describing Steps in the Negotiation Process added.
- Updated leadership implications on perspective taking on conflict and negotiation.
- New Case Study, "Perspective Taking: Health Versus Wealth During the COVID-19 Pandemic."

Chapter 12: Organizational Communication

- Updated opening vignette on "thin-slicing" includes a discussion of communication in teams.
- Updated research on anxiety and communication competence, active listening by leaders, upward communication, the grapevine, and communication in global virtual teams.
- New figure to describe the communication process.
- New What's #Trending in OB? box, "Organizational Communication during a Crisis."
- Added discussion of the United Airlines case in which an Asian doctor was aggressively dragged from a plane and the resulting external communications challenge faced by the airline.
- Updated sections and statistics in Electronic Communication section, including the use of social networks.
- Expanded discussion of videoconferencing, which includes statistics gathered after the start of the COVID-19 pandemic.

Chapter 13: Diversity and Cross-Cultural Adjustments

- Updated opening vignette on trends impacting diversity inclusion focusing on the wage gap for women and minorities in the workplace, including new research on the future of diversity at work.
- Updated research on generations, cultural values, multiculturalism, expatriate careers, and performance.
- Expanded coverage of generations at the workplace from four to five to include generation Z.
- Updated table to reflect the five generations in the workforce.
- New What's #Trending in OB? box, "Managing Someone Older Than Yourself."
- New section and figure on the Global Mindset
- Updated Research in Action box now includes a new case example of an Italian COO of a technology company in Mumbai who has difficulty motivating Indian employees.

- New Leadership Implications with updated ESPN mission statement
- New Case Study, "American Airlines: Supporting the LGBTQ Community," focusing on LGBT issues in the workplace.

Chapter 14: Organizational Culture

- New opening vignette, "The Team Culture at Warby Parker."
- Updated research on organizational growth mindset, the relationship of organizational culture to organizational performance, and socialization.
- New figure for Schein's Levels of Culture.
- New What's #Trending in OB? box on transparent organizational cultures, featuring the social media company Buffer.
- Updated example of storytelling: Jack Ma of Alibaba.
- New Research in Action Box, "Benefits of Organizational Diversity Climates."
- Expanded discussion of ethical climate.
- Updated Leadership Implications on culture change focusing on the impact of management practices on culture and discussing the case of Brian Chesky, cofounder and CEO of Airbnb as an example.
- New Case Study, "Changing the Culture at Boeing," discussing the 737 MAX crisis.

Chapter 15: Leading Change and Stress Management

- New opening vignette, "Leading Change in a VUCA World," (Volatile, Uncertain, Complex, Ambiguous), with updated research, and discussion of leadership skills for an uncertain world.
- Updated research on appreciative inquiry, Lewin's model, readiness for change, performance pressure and stress, gender and social support, and employee assistance programs.
- Added discussion of the triple bottom line (TBL) to the section on sustainability.
- Expanded discussion of the leader's role in organizational change
- Updated table, Forces Driving Organizational Change, to include life-threatening events (natural disasters, terrorism, and pandemics as examples).
- New figure, Top Causes of Stress Prior to COVID-19, added as well as statistics on stress after the start of the pandemic.
- New What's #Trending in OB? box, "The Sunday Scaries," which describes how worry, fear, and anxiety about the upcoming workweek begin for some people on Sunday afternoon.

- Updated Leadership Implications section with new figure, Managing Change Versus Leading Change. Also, expanded discussion of compassionate leadership.

- New Case Study, "Organizational Change at Amazon."

Appendix 2: Organizational Structure

- New Appendix, Organizational Structure, that covers classic and current issues in organizational design.

- Begins with noting that jobs are building blocks for socio-technical system design.

- Presents organizational charts for functional, product, geographical, and matrix organizational structures.

- Discusses the virtual organization with an example of Airbnb.

- Includes discussion of restructuring and downsizing.

- Covers the dimensions of organizational design: specialization, formalization, centralization, standardization, and complexity, with a summary table and examples.

- Highlights the chain-of-command and span of control in organizational design.

- Discusses Mintzberg's forms of organizational structure, including figure and summary table.

- Includes coverage of management hierarchies with a table, Levels of Management.

- Includes Critical Thinking Questions, Summary, and Key Terms.

ONLINE RESOURCES

This text includes an array of instructor teaching materials designed to save you time and to help you keep students engaged. To learn more, visit sagepub.com or contact your SAGE representative at sagepub.com/findmyrep.

Interactive Self-Assessments

This text comes with online self-assessments created to promote self-reflection in students. Students receive personalized feedback based on their responses and instructors are able to assign these materials for completion. The self-assessments are available online in SAGE Vantage. To learn more, visit sagepub.com/en-us/nam/vantage.

ACKNOWLEDGMENTS

With the third edition of this textbook, I am excited to present the foundations of OB plus what I see as trends for the future of work. This edition was literally at the copy-editing stage when the COVID-19 pandemic crisis hit our world. I realized that the pandemic would change the way we work forever, and I was not satisfied with where the book was at this stage. I updated the book in many ways such as expanding the discussion of virtual teams. You will also see new examples and statistics on stress before and during COVID-19. I wrote a new case study called "Perspective Taking: Health Versus Wealth During the COVID-19 Pandemic." The discussion of organizational change in Chapter 15 is updated to discuss the organizational impacts of life-threatening events. The pandemic has been a challenge personally, as I had to adjust to offer my courses on Zoom. I learned a great deal. This edition of the textbook will be even more attentive to the needs of faculty who teach online and in hybrid formats. This was a challenge, but it was also an opportunity to make this textbook truly up-to-date with an eye toward the future.

With the publications of all editions of this book, it has been a joy to bring my perspective on the field of OB as an integrated and evidence-based foundation for the development of principled leaders to more students. I have reflected on the field of OB and realized that we have so very much to offer our students because of the research we have done. I am in awe of my OB colleagues around the world for their theoretical insights and their rigorous research. It is with gratitude and humility that I am offering this book to instructors and their students.

There are many people to thank who have supported the writing of this textbook. I am indebted to Stephanie Maynard-Patrick for writing case studies and working with me on the ancillary materials. I cannot express my gratitude enough for all of the authors and publishers that graciously allowed me to reprint their material in this book. I thank my principal mentors, George Graen and Belle Rose Ragins, for their support and insights throughout my career. I offer thanks to all of my colleagues in OB (too numerous to mention) who provide me with feedback and support on everything I do. My OB colleagues at the University of Miami read drafts of the table of contents and chapters and offered suggestions for the toolkits (and allowed me to test them in their courses): Sheryl Alonso, Cecily Cooper, Marie Dasborough, Karen Harris, Marina Portnoy, Larissa Ramos, and Chet Schriesheim. A very special thanks to my department chair and role model, Linda Neider, for her unending support of my career. My family and friends suffered through my periods of being a hermit and patiently listened to me talk about this book. I thank my family, Laura Scandura Rea, Sandi Kennedy, Deanne Julifs, and Tommy Scandura, for always believing in me—and not just with respect to this textbook. I would also like to thank my friends for their practical, down-to-earth advice and for making me laugh at just the right times. Last, but in no way least, I thank the team at SAGE. Sarah Wilson kept track of permissions and numerous other details. I greatly appreciate all of the retweets from Lori Hart. I am also grateful to Maggie Stanley and Lauren Gobell for their support throughout

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Dr. Scandura has authored or coauthored over 200 presentations, articles, and book chapters. Her research has been published in the *Academy of Management Journal*, the *Journal of Applied Psychology*, the *Journal of International Business Studies*, the *Journal of Vocational Behavior*, the *Journal of Organizational Behavior*, *Educational and Psychological Measurement*, *Industrial Relations*, *Research in Organizational Behavior*, *Research in Personnel and Human Resource Management*, and others.

She has presented executive education programs on leadership, mentoring, leading change, and high-performance teams to numerous organizations such as VISA International, Royal Caribbean Cruise Lines, the Young Presidents Organization, Hewlett-Packard, and Baptist Health Systems.

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Introduction

Chapter 1: What Is Organizational Behavior?

Understanding Individuals in Organizations

Chapter 2: Personality and Person–Environment Fit

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Chapter 5: Perception, Decision-Making, and Problem-Solving

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Chapter 13: Diversity and Cross-Cultural Adjustments

Leaders as Change Agents

Chapter 14: Organizational Culture

Chapter 15: Leading Change and Stress Management

WHAT IS ORGANIZATIONAL BEHAVIOR?

Learning Objectives

After studying this chapter, you should be able to do the following:

1.1: Define the concept of organizational behavior (OB).

1.2: List and give examples of the four sources of information used in evidence-based management (EBM).

1.3: Define critical thinking and explain the critical thinking skills leaders need.

1.4: Discuss five types of outcome variables studied in OB.

1.5: Compare the levels of analysis in OB research.

1.6: Develop plans for using OB research to improve employee job performance.

A CRISIS IN ORGANIZATIONS?

What do the leaders of Juul, McDonald's, and Papa John's have in common? They were all fired from their boards of directors.

Historically, CEOs are fired for lack of company performance. This is what happened with Juul. The CEO of Juul, Kevin Burns, was let go during the media attention to the company's marketing practices and rising pressure from regulators regarding the health risks of e-cigarettes. The company became a lightning rod for media attention and began pulling e-cigarette flavors from the market in response to the reports.

Recently, CEOs are getting fired for ethical reasons. Some examples of these reasons are sexual misconduct, fraud, bribery, and insider trading.

In November 2019, Steve Easterbrook was fired as the CEO of McDonald's. He had been running the company since 2015. However, the board stated that he violated company policy and "demonstrated poor judgment involving a recent consensual relationship with an employee." Easterbrook had been doing a great job as CEO. He modernized the look of McDonald's restaurants and added popular digital menu boards. The company began using high-tech methods such as artificial intelligence to improve drive-thru performance and increase sales.

Scandals now account for more departures than poor financial performance. This may reflect changes in vigilance by the government, society, and pressures from the Me Too movement to hold managers accountable.

In addition to sexual harassment, racial insensitivity was another reason for CEO failure to maintain integrity in a diverse environment. Another leader that was fired by his board was Papa John's chairman and founder, John Schnatter, who stepped down as CEO following backlash for using a racial slur during a conference call.

What Is Going on With CEO leadership?

According to a study conducted by PwC (formerly PricewaterhouseCoopers), a record 17.5% of CEOs at the world's 2,500 largest companies departed their jobs during 2018, a 3% increase from 2017. Most of these were planned retirements, but in 20% of the situations, the CEOs were forced out.

During August 2019, there were 159 CEO changes, the highest monthly total on record, according to a study done by consulting firm, Challenger, Gray & Christmas. The study looked at CEO changes for companies that have been in business for at least 2 years, with a minimum of 10 employees. The data for CEO departures for the past 10 years is shown in Figure 1.1. Note that the level of departures in 2018 was as high as in 2008—the year of the banking crisis and Great Recession.

The trend continued into 2020. CEO turnover increased 37%, from the 160 who left their posts in December to 219. The January 2020 total was 39.5% higher than the 157 CEOs who left their posts in the same month in 2019.[1] According to Andrew Challenger, Vice President of Challenger, Gray, & Christmas,

> January is typically a busy month for CEO turnover, as companies make leadership changes after assessing business conditions at the end of the fiscal year. January is the beginning of the fiscal year for many companies, and a good time to make decisions about the direction of the company.[2]

Figure 1.1 CEO Departures From 2008–2018

Source: Based on data reported in Challenger, Gray, & Christmas (2019). September CEO turnover report.

David Waddell from Yahoo Finance's *The First Trade* agrees: "We seem to be having a leadership recession, be it political or corporate." Waddell thinks that with rising uncertainty on the trade and political fronts, companies could be looking for a different type of CEO.

The CEO leadership crisis indicates that there is a great need for future leaders to understand the nuances of human behavior. There is also an increasing need for leaders to behave ethically. The field known as Organizational Behavior (OB) addresses these and other leadership challenges.

Sources: Based on Challenger, Gray, & Christmas (2019). September CEO turnover report. http://www.challengergray.com/press/press-releases/2019-september-ceo-turnover-report-highest-ytd-quarterly-totals-record; Fitzgerald, M. (2019). CEO departures on pace for a record year. https://www.cnbc.com/2019/10/09/ceo-departures-on-pace-for-a-record-year.html; Sozzi, B. (2019). Juul, eBay CEOs just got axed: Clearly there is a big leadership crisis in America. https://finance.yahoo.com/news/juul-e-bay-ce-os-just-got-axed-clearly-there-is-a-big-leadership-crisis-in-america-155610750.html; Wiener-Bronner, D. (2019). McDonald's CEO Steve Easterbrook steps down. https://www.cnn.com/2019/11/03/business/mcdonalds-ceo-steve-easterbrook-steps-down/index.html

WHAT IS ORGANIZATIONAL BEHAVIOR?

Learning Objective 1.1: Define the concept of organizational behavior (OB).

Organizational behavior (OB) is defined as the study of individuals and their behaviors at work. It is a multidisciplinary and multilevel research area that draws from applied psychology, cultural anthropology, communication, and sociology. This textbook draws upon all of these areas with a focus on applied social psychology. Social psychologists study the behavior of individuals in groups, so it makes sense that the study of how leaders influence people and their OB is grounded in this field of psychology.

OB is a relatively young field in comparison to areas in the field of medicine—and even psychology from which it draws. There were management practices in place since the early 1900s with Frederick Taylor's approach to "scientific management," which was the study of how work could be designed to make production work (particularly assembly lines) more efficient.[3] Most scholars agree, however, that OB originated with the human relations movement[4] ignited by the Hawthorne studies (conducted between 1927 and 1932), which led to a focus on the role of human behavior in organizations. The Hawthorne studies were two studies conducted by Australian-born psychologist Elton Mayo at the Western Electric Company near Chicago.[5]

Mayo spent most of his career at Harvard University and was interested in how to increase productivity in assembly lines. The first study was designed to examine the effects of lighting in the plants on worker productivity. However, the research team had a surprise. Productivity *increased* rather than decreased when the lights were being dimmed. Perplexed by this finding, researchers interviewed the workers and learned that they appreciated the attention of the research team and felt that they were receiving special treatment. The productivity then *declined* after the researchers left the plant. This has been called the **Hawthorne effect** and refers to positive responses in attitudes and performance when researchers pay attention to a group of workers. The emergence of strong feelings of

affiliation and trust due to the interactions and trust among the workers resulted in what Mayo called *spontaneous collaboration*.[6]

The second Hawthorne study was designed to investigate a new incentive system. However, instead of the incentive system increasing workers' production, the social pressure from peers took over and had more impact on worker productivity than pay increases. Workers formed into small groups and set informal standards for production, requiring coworkers to reduce their production so pay was more equal among the group members.

The Hawthorne researchers concluded that the human element in organizations was more important than previously thought, and they learned that workers want attention. This is still relevant today. For example, recent studies demonstrate that when employers provide gifts to employees (termed *empathy wages*), it elicits feelings of gratitude from them.[7] The human relations movement followed the Hawthorne studies, and OB emerged as a distinct field of study in the 1950s. The term *organizational behavior* first appeared in 1957 in a book by Chris Argyris, *Personality and Organization: The Conflict Between System and the Individual*.[8] Today, OB researchers have PhDs from psychology departments (in the area of industrial and organizational psychology) and business schools. They teach from the research base on OB and conduct research that addresses important challenges facing organizational leaders today.

Disciplines Contributing to Organizational Behavior

There are several disciplines that contribute to the study of OB. Studies of individual differences such as personality (Chapter 2 of this textbook) draw from the fields of psychology and specifically industrial and organizational psychology. These fields also contribute to our understanding of human performance. Individual reactions to work, such as emotions and attitudes, not only draw from psychology research but also from social psychology. Motivation theory has been influenced by psychology as well as economics. Understanding decision-making (Chapter 5) draws from economic theory. Research on leaders as influencers and motivators (Section III) draws from applied social psychology. **Applied social psychology** is the study of how people interact in groups and addresses significant challenges facing leaders as organizations use teams to get things done (Chapter 10). Trends such as the need to compete in a global marketplace, organizational restructuring, and rapid changes in technology have resulted in the need to lead through change. Research in the areas of sociology and anthropology helps us understand organizational culture and leading change. OB is an applied field of study aimed at problem-solving for organizational leaders. Thus, OB is a multidisciplinary field that draws upon the best ideas and research from several disciplines.

The goal of OB as a field is to improve the functioning of the organization and how employees experience their work. For example, OB researchers study how job satisfaction affects employee well-being. Another example is how a leader's vision affects follower motivation and performance toward goals. A third example is how perceptions of politics at work might lead to an employee quitting the organization (this is called *turnover*). Low productivity and turnover cost organizations millions of dollars. Beyond the impact on costs, employee well-being is a major concern for forward-thinking organizations today. OB researchers develop guidelines that directly address such challenges. Based on research, leaders can make better decisions to make their organization more effective and better places to work. It's important for OB researchers to translate their evidence into practical guidelines for managers to follow. Next, the journey from theory to practical applications is discussed.

From Theory to Practice

OB is an applied science, so first it is necessary to briefly review what science is all about. The goals of science—any science—are as follows:

1. **Description:** What does the process look like?
2. **Prediction:** Will the process occur again? If so, when?
3. **Explanation:** Why is this happening?
4. **Control:** Can we change whether this happens?

For example, the forecasting of extra workers needed for a toy store during the holiday season is an important process for ensuring the best customer service. Human resource managers understand how many customers will visit the store based upon prior holiday seasons (in other words, a theory) and can describe their need for extra workers. This theory is also high on explanation since the store managers have some understanding of why customers visit their store and when volume increases. Prediction is important because managers need to project with some accuracy how many extra seasonal workers they will need to hire to ensure that customers will be served and not have long wait times at the cash registers. However, hiring forecasts are not always accurate, resulting in unhappy customers or the hiring of too many seasonal workers who wait idly for customers to visit. In this example, the science is moderate for prediction. For control, one could say that the science is low because there are many reasons why customers may not visit the store that are outside of the organization's control (e.g., customers may be able to purchase the toys online). This example illustrates why theories are so important to applied science. The better the initial understanding of how many workers will be needed, the better the store manager should be able to predict how many seasonal workers to hire for the season and for how long. Theories are important to OB as a science since theory is translated to management practice.

The phrase "there is nothing as practical as a good theory" has been attributed to social psychologist Kurt Lewin. Theories build upon prior research and extend into new areas of importance to leaders. A researcher generates hypotheses about human behavior in organizations and then gathers data to test them. Research eliminates the guesswork about what will work (or not work), and this helps leaders solve the problems they face every day. The ability to translate research into practice has been termed **evidence-based management (EBM)**.

EVIDENCE-BASED MANAGEMENT

Learning Objective 1.2: List and give examples of the four sources of information used in evidence-based management (EBM).
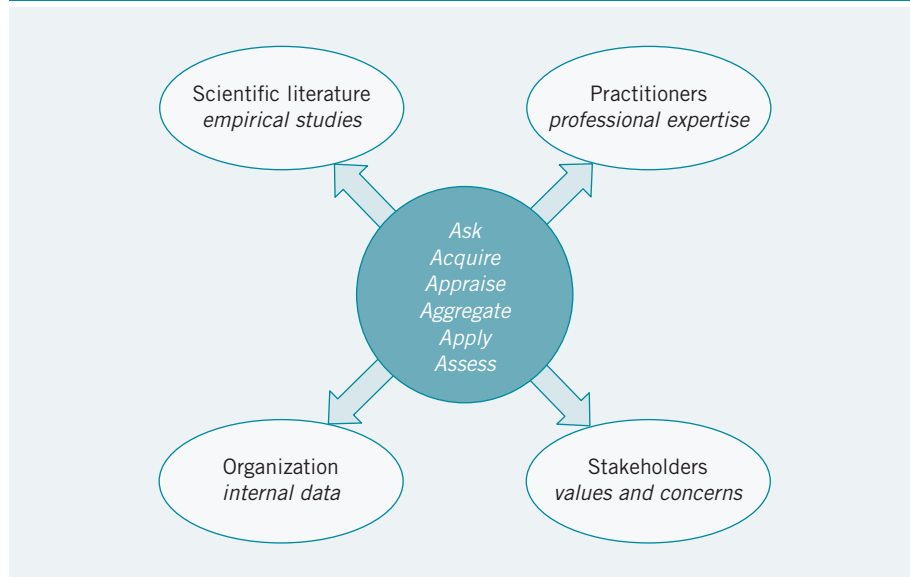
The term *evidence-based* was originally employed in the field of medicine to guide how doctors make decisions regarding patient care. EBM improves a leader's decisions by disciplined application of the most relevant and current scientific evidence. Although many definitions of EBM are available, this is the most frequently quoted and widely used:[9]

EBM means making decisions about the management of employees, teams, or organizations through the conscientious, explicit, and judicious use of four sources of information, as shown in Figure 1.2. Examples of these sources follow for a manager addressing the problem of having too many employees quit their jobs.

1. **The best available scientific evidence—**for example, the manager reads research published on OB on the reasons why people quit their jobs

2. **The best available organizational evidence**—for example, the manager conducts exit interviews with people who have recently quit their jobs

3. **The best available experiential evidence**—for example, the manager asks other managers to provide their intuition regarding what causes people to quit the organization

4. **Organizational values and stakeholders' concerns**—for example, the impact on the Human Resources department that must constantly post jobs and recruit employees to replace the ones who have quit. Other stakeholders are the employees who experience reasons to quit their jobs.

How can a leader use these sources of evidence to make better decisions? First, leaders must have the ability (basic skills and competencies), motivation (behavioral beliefs,

Figure 1.2   Sources of Information Used in EBM

Scientific literature
empirical studies

Practitioners
professional expertise

Ask
Acquire
Appraise
Aggregate
Apply
Assess

Organization
internal data

Stakeholders
values and concerns

Source: Barends, E., Rousseau, D. M., & Briner, R. B. (2014). Evidence-Based Management: The basic principles. Amsterdam: Center for Evidence-Based Management.

behavioral control, and normative beliefs), and opportunity (support that overcomes barriers) to practice EBM.[10] For example, EBM was applied to an operational problem in a hospital. This research concluded that the "fit" between the decision maker and the organizational context enables more effective evidence-based processes.[11]

Leader involvement at all levels is essential for EBM to work in practice,[12] as well as collaboration with researchers.[13] A review of EBM concluded that there have been creative applications of the principles that have informed managers and that collaborations between researchers and managers have created new knowledge.[14] In today's world of information overload from the news media and social media, people seem to hunger for evidence-based information. For example, some of the most watched TED talks are based on social science research. The knowledge found in TED talks has had far more reach than the original published work would ever have had.[15]

RESEARCH IN ACTION

Using Evidence to Increase Donations to Universities

Universities are interested in increasing donations from their alumni. Donations from former students help fund important building projects, upgrade existing facilities, support student organizations, and increase student scholarships. A report from *Giving USA* states that the total contributions to higher education were $46.73 billion in 2018, a 7.2% increase from the previous year. That's a lot of support for universities. Alumni donations have remained relatively stable at about 25% of total donations since 2009.

How could a university increase donations from former students? Alumni often have strong emotional connections to their alma mater and fondly remember their experiences during their time there. Fundraisers want to tap into these positive feelings when they ask for donations. Can evidence-based management help?

A team of researchers at Texas A&M University followed EBM principles to learn how to increase annual giving from former students. They wondered if directed donations would increase the propensity to give and the amount of the donation. Here are the steps they followed:

1. *Best available scientific evidence*—Researchers reviewed the literature on fundraising. Some laboratory experiments suggested that directed giving would increase donations.

2. *Best available organizational evidence*—Since directed giving allows the donor to target their gifts to specific organizations or functions, fundraisers believe that donors would like to give to the specific school or college they graduated from rather than a general fund.

3. *Best available experiential evidence*—Researchers hypothesized that directed giving would increase donations. Expert opinions expressed in the articles found in the literature review suggested that it would.

4. *Organizational values and stakeholder concerns*—Universities need to increase giving to have the funds to help faculty provide a better learning experience. Donations support student organizations and increase scholarships. Students are also stakeholders—this means you!

To determine if directed giving works, researchers employed EBM with a field experiment. A *field experiment* enables researchers to rule out alternative explanations for findings and establish cause-and-effect relationships. Prospective donors were presented with either an opportunity to donate to the unrestricted Annual Fund or an opportunity to donate to the Annual Fund and direct some or all of their donation toward the academic college from which they graduated. For example, business school graduates could have their entire donation go to increase scholarships for business students.

The experiment consisted of two groups: Annual Fund Only and Directed Giving. Both groups were sent emails explaining the mission of Texas A&M University and asking for support for its initiatives through a monetary donation. The emails sent were identical, including the subject line, with one exception: The Directed Giving group was also given the option of sending their gift to the college from which they had graduated. The control group did not have this option. For the control group, the email ask only gave the Annual Fund as the recipient of donations.

The research showed that directed giving did not determine whether a person gave. However, the amount of the donation was significantly larger when the donor could specify the college where their donation went. In other words, people gave more when they knew that their money was going to the college from which they had graduated. As Figure 1.3 shows, they gave an average of $82.34 more when they could direct their money to their college.

The application of EBM in this field experiment clearly showed that having a choice in giving mattered. Overall, the Association of Former Students raised approximately $40,000 more by allowing for choice through directed giving.

Figure 1.3   Average Donations for Annual Fund Giving Compared to Directed Giving
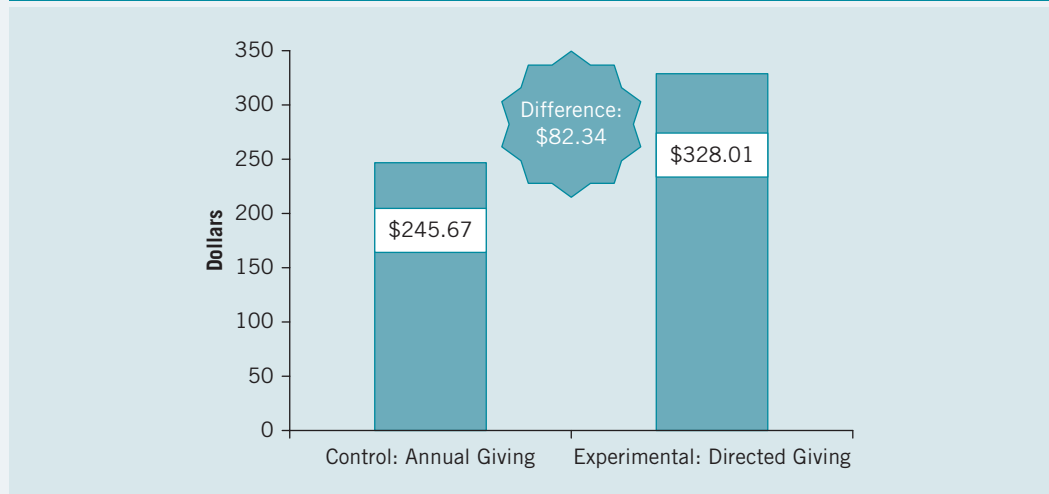
Source: Based on data reported in Eckel, C. C., Herberich, D. H., & Meer, J. (2017). A field experiment on directed giving at a public university. *Journal of Behavioral and Experimental Economics, 66,* 66–71.

(Continued)