CHRISTOPHER P. NECK • JEFFERY D. HOUGHTON • EMMA L. MURRAY

ORGANIZATIONAL BEHAVIOR
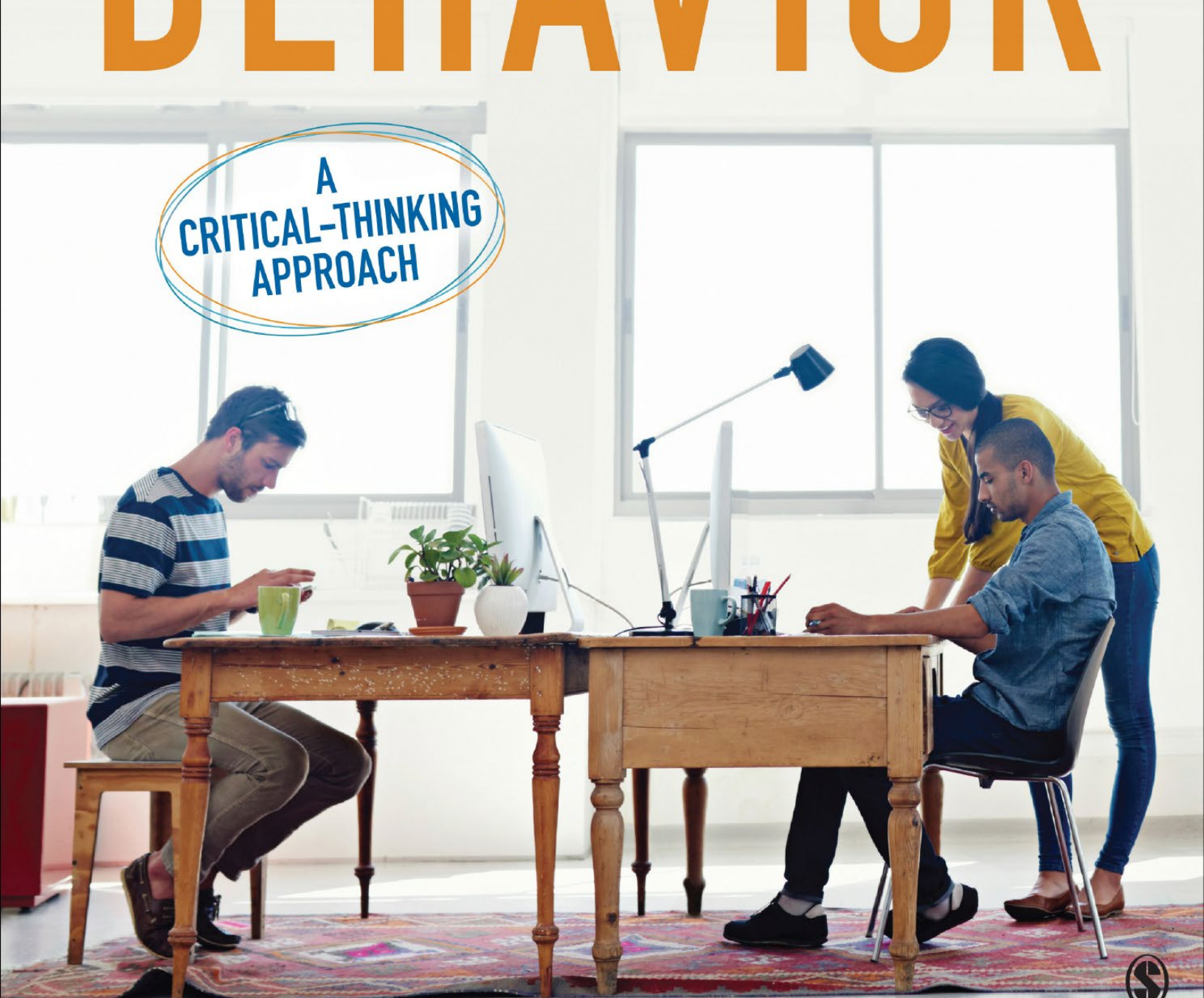
A CRITICAL-THINKING APPROACH

OB IN THE REAL WORLD boxes include real-life examples from seasoned business professionals who describe how they have used OB concepts to achieve organizational success.

SNAKES, SELF-EFFICACY, AND TASK PERFORMANCE
Too Much of a Good Thing?

Examining the Evidence

Some very interesting early classic studies examining the concept of self-efficacy focused on people with a fear of snakes.ᵃ Albert Bandura and his colleagues set up an experiment using both an experimental group and a control group, with a pre-test indicating that both groups had strong fear of snakes and low self-efficacy for approaching and handling them. The researchers then carried out an intervention with the experimental group. They explained that the snakes were not poisonous and would not bite, and they described how the snakes would react when the subjects handled them. They also informed the group that the snakes were not cold and slimy, but actually dry and scaly. The researchers then measured the fear and self-efficacy levels in both groups again. Both groups still had a high fear of snakes, but the experimental group had a much higher level of self-efficacy for approaching and handing the snakes. Consequently, when members of both groups were asked to approach and handle the snakes, those from the experimental group whose level of self-efficacy had increased were able to do so at a much higher rate than those with low self-efficacy.

Although hundreds of studies have shown similar positive effects for self-efficacy on task performance, some recent studies have called this relationship into question.ᵇ These studies suggest that high levels of self-efficacy within an individual could cause that person to become overconfident and to allocate fewer resources and less effort to the task at hand, thereby resulting in lower levels of task performance. For example, one study of students playing an analytical game showed a negative relationship between self-efficacy and performance.⁴² Self-efficacy resulted in overconfidence and the increased likelihood of making a logical error in the game.

Critical Thinking Questions:

1. Given the conflicting research evidence, how can self-efficacy affect individual task performance in the workplace?
2. What can managers do to try to enhance the positive effects of self-efficacy in their employees?

SOURCES
ᵃBandura, Albert, and Nancy E. Adams. "Analysis of Self-Efficacy Theory of Behavioral Change." *Cognitive Therapy and Research* 1, no. 4 (December 1977): 287–310; Bandura, Albert, Linda Reese, and Nancy E. Adams. "Microanalysis of Action and Fear Arousal as a Function of Differential Levels of Perceived Self-Efficacy." *Journal of Personality and Social Psychology* 43, no. 1 (July 1982): 5–21.
ᵇVancouver, Jeffrey B., Charles M. Thompson, E. Casey Tischner, and Dan J. Putka. "Two Studies Examining the Negative Effect of Self-Efficacy on Performance." *Journal of Applied Psychology* 87, no. 3 (June 2002): 506–516.

EXAMINING THE EVIDENCE boxes highlight a recent seminal OB study and discuss its application to the real world.

> ❝ I really value the end of chapter material. You have pioneered some enhancements in that arena that will give this text competitive advantage. It offers a fresh take on some familiar material."
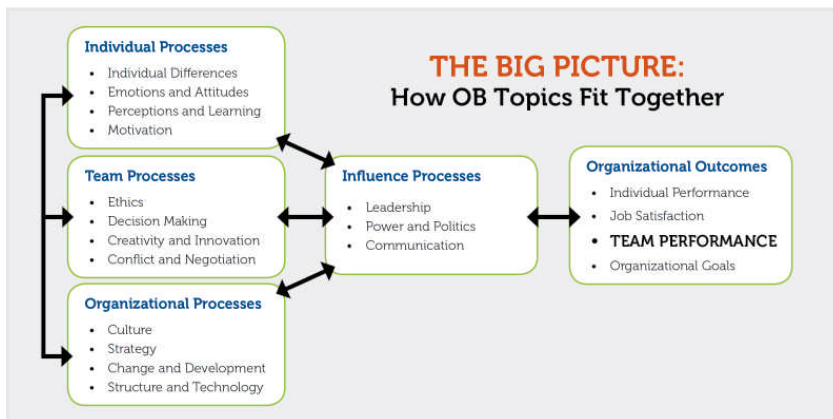> —DAVID J. BIEMER,

> ❝ This textbook is centered on student engagement by including features which enable the student to learn by using critical thinking skills."
> —MARIA D. VITALE,

THE BIG PICTURE shows students how OB topics fit together and influence important outcomes like job satisfaction.

THE BIG PICTURE:
How OB Topics Fit Together

Individual Processes
- Individual Differences
- Emotions and Attitudes
- Perceptions and Learning
- Motivation

Team Processes
- Ethics
- Decision Making
- Creativity and Innovation
- Conflict and Negotiation

Organizational Processes
- Culture
- Strategy
- Change and Development
- Structure and Technology

Influence Processes
- Leadership
- Power and Politics
- Communication

Organizational Outcomes
- Individual Performance
- Job Satisfaction
- **TEAM PERFORMANCE**
- Organizational Goals

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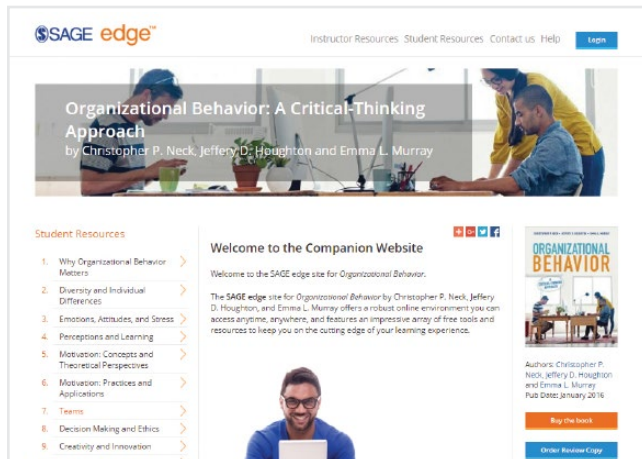
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- Sample course syllabi

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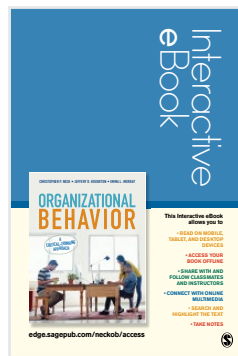
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ORGANIZATIONAL
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We dedicate Organizational Behavior: A Critical-Thinking Approach *to all of our students who have believed in us, inspired us, and encouraged us to try new ways of teaching.*

Chris Neck dedicates this book to his wife, Jennifer, and his children, Bryton and GiGe, for helping him realize what is truly important in life.

Jeff Houghton dedicates this book to his wife, Loree, and sons, Pierce and Sloan, and thanks them for all their support, encouragement, and love.

Emma Murray dedicates this book to her husband, Sam, and her children, Ava and Anya, for their unending love and support.

ORGANIZATIONAL
BEHAVIOR

A CRITICAL-THINKING APPROACH

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BRIEF CONTENTS

Part 5. Organizational Context

DETAILED CONTENTS

Part 5. Organizational Context

PREFACE

Nikos Kazantzakis once wrote:

> Ideal teachers are those who use themselves as bridges over which they invite their students to cross; then having facilitated their crossing, joyfully collapse, encouraging them to create bridges of their own.

Our goal as an author team was to write an organizational behavior (OB) textbook that really engaged students—not one that involved memorizing its content for the sole purpose of passing exams and then quickly forgetting whatever they had learned. We wanted to write a textbook that students could use well after the semester was over to help them actively learn and think critically in order to understand how people behave as they pursue their career goals. In other words, we wanted to help students "build bridges" to their goals and dreams. We hope we have achieved our goal in *Organizational Behavior: A Critical-Thinking Approach* for students in organizational behavior classes across the world.

In our 21st-century business world, organizational behavior has taken on a new significance. In an environment in which competition is fiercer than ever, it is people who act as differentiators in the workplace. In every aspect of business, people are the cornerstone of success. This is why it is so important to understand human behavior.

The following quote from Curt Coffman and Gabriela Gonzalez-Molina in *Follow This Path: How the World's Greatest Organizations Drive Growth by Unleashing Human Potential* reinforces the importance of understanding human behavior in organizations:

> The success of your organization doesn't depend on your understanding of economics, or organizational development, or marketing. It depends, quite simply, on your understanding of human psychology: how each individual employee connects with your company and how each individual employee connects with your customers.

One of the earliest studies of organizational behavior was carried out at AT&T's Western Electric Hawthorne plant by Harvard's Elton Mayo in 1927. The principle findings of this study showed that when workers are given the opportunity to contribute their thinking and learning to workplace issues, their job performance improves. This finding is still relevant today. Studies in organizational behavior add to our understanding of the individuals working within all types of businesses, from corporate to entrepreneurial. *Organizational Behavior: A Critical-Thinking Approach* attempts to capture the body of knowledge that encompasses the organizational behavioral research into a book that is fun to read, captures the reader's attention, and imparts the organizational behavioral knowledge in a way that promotes critical thinking.

OUR VISION

Organizational Behavior: A Critical-Thinking Approach is a textbook for college-level undergraduate students seeking insight into individual behavior, group behavior, organizational structure, and organizational processes through the lens of critical thinking.

Organizational behavior courses are defined by the following trends: larger course sizes, the need for continually changing content to stay relevant, and instructors working to make vast online resources meaningful to the student experience. The cumulative effect of these trends on instructors is a much more demanding environment for teaching and learning. In a quickly changing business environment, many books need a complete rewrite to be fully up-to-date. Even better, though, this is a new book—written from today's perspective, with an eye to the near future. Our goal in writing this book is to bring to the classroom a fresh view of human behavior in organizations.

What Makes Our Book Unique

- *Critical-thinking approach*. Students learn to analyze behavior patterns and assess consequences to predictive paths. Managers make decisions that have delayed consequences on situations, with extraordinary complexity, yet predictable patterns of behavior. A student's ability to make decisions that result in expected and desirable consequences should be the sole objective of all organizational behavior textbooks.
- *Continuing case narratives*. Students are associative thinkers and continuously seek multiple data points to connect into a constellation of meaning. People retain knowledge through meaningful narratives, which means that stories that illustrate richly textured situations are better for learning than listing brands and public figures in the chapters.
- *Practical applications, self-assessments, experiential exercises*, and additional pedagogical features make OB come to life and encourage students to engage with OB concepts in meaningful ways.

A Critical-Thinking Approach

We believe that in today's business world, organizational behavior is more important than ever. Companies are looking for employees and managers who have strong organizational behavior skills. Critical thinking, problem solving, and creativity are valuable and essential commodities. Critical thinking is an essential skill; managers use critical thinking to understand, explain, predict, and influence behavior in the workplace.

Our text provides a comprehensive overview of OB theories and processes with a strong emphasis on critical-thinking applications in order to equip students with the information and skills they need to thrive in organizations today.

Why Critical Thinking Matters in OB

A critical thinker uses his or her intelligence, knowledge, and skills to question and carefully explore situations and to arrive at thoughtful conclusions based on evidence and reason. Someone thinking critically is able to get past biases and view situations from different perspectives to ultimately improve his or her understanding of the world.

Business leaders use critical thinking when making decisions, solving problems, gathering information, and asking questions. Time and again, research has shown

the effectiveness of critical thinking in the workplace. In an article published in the journal *Current Directions in Psychological Science*, the authors report that cognitive ability tests, including critical-thinking tests "are among the strongest and most consistent predictors of performance across academic and work settings."[1]

In *Organizational Behavior: A Critical-Thinking Approach*, we use the components and core skills of critical thinking to teach the many facets of organizational behavior to students. Adding critical thinking to these behaviors further enhances students' abilities to strategically think as well as analyze and solve problems. By seeking first to understand the dynamics of human behavior, then sharing the knowledge learned, they will be able to build more successful relationships within their personal and professional lives.

How Our Book Incorporates Critical Thinking

A lot of OB books claim to help students to develop their critical-thinking skills. What makes our book different? Our book incorporates critical thinking on every page. Instead of passively reading through each chapter, the student is asked to pause, reflect, and engage more critically with the content.

- Chapter 1 explains the central role critical thinking plays in OB and introduces a five-step **critical-thinking framework** that students can apply to challenging scenarios, problems, decisions, and other issues.
- **Thinking Critically** questions tied to Bloom's Taxonomy appear throughout each chapter. Bracketed notations identify which domain(s) of Bloom's Taxonomy the question falls into: understand, apply, analyze, evaluate, and create. These questions don't necessarily have a right or wrong answer but rather are designed to challenge students to think critically and achieve higher levels of learning.
- **Examining the Evidence** boxes highlight a recent seminal OB study from high-quality OB journals and discusses its practical applications in the business world. Critical-thinking questions at the end of each box allow students to see how research in academe applies to real-life settings.
- **OB in the Real World** boxes feature real-world anecdotes, quotes, and examples from seasoned business professionals who share their knowledge and experience with students by describing how they used OB to positively influence outcomes and achieve organizational success. Critical-thinking questions help students see how OB concepts impact real people and organizations.

These critical-thinking elements are perfect for assignments or class discussions and lively debate.

Continuing Case Narratives

In order to support our balanced approach to research and practice, and our pedagogical commitment to critical thinking, *Organizational Behavior: A Critical-Thinking Approach* takes a new approach to the style of OB textbooks. We include all the concepts and key terms that are expected, but we do so in a context that aids instructors in showing how and why they are applied in real world situations, and in a style that ignites the imagination and sparks discussion.

Rather than a series of unrelated organizational snapshots that offer only a superficial understanding of OB content, we create rich, continuing case study narratives

that illustrate the exciting and challenging complexities of the real world. Each of the main OB subdivisions is presented through business case narratives that span multiple chapters. These continuing case narratives serve two key purposes:

1. Provide fully imagined characters and relationships that reflect challenges and opportunities that managers encounter

2. Provide sufficiently rich contexts to practice critical-thinking skills in ways that mimic actual workplace dynamics. How do we ensure that these case narratives are consistent with top-tier research and the challenges that businesses are addressing in today's economy?

For Parts 2–5 of the book, we develop a case representing an industry and featuring several managers in an organization. These continuing cases are inspired by real people and real events but fictionalized for the learning process. Chapters include a Back to the Case recap that summarizes the events of the previous chapter's case narrative, making it easy for instructors to assign chapters out of order.

Following is a summary of each continuing case narrative in the text:

Chapters 2–4. The Case of Laura Pierce:
Differences at the West Texas Regional Theatre

The narrative focuses on Laura Pierce, a newly employed marketing and development director at the financially struggling West Texas Regional Theatre (WTRT), and the challenges she faces in trying to overcome individual differences in order to help save the theatre. In Chapter 2, Laura meets her new colleagues and gets to know more about their different backgrounds and personalities. In Chapter 3, Laura introduces her ideas to drive business to WTRT but needs to navigate the attitude and behavior of the staff. In Chapter 4, Laura deals with the consequences of differing perceptions as she meets with the WTRT board members to discuss the theatre's financial decline.

Chapters 5–6. The Case of Katie O'Donnell:
Motivating Staff at the Waterfront Grill

Katie O'Donnell is an MBA student who has been a server at the restaurant for the past two years and just accepted the job of assistant manager at the Waterfront Grill in upstate New York. She sees her promotion as an opportunity to identify and solve a number of problems she has experienced at the restaurant over the past two years. In Chapter 5, Katie focuses on addressing high turnover by suggesting different strategies to resolve problems and motivate staff at the Waterfront Grill. In Chapter 6, Katie starts to put some of these motivational concepts into practice with mixed results.

Chapters 7–10. The Case of Brian Stevens:
Trouble at the Tractor Assembly Plant

HR Manager Brian Stevens has been working in a tractor-engine manufacturing plant in the Midwest. He recently received a promotion to plant manager at the company's tractor assembly plant and reports directly to the president of the company, Hans Wagner. Over the course of the narrative, Brian faces challenges across different teams and departments and is forced to make some tough decisions. In Chapter 7, Brian discovers one of the main problems in the tractor assembly plant: the team in the purchasing department is underperforming and he must work with the team to resolve the issue. In Chapter 8,

Brian faces an ethical dilemma when his boss, Hans Wagner, tries to convince Brian to accept his decision to make some unethical cost-cutting initiatives. In Chapter 9, Brian faces the challenge of creating innovative new machinery that will increase productivity. In Chapter 10, Brian must deal with some conflict when new competitors threaten the plant's new product and use some negotiation strategies in order to resolve the conflict.

Chapters 11–13. The Case of Langston Burrows: Leadership Challenges

Langston Burrows is a recent college graduate with a bachelor's degree in business administration who has been offered a place in the leadership development program (LDP) at a mid-sized regional bank. Langston sets out to determine his own leadership style. In Chapter 11, Langston begins a three-month rotational leadership position and gets to know the bank staff and experiment with different leadership styles. In Chapter 12, Langston learns about how different people wield power and influence and endures the unfair political behavior of a more senior colleague. In Chapter 13, Langston must overcome some communication barriers in order to find a new role within the bank.

Chapters 14–17. The Case of Yolande Turner: Pioneering Health Goes International

Pioneering Health is a small organization based outside Chicago and consisting of 300 people. Headed by founder and CEO Yolande Turner, a former pharmaceutical-product line manager, the company sells disease management strategies to other health care providers, associations, and corporations that offer health insurance. This OB Story follows Yolande as she takes the business international in an effort to break into new markets. Chapter 14 describes Pioneering Health and its organizational culture. In Chapter 15, Yolande and her senior team work out strategies to expand the business internationally, choosing Germany as a location. In Chapter 16, Yolande must implement some organizational changes and developments to improve the working relationships among staff members and overcome resistance to change. In Chapter 17, Yolande introduces a new organizational structure to meet the needs of the rapidly expanding Frankfurt office.

END-OF-CHAPTER FEATURES

In each chapter, we include traditional chapter review materials to help students check their comprehension and prepare for quizzes and exams.

- **In Review,** organized by learning objective, summarizes key chapter information
- **Thinking Critically About the Case** challenges students to apply the five-step critical-thinking framework to the fictionalized chapter case.
- **Short exercises and experiential exercises** are designed to help students build valuable experience and increase their skills through decision-oriented and hands-on exercises. Notes on the instructor resources site include tips on how to best use the exercises in class as well as suggestions for adapting these experiential exercises to use in online or large classes.
- **Self-assessments.** The assessments allow students to apply chapter content to their own lives and better understand their own behaviors, skills, and strengths.

- **Case studies** profile real-world companies and people and illustrate how OB concepts function in the real world, providing students with engaging case examples and opportunities to apply OB concepts to the case studies.
- **Self-Tests** allow students to quickly check their knowledge of key chapter ideas.

CONTENT AND ORGANIZATION

Each chapter is introduced by an OB model that provides students with a big picture overview of how all the chapters and parts fit together.

Chapter 1, "Why Organizational Behavior Matters," explains how and why OB has become significant in today's organizations and describes the value of critical thinking in making thoughtful, effective decisions.

Chapter 2, "Diversity and Individual Differences," explores the types of diversity and the importance of accepting and respecting individual personalities in order to create a harmonious workforce.

Chapter 3, "Emotions, Attitudes, and Stress," examines how emotions influence our behavior and the behavior of those around us in the workplace; common workplace attitudes and the relationship between attitudes and behaviors; and the different ways in which stress can affect behavior in the workplace.

Chapter 4, "Perception and Learning," describes the ways in which we interpret our environment; the factors that can influence and distort perception; and the different learning processes that shape our perceptions.

Chapter 5, "Motivation: Concepts and Theoretical Perspectives," introduces the theories of motivation and how they influence behavior in the workforce.

Chapter 6, "Motivation: Practices and Applications," outlines the practical ways and strategies used by organizations to encourage motivation and empower employees.

Chapter 7, "Teams," emphasizes the critical role of teams and teamwork in today's organizations; types of teams; and the components that make up an effective team.

Chapter 8, "Decision Making and Ethics," addresses the main types of decisions made in organizations; the factors that influence how these decisions are made; and the various approaches to ethical decision-making.

Chapter 9, "Creativity and Innovation," highlights the types of creativity and innovation processes; their importance to organizations; and how they affect organizational behavior.

Chapter 10, "Conflict and Negotiation," describes the impact of conflict on organizational behavior and the ways in which negotiation and bargaining can help resolve conflict.

Chapter 11, "Leadership Perspectives," explains the different types of leaders through theories and perspectives and discusses cultural and gender issues in leadership.

Chapter 12, "Influence, Power, Politics," discusses power and politics in the context of leadership, and describes the tactics and outcomes of different influence tactics.

Chapter 13, "Effective Communication," provides an overview of the basic model of communication; the types of communication channels; and key barriers to effective communication.

Chapter 14, "Organizational Culture," explores the facets of organizational culture and how culture is shaped and molded in organizations.

Chapter 15, "Organizational Strategy," describes the importance of effective strategies in order to achieve organizational goals and explores strategies in the context of globalization and across cultures.

Chapter 16, "Organizational Change and Development," explains the change process; the reasons behind resistance to change; and how organizational development is used to cope with internal and external changes.

Chapter 17, "Organizational Structure, Design, and Technology," focuses on the impact of organizational structure on behavior in organizations; how organizational design is connected to organizational behavior; and how technology is integrated into organizational structure and design.

ANCILLARIES

Personalized Learning Tools and Easy-to-Use Teaching Resources

Designed to enhance each student's learning experience, **SAGE edge** is a robust online environment featuring carefully crafted tools and resources that encourage review, practice, and critical thinking to give students the edge they need to master course content.

SAGE edge for Instructors supports teaching with quality content, featuring:

- **Course management system integration** that makes it easy for student test results to seamlessly flow into your gradebooks so you can track your students' progress
- **Test banks built on Bloom's Taxonomy** to provide a diverse range of test items, which allow you to save time and offer a pedagogically robust way to measure your students' understanding of the material
- **Sample course syllabi** with suggested models for structuring your course
- Editable, chapter-specific **PowerPoint slides** that offer flexibility when creating multimedia lectures
- EXCLUSIVE access to full-text **SAGE journal articles** to expose students to important research and scholarship tied to chapter concepts
- **Video and multimedia content** that enhances student engagement and appeal to different learning styles
- **Lecture notes** that summarize key concepts on a chapter-by-chapter basis to help you with preparation for lectures and class discussions
- Sample **answers to in-text questions** that provide an essential reference
- Additional **critical-thinking challenges,** including suggested writing prompts and assignments
- Lively and stimulating **experiential exercises** that can be used in class to reinforce active learning
- **Teaching notes for the cases** to guide analysis
- **Ethical dilemmas** for each chapter require students to respond to real-world scenarios and decide what they would do in those situations
- Suggested film clips showing **OB in the movies** that include analysis and critical-thinking questions
- **Web resources** that provide further research and insights.

SAGE edge for Students helps students accomplish their coursework goals in an easy-to-use, rich learning environment that offers:

- Mobile-friendly **flashcards** to strengthen understanding of key concepts
- Mobile-friendly practice **quizzes** to encourage self-guided assessment and practice
- Carefully selected **video** and **multimedia content** that enhance exploration of key topics
- EXCLUSIVE access to full-text **SAGE journal articles** and other readings, which support and expand on chapter concepts
- **Web resources** that provide further research and insights
- **Learning objectives** with summaries that reinforce the most important material
- Online **action plans** that allow you to track your progress and enhance your learning experience

ENDNOTE

1.   Kuncel, Nathan R., and Sarah A. Hezlett. "Fact and Fiction in Cognitive Ability Testing for Admissions and Hiring Decisions." *Current Directions in Psychological Science* 19, no. 6 (December 2010): 339–345.

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Christopher P. Neck
Jeffery D. Houghton
Emma L. Murray

ABOUT THE AUTHORS

Christopher P. Neck, PhD

Dr. Christopher P. Neck is currently an associate professor of management at Arizona State University, where he held the title "University Master Teacher." From 1994 to 2009, he was part of the Pamplin College of Business faculty at Virginia Tech. He received his PhD in management from Arizona State University and his MBA from Louisiana State University. Dr. Neck is author of the books *Beyond Self-Leadership: Empowering Yourself and Others to Personal Excellence* (forthcoming, SAGE); *Fit To Lead: The Proven Eight-Week Solution for Shaping Up Your Body, Your Mind, and Your Career* (St. Martin's 2004; Carpenter's Sons Publishing 2012); *Mastering Self-Leadership: Empowering Yourself for Personal Excellence,* sixth edition (Pearson 2013); *The Wisdom of Solomon at Work* (Berrett-Koehler 2001); *For Team Members Only: Making Your Workplace Team Productive and Hassle-Free* (Amacom Books 1997); and *Medicine for the Mind: Healing Words to Help You Soar,* fourth edition (Wiley 2012). Dr. Neck is also the coauthor of the principles of management textbook, *Management: A Balanced Approach to the 21st Century* (Wiley 2013); and the upcoming introduction to entrepreneurship textbook, *Entrepreneurship* (SAGE forthcoming).

Dr. Neck's research specialties include employee/executive fitness, self-leadership, leadership, group decision-making processes, and self-managing teams. He has more than 100 publications in the form of books, chapters, and articles in various journals. Some of the outlets in which his work has appeared include *Organizational Behavior and Human Decision Processes, Journal of Organizational Behavior, Academy of Management Executive, Journal of Applied Behavioral Science, Journal of Managerial Psychology, Executive Excellence, Human Relations, Human Resource Development Quarterly, Journal of Leadership Studies, Educational Leadership*, and *Commercial Law Journal.*

Because of Dr. Neck's expertise in management, he has been cited in numerous national publications, including the *Washington Post,* the *Wall Street Journal,* the *Los Angeles Times,* the *Houston Chronicle,* and the *Chicago Tribune.* Additionally, each semester Dr. Neck teaches an introductory management course to a single class of anywhere from 500 to 1,000 students.

Dr. Neck was the recipient of the 2007 *Business Week* Favorite Professor Award. He is featured on www.businessweek.com as one of the approximately 20 professors from across the world receiving this award.

Dr. Neck currently teaches a mega-section of management principles to approximately 500 students at Arizona State University. He recently received the Order of Omega Outstanding Teaching Award for 2012. This award is awarded to one professor at Arizona State by the Alpha Lambda chapter of this leadership fraternity. His class sizes at Virginia Tech filled rooms with up to 1,000 students. He received numerous teaching awards during his tenure at Virginia Tech, including the 2002 Wine Award for Teaching Excellence. Also, Dr. Neck was the 10-time winner (1996, 1998, 2000, 2002, 2004, 2005, 2006, 2007, 2008, and 2009) of the Students' Choice Teacher of The Year Award (voted by the students for the best teacher of the year within the entire university).

Some of the organizations that have participated in Dr. Neck's management development training include GE/Toshiba, Busch Gardens, Clark Construction,

the US Army, Crestar, American Family Insurance, Sales and Marketing Executives International, American Airlines, American Electric Power, W. L. Gore & Associates, Dillard's Department Stores, and Prudential Life Insurance. Dr. Neck is also an avid runner. He has completed 12 marathons, including the Boston Marathon, New York City Marathon, and the San Diego Marathon. In fact, his personal record for a single long distance run is a 40-mile run.

Jeffery D. Houghton, PhD

Dr. Jeffery D. Houghton completed his PhD in management at Virginia Polytechnic Institute and State University (Virginia Tech) and is currently an associate professor of management at West Virginia University (WVU). Dr. Houghton has taught college-level business courses at Virginia Tech, Abilene Christian University (Texas), Lipscomb University (Tennessee), The International University (Vienna, Austria), and for the US Justice Department-Federal Bureau of Prisons. Prior to pursuing a full-time career in academics, he worked in the banking industry as a loan officer and branch manager.

A member of the Honor Society of Phi Kappa Phi, Dr. Houghton's research specialties include human behavior, motivation, personality, leadership, and self-leadership. He has published more than 40 peer-reviewed journal articles and book chapters, and his work has been cited more than 1,600 times in academic journals. He currently teaches undergraduate-, master's-, and doctoral-level courses in management, organizational behavior, and leadership. Dr. Houghton was named the 2013 Beta Gamma Sigma Professor of the Year for the WVU College of Business and Economics, awarded annually to one faculty member within the college as selected by a vote of the student members of Beta Gamma Sigma; and he received the 2008 Outstanding Teaching Award for the WVU College of Business and Economics, awarded annually to one faculty member for outstanding teaching.

In addition to his research and teaching activities, Dr. Houghton has consulted and conducted training seminars for companies including the Federal Bureau of Investigations, Pfizer Pharmaceuticals, and the Bruce Hardwood Floors Company. In his spare time, Dr. Houghton enjoys traveling, classic mystery novels, racquetball, and snow skiing. Finally, Dr. Houghton has trained for and completed two marathons, the Marine Corps Marathon in Washington, DC, and the Dallas White Rock Marathon in Dallas, Texas.

Emma L. Murray, BA, Hdip, DBS IT

Emma Murray completed a bachelor of arts degree in English and Spanish at University College Dublin (UCD) in County Dublin, Ireland. This was followed by a Higher Diploma (Hdip) in business studies and information technology at the Michael Smurfit Graduate School of Business in County Dublin, Ireland. Following her studies, Emma spent nearly a decade in investment banking before becoming a full-time writer and author.

As a writer, she has worked on numerous texts, including business and economics, self-help, and psychology. Within the field of higher education, she has assisted in creating and writing business course modules for students in the United States and the United Kingdom. She worked with Dr. Christopher P. Neck and Dr. Jeffery D. Houghton on *Management: A Balanced Approach to the 21st Century* (Wiley 2013); and is the coauthor of *Management: A Balanced Approach to the 21st Century,* second edition (Wiley 2016).

She is the author of *The Unauthorized Guide to Doing Business the Alan Sugar Way* (Wiley-Capstone, 2010) and coauthor of *How to Succeed as a Freelancer in Publishing* (How To Books, 2010). She lives in London.

Chapter 1 Why Organizational
Behavior Matters

PART **1**

INTRODUCTION

1 Why Organizational Behavior Matters

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The success of your organization doesn't depend on your understanding of economics, or organizational development, or marketing. It depends, quite simply, on your understanding of human psychology: how each individual employee connects with your company and how each individual employee connects with your customers.

——Curt Coffman and Gabriela Gonzalez-Molina, authors of
Follow This Path: How the World's Greatest Organizations Drive Growth by Unleashing Human Potential

WHAT IS ORGANIZATIONAL BEHAVIOR AND WHY IS IT IMPORTANT?

1.1 Explain the basic concept of organizational behavior (OB) and its value in organizations

Today's continually changing economic world needs managers who can understand, anticipate, and direct people in a fast-paced competitive market. In the past, organizations focused on numbers and how to achieve those numbers without paying too much attention to motivating and understanding their staff. However, fast-paced organizations need the right people with the right skills to achieve success. This is why organizational behavior has taken on a new level of importance; people with organizational behavior skills are now regarded as a valuable and essential commodity. In an environment in which competition is fiercer than ever, people will differentiate your business from anyone else's. No matter what area of business you work in, people are the cornerstone of success.

We define **organizational behavior** (OB) as a field of study focused on understanding, explaining, and improving attitudes of individuals and groups in organizations.[1] An **organization** is a structured arrangement of people working together to accomplish specific goals. In short, OB focuses on figuring out how and why individual employees and groups of employees behave the way they do within an organizational setting. Researchers carry out studies in OB, and managers or consultants establish whether this research can be applied in a real-world organization.

How will studying organizational behavior benefit you in the workplace? Understanding the ways people act and interact within organizations provides three key advantages:

1. You can *explain* behavior. You can explain why your boss, coworkers, or subordinates are doing what they are doing.
2. You can *predict* behavior. You can anticipate what your boss, coworkers, or subordinates will do in certain circumstances and situations.

LEARNING OBJECTIVES

By the end of this chapter, you will be able to:

1.1 Explain the basic concept of organizational behavior (OB) and its value in organizations

1.2 Describe the key role of managing human capital in creating a sustainable competitive advantage for organizations

1.3 Identify the major behavioral science disciplines that contribute to OB

1.4 Demonstrate the value of critical thinking in the context of OB

1.5 Identify the major challenges and opportunities in the field of OB

1.6 Describe the importance of ethical behavior in global organizations

1.7 Differentiate the three basic levels of analysis at which OB may be examined

1.8 Outline the benefits of positive OB and high-involvement management

Ciaran Griffin/Photodisc/Thinkstock

Studying organizational behavior can help you to understand how and why individuals and groups interact.

Technical skill: The aptitude to perform and apply specialized tasks

3. You can *influence* behavior. You can shape the actions of your subordinates, as well as your boss and coworkers in order to help them accomplish their goals and achieve organizational objectives.

Although explaining and predicting behavior are undoubtedly useful skills, *influencing* behavior is probably of the greatest interest to a practicing manager. Once you are equipped with knowledge about your employees' work behaviors, you can use it to optimize performance by providing effective direction and guidance. This explains why managing organizational behavior (i.e. focusing on the behavior and actions of employees and how they apply their knowledge and skills to achieve organizational objectives) is so important in today's organizations.

Let's remind ourselves what a manager actually does in the workplace. Typically, managers carry out four main functions: planning, organizing, leading, and controlling.[2] (See Figure 1.1.)

In *planning,* a manager evaluates an organization's current position and where it wants to be in the future, and sets goals, designs strategies, and identifies actions and resources needed to achieve success. *Organizing* means arranging resources such as people and functions to implement the strategy made during the planning stage. Managers ensure goals are achieved by *leading* teams and individuals effectively, which means motivating and communicating with people to achieve goals. The *controlling* function allows managers to monitor employee performance, ensure milestones are being reached, and take corrective or preventative action where necessary.

Managers need to be equipped with specific skills to carry out their roles effectively.[3] First, they must have technical skills. A **technical skill** is an aptitude for performing and applying specialized tasks.[4] Today's managers need to be proficient in using the latest technologies, including databases, spreadsheets, email, and social networking tools.

THE BIG PICTURE:
How OB Topics Fit Together

Individual Processes
- Individual Differences
- Emotions and Attitudes
- Perceptions and Learning
- Motivation

Team Processes
- Ethics
- Decision Making
- Creativity and Innovation
- Conflict and Negotiation

Organizational Processes
- Culture
- Strategy
- Change and Development
- Structure and Technology

Influence Processes
- Leadership
- Power and Politics
- Communication

Organizational Outcomes
- Individual Performance
- Job Satisfaction
- Team Performance
- Organizational Goals
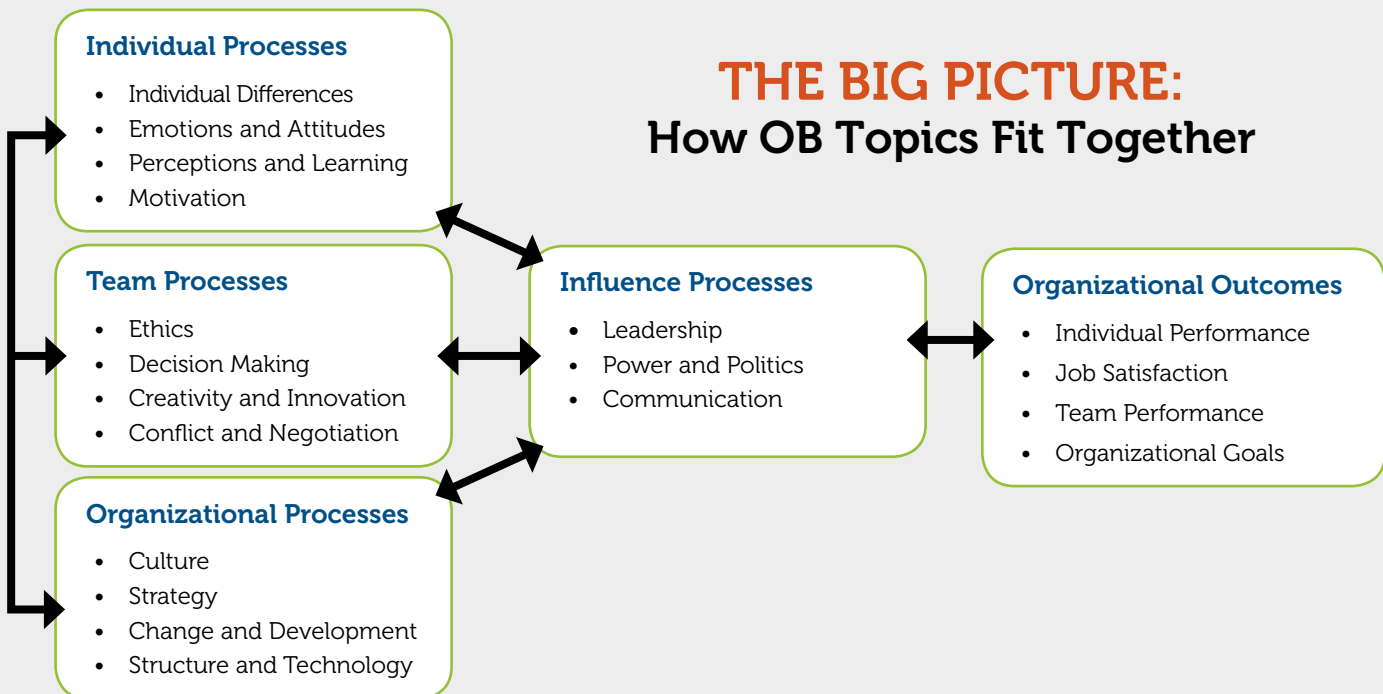
■ FIGURE 1.1   The Four Functions of Managers

SOURCE: http://2012books.lardbucket.org/books/management-principles-v1.1/s19-the-essentials-of-control.html.

Although technical skills are important, they can be learned on the job; to be really effective, managers need to possess **human skills** or the ability to relate to other people.[5] People with effective human skills take the feelings of others into account and are adept at dealing with conflict. A key facet of human skills is **emotional intelligence** (EI), which is an awareness of how your actions and emotions affect those around you and the ability to understand and empathize with the feelings of others.[6]

Managers need to be technically proficient and know how to get along with people, but what about dealing with the complexities of the organization itself? Managers also need **conceptual skills** in order to see the organization as a whole, visualize how it fits into its overall environment, and understand how each part relates to the others.[7] Conceptual skills help managers solve problems, identify opportunities and challenges, and think creatively when making decisions.

Managers who embrace organizational behavior principles understand that the success of an organization lies with its people, and without people, there would be no companies, businesses, or industries. You may have a business that produces the highest-quality, most competitively priced product in the market or that prides itself on excellent customer service. However, if you don't have the right people in place to manufacture, market, and sell your product and take care of your customers, the business will suffer. Similarly, if some of your coworkers lose motivation and provide lower levels of customer service, the company will lose business, and perhaps even its reputation. Either of these problems can bring about a decrease in profits, reduced employee wages and bonuses, staff layoffs, and in extreme cases, bankruptcy.

How do managers achieve the best outcomes for their organizations? A **strategic OB approach** is based on the idea that people are the key to productivity, competitive edge, and financial success. This means that managers must place a high value on **human capital**, which is the sum of people's skills, knowledge, experience, and general attributes.[8] Let's take a closer look at where human capital fits into organizations, and how it is managed.

What Do We Teach in OB?

Organizational behavior: A field of study focused on understanding, explaining, and improving attitudes of individuals and groups in organizations

Organization: A structured arrangement of people working together to accomplish specific goals

Human skills: The ability to relate to other people

Emotional intelligence: The ability to understand emotions in oneself and others in order to effectively manage one's own behaviors and relationships with others

Conceptual skill: The capacity to see the organization as a whole and understand how each part relates to each other and how it fits into its overall environment

Strategic OB approach: The idea that people are the key to productivity, competitive edge, and financial success

Human capital: People's skills, knowledge, experience, and general attributes

1. OB helps managers explain, predict, and influence behavior in the workplace. Identify the types of behavior you are most interested in explaining, understanding, and predicting in the workplace.

2. Of the four main functions managers fulfill (planning, organizing, leading, and controlling), which do you think is most likely to be enhanced by an understanding of organizational behavior? Why?

3. Managers need technical, human, and conceptual skills in order to succeed. Which of these skills are least likely to be learned on the job? Explain your position.

4. Compare the book's argument that the success of an organization lies with its people with the argument that every employee is replaceable and expendable. Which argument do you consider more compelling? Why?

MANAGING HUMAN CAPITAL

1.2 Describe the key role of managing human capital in creating a sustainable competitive advantage for organizations

▶ Human Capital and Change

Organizations have two kinds of resources: tangible and intangible. Physical assets such as equipment, property, and inventory are examples of *tangible* resources. *Intangible* resources include an organization's reputation and culture, its relationships with customers, and the trust between managers and coworkers. Although it is difficult to measure intangible resources because of their subtle nature, they remain crucial for organizations competing in a global economy.

Human capital falls into the category of critical intangible resources. Today's managers focus on enriching their human capital by nurturing and enhancing their employees' knowledge and skills. The possibilities of building on human capital are endless—empowered, satisfied, knowledgeable employees can achieve so much for the organization and its customers. Human capital is essential for gaining **competitive advantage**, the edge that gives organizations a more beneficial position than their competitors and allows them to generate more profits and retain more customers.[9] (See Figure 1.2.) Three main aspects of human capital enhance true competitive advantage: value, rareness, and inimitability.[10]

Value

Employees can add value in many different ways, but there is a difference between merely fulfilling the requirements of your job and working with an eye on company
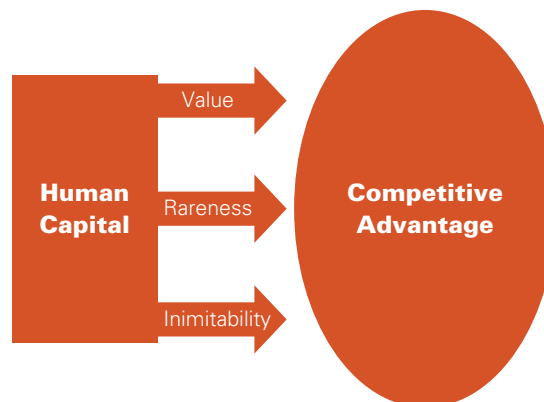
Competitive advantage: The edge that gives organizations a more beneficial position than their competitors and allows them to generate more profits and retain more customers

■ **FIGURE 1.2**   How Human Capital Enhances Competitive Advantage

strategy. **Human capital value** accumulates when employees work toward the strategic goals of an organization to achieve competitive advantage. Although it is essential that employees have the skills and the abilities to execute a company strategy, they must also have a genuine willingness to contribute to the performance and success of an organization. Therefore, it is critical that managers make every effort to continuously nurture their high-performing employees, because regardless of labor market conditions, outstanding employees are always in short supply.

▶ Managing Human Capital

Rareness

Not everyone has the right skillset to further the progress of an organization. **Human capital rareness** is the level of exceptional skills and talents employees possess in an industry. For example, you may be an excellent computer programmer with an outstanding eye for detail, or you could have a gift for dealing with customer complaints and creating resolutions to resolve dilemmas. These are rare skills that employees may bring with them into an organization, but they can also be learned given the right training and encouragement.

Inimitability

Employees may be able to add real value and possess rare and important skills, but these attributes must be inimitable (i.e., unique and difficult to copy or replicate) for an organization to achieve success. **Human capital inimitability** is the degree to which the skills and talents of employees can be emulated by other organizations. The higher the level of inimitability, the more competitive an organization will be. For example, what's to prevent an excellent computer programmer from going to a competitor that offers the same services and opportunities? Successful organizations ensure that their talented employees possess skills and talents that are difficult to imitate. This means employees have a degree of *tacit knowledge:* they have a feel or an instinct for a method or a process but can't easily articulate it; they just know it is right. An organization's culture or values are also difficult to imitate and often determine why employees choose to work for one company over another that offers similar produces and services. Usually, this comes down to the organization's shared values, attitudes, and type of culture.

Take a look at how former Human Resources (HR) Director Meredith Soleau managed human capital at Ed Schmidt Auto, a car dealership in Ohio, to address high turnover within the company, in the OB in the Real World feature.

⬡ THINKING CRITICALLY

1. Compare the relative importance of tangible and intangible resources. Can an organization succeed without adequate resourcing in both areas? Why or why not? **[Apply]**

2. Explain in your own words how value, rareness, and inimitability in human capital contribute to an organization's competitive advantage. **[Understand]**

BEHAVIORAL SCIENCE DISCIPLINES THAT CONTRIBUTE TO OB

1.3   Identify the major behavioral science disciplines that contribute to OB

In the early days of management theory, studies focused on how workers could perform manual labor more efficiently (on a factory assembly line, for example), and how physical working conditions could be improved for better employee performance. There

Human capital value: The way employees work toward the strategic goals of an organization to achieve competitive advantage

Human capital rareness: The skills and talents of an organization's people that are unique in the industry

Human capital inimitability: The degree to which the skills and talents of employees can be emulated by other organizations

MEREDITH SOLEAU,
Former human resources director, Ed Schmidt Auto

© Meredith Soleau/Eric Schmidt

In volume and growth, Ed Schmidt Auto is one of the leading car dealerships in northwest Ohio. It has been in business since 1937 and currently has nearly 200 employees. When Meredith started working in the human resources (HR) department in 2006, her biggest concern was the high employee turnover, which had reached a rate of 66 percent annually.

Not only was high turnover costing the company a lot of money in recruiting and training, but it was affecting the experience their customers were having. "In order to keep customers happy we needed to have the best employees working for us and we needed to treat them well. We weren't hiring the best people. That was our first mistake."

Meredith quickly changed the company's recruiting practices. Many car dealerships hire a high percentage of employees who don't have a college education, but CEO Ed Schmidt started recruiting from community colleges and local universities. This change increased the caliber of employees coming in the door and resulted in a high number of employees who viewed their time at the company as a career rather than just another job. This change in employee attitude allowed managers to focus more of their time on helping outstanding employees move up the ladder and contributed to the development of a strong company culture. Leadership has taken full advantage of this opportunity by continuously soliciting feedback from employees, managers, and customers about ways they can make their organization even stronger.

"It's important for leaders to know when someone is struggling and, more importantly, why they are struggling. It's equally important to know when someone is happy and why they are happy. This information helps drive positive changes within an organization."

At Ed Schmidt Auto, management works hard to engage employees from all over the company in projects that employees are passionate about. "We realized that we have a lot of employees who love to write, so we started a blog and let any interested employee contribute to it. There is an employee who loves Pinterest so we've made her our Pinterest employee."

A few years ago the company discovered that one of its service technicians "souped-up" Volkswagens in his spare time. Leadership, including HR, called him into the office for a meeting.

> He thought he was going to get in trouble for doing side-work and was shocked when we asked him if he wanted to help us create a completely new performance division within Ed Schmidt Auto. We knew that if we offered our customers the ability to have their cars "souped up" we'd be able to increase sales of our specialty car parts. Since Joe loved doing this kind of work, the new division just made sense. Today, sales of our specialty car parts and accessories are booming, Joe is happy, and our customers can't stop talking about their fast and furious cars.

> When you know what makes your employees tick, you can find all kinds of projects for them to work on within your business. People love working here because they know that when they have an idea they can tell their manager, and their manager will say, "Cool, we can do this together."

Today, the turnover rate at Ed Schmidt Auto has dropped from 66 percent to 8 percent. Meredith has attributed the decline to the company's strong new focus on the type of people hired, the way managers interact with their employees, and the CEO's dedication to understanding the needs of everyone on the team.

Critical-Thinking Questions

1. What aspect(s) of human capital did Ed Schmidt Auto capitalize on to reduce turnover?

2. What else could Ed Schmidt have done to influence employee turnover behavior?

SOURCE: Interview with Meredith Soleau, May 15, 2013.

Meredith is currently founder and CEO of online digital marketing and recruitment agency, 424 Degrees.

was little focus on the human element (i.e. how individual characteristics, communication, and interpersonal relationships effect organizations.). Over the past one hundred years, however, researchers have carried out a host of studies on the practice and application of OB, taking full advantage of its strong links to five main behavioral science disciplines: psychology, sociology, social psychology, political science, and anthropology (see Figure 1.3).

■ **FIGURE 1.3**   Disciplines Contributing to the Field of Organizational Behavior

Psychology

Psychology is the scientific study of the human mind that seeks to measure and explain behavioral characteristics. Early organizational psychological research and theory focused on the factors affecting work performance and efficiency, such as lethargy and boredom. More recently, psychologists have focused on the mental health and well-being of employees in relationship to their work performance and created methods to help employees deal with challenges such as job stress. Psychologists have also helped design performance appraisals, decision-making processes, recruitment techniques, and training programs.

Sociology

While psychology focuses on the individual, **sociology** looks at the way groups behave and they communicate and exchange information in a social setting. Sociologists have made valuable contributions to OB within areas such as group dynamics, communication, power, organizational culture, and conflict.

Social Psychology

Social psychology mixes concepts from sociology and psychology and focuses on the way people influence each other in a social setting. Social psychologists look at behaviors, feelings, actions, beliefs, and intentions and how they are constructed and influenced by others. They have made significant contributions to reducing the level of prejudice, discrimination, and stereotyping by designing processes to change attitudes, build communication, and improve the way groups work together.

Political Science

Political science studies the behavior of individuals and groups within a political environment. Political scientists focus particularly on how conflict is managed and

Differences Among Social Science Disciplines

Psychology: The scientific study of the human mind that seeks to measure and explain behavioral characteristics

Sociology: The study of the behavior of groups and how they relate to each other in a social setting

Social psychology: The social science that blends concepts from sociology and psychology and focuses on how people influence each other in a social setting

Political science: The study of the behavior of individuals and groups within a political environment