# Instructor's Manual

# Organizational Behavior

TWELFTH EDITION

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# Quick Reference Guide

# PART ONE – INTRODUCTION TO ORGANIZATIONAL BEHAVIOR

## Chapter One – An Overview of Organizational Behavior

### Overview

Managers strive to make their organizations as effective and successful as possible. To do this they rely on assets such as financial reserves and earnings, technology and equipment, raw materials, information, and operating systems and processes. At the center of everything are the employees who work for the organization. It is usually their talent, effort, skill, and ability that differentiates effective from less effective organizations. It is critical, then, that managers understand how the behaviors of their employees impact organizational effectiveness. In general, managers work to enhance employee performance behaviors, commitment and engagement, and citizenship behaviors and to minimize various dysfunctional behaviors. A number of environmental, individual, group and team, leadership, and organizational characteristics can make the manager's work easier or more difficult depending on how well they understand organizational behavior. This model will be more fully developed in Chapter 1 and will serve as a roadmap for your study of organizational behavior throughout this book.

Regardless of their size, scope, or location, all organizations have at least one thing in common—they are comprised of people. It is these people who make decisions about the strategic direction of a firm, it is they who acquire the resources the firm uses to create new products, and it is they who sell those products. No matter how effective a manager might be, all organizational successes—and failures—are the result of the behaviors of many people. Indeed, no manager can succeed without the assistance of others.

This book is about those people. It is also about the organization itself and the managers who operate it. Together, the study of organizations and the study of the people who work in them constitute the field of organizational behavior. Our starting point in exploring this field begins with a more detailed discussion of it

The primary purpose of this chapter is to introduce the field of organizational behavior. The chapter begins by defining organizational behavior as the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself. The four functions that make up the manager's job—planning, organizing, leading, and controlling—are discussed. Then the chapter explores the various skills—technical, interpersonal, conceptual, and diagnostic—managers must apply in organizations. The chapter then discusses human resource management. The strategic context of organization behavior is discussed, including maintaining a competitive advantage, sources of competitive advantage and types of business strategies. The next section provides some historical context on organizational behavior, looking at scientific management, Hawthorne effect and the human relations movement. The chapter continues by defining a system and systems perspective, the situational perspective, and interactionalism. The chapter continues by examining the outcomes—individual, group and team, and organization—that are important for organizational effectiveness, including the scientific method and meta-analysis. The chapter concludes with a preview of the remaining text.

### Learning Outcomes

After studying this chapter, students should be able to:

1. Define organizational behavior and describe how it impacts both personal and organizational success.
2. Identify the basic management functions and essential skills that comprise the management process and relate them to organizational behavior.
3. Describe the strategic context of organizational behavior and describe the relationships between strategy and organizational behavior.
4. Identify and describe contextual perspectives on organizational behavior.
5. Describe the role of organizational behavior in managing for effectiveness and discuss the role of research in organizational behavior.
6. Summarize the framework around which this book is organized.

## Real World Challenge: Managing Growth at Google

**Summary:** Google's popular search engine was created in 1998 with the goal of making the world's information available to everyone. Google's explosive growth needed to be closely monitored, and that its employees needed to continue feeling like an important part of the team. The founders wanted to make Google an engaging place to work and set out to design the organization and its culture in a way that would appeal to its current and future employees.

**Real World Challenge:** What advice would you give them about the role of its people in its future success and how to set up the company to maximize employee innovation, trust, and loyalty?

**Real World Response:** Between 1998 and 2015 Google's rapid growth presented tremendous challenges in integrating new employees while motivating them to be innovative, productive, and loyal to the fast growing company. The founders' believed that people thrive in and are loyal to their jobs when they feel fully supported and authentically valued. This understanding led to the development of a culture anchored by trust, transparency, and inclusion.

Google is now known for offering its employees a wide variety of perks. Google regularly surveys employees about their managers, using the information to publicly recognize the best ones and give the worst managers intensive coaching and support that helps 75 percent of them improve within three months. Google also hires smart, ambitious people who share the company's goals and vision and maintains an open culture in which employees feel comfortable sharing opinions and ideas. Google's proactive efforts to be an engaging and inspiring place for its employees has both helped the company succeed and made it a staple on various "most desired employer" lists, including being named the #1 Best Place to Work honor from Glassdoor in 2015.

## Chapter Outline

### I. WHAT IS ORGANIZATIONAL BEHAVIOR?

#### A. The Meaning of Organizational Behavior

***Organizational behavior (OB)*** is the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself.

All three are ultimately necessary for a comprehensive understanding of organizational behavior.

OB helps explain and predict how people and groups interpret events, react, and behave in organizations and describes the role of organizational systems, structures, and process in shaping behavior. Figure 1.1 illustrates this view of organizational behavior.

**B. How Organizational Behavior Impacts Personal Success**

The core of OB is being effective at work. Since most people reading this book are either present or future managers we take a managerial perspective of the field. Using your knowledge of OB can help you to succeed faster in any organization or career.

The study of organizational behavior can greatly clarify the factors that affect how managers manage. Hence, the field attempts to describe the complex human context of organizations and to define the opportunities, problems, challenges, and issues associated with that realm.

**C. How Organizational Behavior Impacts Organizational Success**

Organizations as a whole also benefit from OB.

By appropriately applying OB knowledge about individuals, groups, and the effect of organizational structure on worker behavior, the conditions can be created that make organizations most effective.

OB also helps companies perform well.

In addition to financial performance and job satisfaction, OB also influences absenteeism and turnover. Reducing absenteeism and turnover can be worth millions of dollars to organizations through increased productivity and customer service and decreased staffing costs.

One central value of organizational behavior is that it isolates important aspects of the manager’s job and offers specific perspectives on the human side of management: people as organizations, people as resources, and people as people.

## Case Study: The J.M. Smucker Company

**Summary:** From its founding in 1897, the J.M. Smucker Company recognizes that acting ethically is a key element of its success. The manufacturer wants to ensure that its fruit spreads, frostings, juices, and beverages remain American staples, and that its daily operations are guided by honesty, respect, trust, responsibility, and fairness.

1. **Why would ethics be important to a company like Smucker? How can its focus on ethics improve its business performance?**

   Acting ethically is a key element of the company’s success. The benefits to the company include cultivating teamwork and productivity, supporting employee growth, avoiding criminal acts of omission, and promoting a strong public image. Ethical employee behavior determines short-term organizational performance and long-term organizational success. If employees do not consistently behave ethically, long-term sustainability is unlikely.

2. **Appearing on “best places to work” lists can increase an employer’s popularity, even among lower-qualified applicants. The increased volume of applicants can be costly and time-**

**consuming. What do you feel are the benefits and drawbacks to being on this type of list? Do you feel that it is generally beneficial to be publicly recognized as a good employer? Why or why not?**

The benefits include employee pride in working for an organization known for its high ethical standards. The drawback includes the additional cost of human resources personnel to screen applications and interview potential employees. It is beneficial to be publicly recognized as a good employer because it sets the overall ethical tone of the company. Employees understand that unethical behavior is not tolerated.

**3. Does Smucker's culture appeal to you as a potential employee? Why or why not?**

The culture is appealing because the company is dedicated to higher ethical ideals that better society as a whole such as environmental and social sustainability. Smucker's promotes initiatives and programs that support and enhance the quality of life.

## II. THE MANAGERIAL CONTEXT OF ORGANIZATIONAL BEHAVIOR

The managerial context of OB can be viewed from the perspective of basic management functions, critical management skills, and overall human resource management.

### A. Basic Management Functions and Organizational Behavior

In characterizing managerial work, most experts find it useful to conceptualize the activities performed by managers as reflecting one or more of four basic functions.

1. ***Planning*** is the process of determining an organization's desired future position and the best means of getting there.
2. ***Organizing*** is the process of designing jobs, grouping jobs into units, and establishing patterns of authority between jobs and units.
3. ***Leading*** is the process of getting the organization's members to work together toward the organization's goals.
4. ***Controlling*** is the process of monitoring and correcting the actions of the organization and its members to keep them directed toward their goals.

### B. Critical Management Skills and Organizational Behavior

In general, most successful managers have a strong combination of technical, interpersonal, conceptual, and diagnostic skills.

***Technical skills*** are the skills necessary to accomplish specific tasks within the organization.

***Interpersonal skills*** are the ability to effectively communicate with, understand, and motivate individuals and groups.

***Conceptual skills*** are the ability to think in the abstract.

***Diagnostic skills*** are the ability to understand cause-and-effect relationships and to recognize the optimal solutions to problems.

### C. Organizational Behavior and Human Resource Management

***Human resource management (HRM)*** is the set of organizational activities directed at attracting, developing, and maintaining an effective workforce.

More precisely, HR managers select new employees, develop rewards and incentives to motivate and retain employees, and create programs for training and developing employees.

## III. THE STRATEGIC CONTEXT OF ORGANIZATIONAL BEHAVIOR

***Competitive advantage*** is anything that gives a firm an edge over rivals in attracting customers and defending itself against competition.

### A. Sources of Competitive Advantage

There are many sources of competitive advantage including having the best-made or cheapest product, providing the best customer service, being more convenient to buy from, having shorter product development times, and having a well-known brand name.

Because it is an organization's people who are responsible for gaining and keeping any competitive advantage, effective management is critical to business success.

To have a competitive advantage a company must ultimately be able to give customers superior value for their money (a combination of quality, service, and acceptable price)—either a better product that is worth a premium price or a good product at a lower price can be a source of competitive advantage.

Table 1.1 lists some possible sources of competitive advantage. You should note that an organization's talent is the key to securing each of these.

### B. Types of Business Strategies

A company may create value based on price, technological leadership, customer service, or some combination of these and other factors.

Business strategy involves the issue of how to compete, but also encompasses:

- The strategies of different functional areas in the firm.
- How changing industry conditions such as deregulation, product market maturity, and changing customer demographics will be addressed.
- How the firm as a whole will address the range of strategic issues and choices it faces.

Business strategies are partially planned, and partially reactive to changing circumstances. Companies may also pursue more than one strategy at a particular time.

Three primary business strategies are:

1. Cost leadership
2. Differentiation
3. Specialization

**1.** ***Cost Leadership Strategy*** strives to be the lowest-cost producer for a particular level of product quality. Walmart is a good example of a firm that uses a cost leadership strategy.

***Operational excellence*** maximizes the efficiency of the manufacturing or product development process to minimize costs. Dell computers, Federal Express, and Walmart are good examples of companies whose competitive advantage is based on operational excellence.

2. ***Differentiation Strategy*** develops a product or service that has unique characteristics valued by customers.

   Firms can differentiate along various dimensions, including image (Coca-Cola), product durability (Wrangler clothing), quality (Lexus), safety (Volvo), and usability (Apple Computer).

   ***Product innovation*** is developing new products or services.

   This strategy is common in technology and pharmaceutical companies. Johnson & Johnson, Nike, and 3M are good examples.

3. ***Specialization Strategy*** focuses on a narrow market segment or niche and pursues either a differentiation or cost leadership strategy within that market segment.

   This strategy can be successful if it results in either lower costs than competitors serving the same niche, or an ability to offer customers something other competitors do not, such as Chuck E. Cheese, Dunkin' Donuts, and Starbucks.

   ***Customer intimacy*** is delivering unique and customizable products or services to meet customers' needs and increase customer loyalty.

   Consulting, retail, and banking organizations often adopt this approach.

4. ***Growth Strategy*** occurs when companies expand organically or through acquisitions.

   Chipotle Mexican Grill is a growth-oriented chain and regularly opens new stores requiring additional management, employees, and even product distribution staff.

### C. Connecting Business Strategy to Organizational Behavior

There are a number of significant linkages that connect business strategy and OB.

For instance, a firm that relies on a cost leadership strategy will usually need to keep all of its expenses as low as possible. Therefore, this strategy might dictate relying on low-wage employees and trying to automate as many jobs as possible. These actions, in turn, clearly relate to employee motivation and the design of work.

Likewise, a company using a differentiation strategy might want to emphasize exemplary customer service. As a result, it needs employees who are motivated to provide high levels of service, leaders who can help develop a customer service culture, and a reward structure tied to customer service.
A specialization strategy often requires employees with specialized skills and abilities.

Effective managers understand what needs to be done to execute a company's business strategy, then they plan, organize, direct, and control the activities of employees to get it done. It is important to note that managers do not accomplish organizational objectives by themselves—they get work done through others. Flexibly applying OB principles will help you to do that most effectively.

## IV. CONTEXTUAL PERSPECTIVES ON ORGANIZATIONAL BEHAVIOR

### A. Where Does Organizational Behavior Come From?

Formal study of OB began in the 1890s, following the industrial relations movement spawned by Adam Smith's introduction of the division of labor. In the 1890s, Frank and Lillian Gilbreth and Frederick Winslow Taylor identified the positive effects of precise instructions, goal setting, and rewards on motivation. Their ideas became known as *scientific management*, and are often considered the beginning of the formal study of OB.

***Scientific management*** is based on the belief that productivity is maximized when organizations are rationalized with precise sets of instructions based on time-and-motion studies.

The four principles of Taylor's scientific management are:
1. Replace rule-of-thumb work methods with methods based on scientifically studying the tasks using time-and-motion studies.
2. Scientifically select, train, and develop all workers rather than leaving them to passively train themselves.
3. Managers provide detailed instructions and supervision to workers to ensure that they are following the scientifically developed methods.
4. Divide work nearly equally between workers and managers. Managers should apply scientific management principles to planning the work, and workers should actually perform the tasks.

Although scientific management improved productivity, it also increased the monotony of work.

After World War I, attention shifted to understanding the role of human factors and psychology in organizations. This interest was spawned by the discovery of the *Hawthorne effect* in the 1920s and 1930s.

The ***Hawthorne effect*** occurs when people improve some aspect of their behavior or performance simply because they are being assessed.

Rather than viewing workers as interchangeable parts in mechanical organizations as the scientific management movement had done, the ***human relations movement*** viewed organizations as cooperative systems and treated workers' orientations, values, and feelings as important parts of organizational dynamics and performance.

### B. Organizations as Open Systems

A ***system*** is an interrelated set of elements that function as a whole. The framework for systems study consists of inputs, transformation, outputs, and feedback.

An organizational system receives four kinds of input from its environment: material, human, financial, and informational. These inputs are combined and transformed and then returned to the environment in the form of products or services, profits or losses, employee behaviors, and additional information.

Finally, the system receives feedback from the environment regarding these outputs.

The systems perspective is valuable to managers for a variety of reasons.

First, it underscores the importance of an organization's environment. The systems perspective also helps managers conceptualize the flow and interaction of various elements of the organization itself as they work together to transform inputs into outputs.

### C. Situational Perspectives on Organizational Behavior

Another useful viewpoint for understanding behavior in organizations comes from the ***situational perspective*** which suggest that in most organizations, situations and outcomes are influenced by other variables**.**

Because of the complexities of human behavior and organizational settings, universal conclusions are impossible. In organizations, most situations and outcomes are contingent; that is, the precise relationship between any two variables is likely to be situational and dependent on other variables.

There are distinct differences between universal and situational perspectives.

### D. Interactionalism: People and Situations

***Interactionalism*** suggests that individuals and situations interact continuously to determine individuals' behavior. This view attempts to explain how people select, interpret, and change various situations.

## V. MANAGING FOR EFFECTIVENESS

Essentially, managers and leaders generally try to direct the behaviors of people in their organizations in ways that promote organizational effectiveness.

### A. Enhancing Individual and Team Performance Behaviors

Several individual behaviors result from a person's participation in an organization.

One important behavior is productivity. A person's productivity is a relatively narrow indicator of his or her efficiency and is measured in terms of the products or services created per unit of input.

Performance, another important individual-level outcome variable, is a somewhat broader concept and is made up of all work-related behaviors.

Another set of outcomes exists at the group and team level. Some of these outcomes parallel the individual-level outcomes just discussed.

Individuals, not groups, have attitudes. But groups or teams can also have unique outcomes that individuals do not share.

Managers need to assess both common and unique outcomes when considering the individual and group levels.

### B. Enhancing Employee Commitment and Engagement

Levels of job satisfaction or dissatisfaction, organizational commitment, and employee engagement all play an important role in organizational behavior.

Extensive research conducted on job satisfaction has indicated that personal factors. Contrary to what many managers believe, however, high levels of job satisfaction do not necessarily lead to higher levels of performance.

A person with a high level of commitment is likely to see herself as a true member of the organization. In contrast, a person with less organizational commitment is more likely to see himself as an outsider

**C. Promoting Organizational Citizenship Behaviors**

***Organizational citizenship*** is the behavior of individuals that makes a positive overall contribution to the organization.

The determinant of organizational citizenship behaviors is likely to be a complex mosaic of individual, social, and organizational variables. Although the study of organizational citizenship is still in its infancy, preliminary research suggests that it may play a powerful role in organizational effectiveness.

**D. Minimizing Dysfunctional Behaviors**

Some work-related behaviors are dysfunctional in nature.

***Dysfunctional behaviors*** are those that detract from, rather than contribute to, organizational performance.

Two other important individual-level behaviors are absenteeism and turnover. Absenteeism is a measure of attendance. Turnover occurs when a person leaves the organization.

Other forms of dysfunctional behavior may be even more costly for an organization.

Theft and sabotage result in direct financial costs for an organization. Sexual and racial harassment also cost an organization, both indirectly and directly.

So, too, can politicized behavior, intentionally misleading others in the organization, spreading malicious rumors, and similar activities.

Incivility and rudeness can result in conflict and damage to morale and the organization’s culture.

Bullying and workplace violence are also growing concerns in many organizations.

**E. Driving Strategic Execution**

Finally, another set of outcome variables exists at the organization level. These outcomes usually relate to strategic execution—how well managers and their employees understand and carry out the actions needed to achieve strategic goals.

As before, some of these outcomes parallel those at the individual and group levels, but others are unique.

The manager must look at the full array of outcomes and attempt to balance them in an optimal fashion. The manager’s ability to do this is a major determinant of the organization’s success and how well it implements its business strategy.

## F. How Do We Know What We Know?

Another important part of being an effective manager is understanding the quality of the information you use to make decisions. Not all information is accurate!

Accordingly, it is important for you to understand the processes that have been used to establish our knowledge about OB, and why we know what we know.

### 1. Intuition

Decades of research have both reinforced some of the things many people intuitively believe and identified common misunderstandings or misperceptions about OB.

The authors encourage you to read this book with an open mind, and to not assume that you know all there is to know about a topic before you have studied it. Their goal is to help you be as effective as possible in organizations, and to help you create successful organizations.

### 2. The Scientific Method

Rather than relying on experience or intuition, or just assuming that ideas are correct because they seem to make sense, the ***scientific method*** relies on systematic studies that identify and replicate a result using a variety of methods, samples, and settings. Sir Francis Bacon developed the scientific method in the 1600s.

The scientific method begins with ***theory***, which is a collection of verbal and symbolic assertions that specify how and why two or more variables are related, and the conditions under which they should and should not relate.

The second step in the scientific method is the development of ***hypotheses***, or written predictions specifying expected relationships between certain variables.

Hypothesis testing can be done using a variety of research methods and statistical analyses. For our purposes, assume we collect data on our predictor, or ***independent variable***, and our criterion, or ***dependent variable.***

Setting a specific, difficult, achievable goal is the independent variable, and the number of products assembled is our dependent variable.

We can then analyze the ***correlation,*** abbreviated r, between the two variables to test our hypothesis. The correlation reflects the strength of the statistical relationship between two variables.

The correlation ranges from −1 to +1, and can be positive or negative. A correlation of 0 means that there is no statistical relationship. A negative correlation is not necessarily bad. It may simply mean that to maximize assemblers' performance, the manager should set *lower* goals.

In reality, we never see perfect +1.0 or −1.0 correlations when it comes to people's behavior—people are just too complicated.

A statistical technique called ***meta-analysis*** is used to combine the results of many different research studies done in a variety of organizations and for a variety of jobs.

The goal of meta-analysis is to estimate the true relationship between various constructs and to determine whether the results can be generalized to all situations or if the relationship works differently in different situations.

3. **Global Replication**

Assuming that everyone in the world shares the same values, norms, and expectations about work is incorrect. National boundaries no longer limit many organizations, and many U.S. companies employ people from around the world.

## Global Issues Feature: Managing Across Cultures

**Summary:** Effective management requires flexibility and an appreciation that expectations and values differ. The U.S. workforce is expected to become more diverse. The more comfortable students are in tailoring motivation and leadership efforts to the people they lead, the more effective they will be as managers. Although good pay and interesting work appear to be universally motivating, people from different cultures have different traditions, are motivated by different things, and communicate in different ways. Motivating employees in a multinational organization is challenging, particularly if managers adopt a "one-size-fits-all" strategy. Cultural differences also influence the effectiveness of different leadership behaviors. Managers supervising employees from different cultures must recognize these differences and adapt their behaviors and relationships accordingly.

**VI. THE FRAMWORK OF THE BOOK**

Figure 1.7 presents the framework around which our book is organized.

## Summary and Application

Organizational behavior is the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself. The study of OB is important because organizations have a powerful influence on our lives and it directly relates to management in organizations.

A manager's job can be characterized in terms of four functions. These basic managerial functions are planning, organizing, leading, and controlling.  Planning is the process of determining the organizations' desired future position and deciding how best to get there. Organizing is the process of designing jobs, grouping jobs into manageable units, and establishing patterns of authority among jobs and groups of jobs. Leading is the process of motivating members of the organization to work together toward the organization's goals. Controlling is the process of monitoring and correcting the actions of the organization and its people to keep them headed toward their goals.

Why is it that some people rise in organizations despite being only average accountants, marketers, researchers, and so on? Often the answer is that those people know how to interact effectively with other people.  Effective interaction with people is critical for advancement in organizations, and often for effective job performance. Being able to understand what people think and feel, knowing how to persuade and motivate others, and knowing how to resolve conflicts and forge cooperation are among the most important skills of successful leaders.  This book can help you better understand yourself, understand organizations, understand the role of organizational behavior in your personal career success, and improve your OB skills.

## DISCUSSION QUESTIONS

1. **What do you think are the most important things a manager does? Is how a manager does these things also important? Why or why not?**

   The ability to understand what people think and feel, knowing how to persuade and motivate others, and knowing how to resolve conflicts and forge cooperation are among the most important skills of successful managers. How a manager does these things is important because "people skills" are often what make the difference between an average and an excellent performer in almost any job.

2. **Some people have suggested that understanding human behavior at work is the single most important requirement for managerial success. Do you agree or disagree with this statement? Why?**

   To some degree, students' responses may depend on their major field of study, especially if it is not management. However, students should recognize that the behavior of people in organizations affects everyone's lives in numerous ways every day. The extent to which we are able to get things done at work or to register for classes every semester reflects the behavior of people in organizations. After all, people are the organization, people are resources that organizations use, and, most importantly, people are individuals interacting in increasingly complex ways.

3. **The chapter identifies four basic managerial functions. Based on your own experiences and observations, provide an example of each function.**

   Answers will vary. Students may be more aware of the control function than any other in the jobs they have held!

4. **Why will learning about OB help you to get a better job and a better career, and be a better manager?**

   OB provides a foundation for the effective management of people in organizations. Because it explains how organizations work from individual motivation to team dynamics to organizational structure, knowing about OB is essential to being effective at all organizational levels. Also, learning about yourself and constantly developing your skills are important to succeeding in any career.

5. **Some people believe that individuals working in an organization have basic human rights to satisfaction with their work and to the opportunity to grow and develop. How would you defend this position? How would you argue against it?**

   In defense of this position, it may be argued that organizations have a responsibility to society to provide an environment that enables individuals to grow and develop. In other words, because individuals expend extensive time and energy in organizations, it is the individual's right to work in a safe, clean, and satisfying environment. From the opposing viewpoint, it may be argued that organizations are required only to reward employees financially for the time and effort they spend on the job. Further, because employees are not "forced" to work for a particular organization, they have the freedom to leave the organization if they are not satisfied. In addition, because employees are paid for their services, organizations are not required to address other employee concerns.

6. **Think of something that you believe leads to employee productivity based on intuition that may not prove to be true if tested systematically. Now apply the scientific method and describe how you might test your theory.**

Paying for increased production seems intuitively to lead to increased productivity. In fact, workers who produced more than their peers were considered "rate busters" and shunned by their coworkers. *Theory*: Workers are motivated by money. *Hypothesis*: paying a worker more money increased output. The independent variable is the money, and the dependent variable is the worker's productivity. For the data phase, a group of workers is offered additional pay to increase output during a one-hour work period. Data analysis shows that the correlation between the two variables is negative. This means that paying more money does not increase output. Peer pressure not to work too hard was a stronger motivator than additional pay.

## GROUP EXERCISE – Managing a Successful Restaurant

**Learning Objective:** Applying concepts learned in this chapter such as employee engagement, organizational citizenship, dysfunctional behaviors and managing for effectiveness.

**Task:** Form groups of 3 – 5 students.

Imagine that you are all managers in a local restaurant. There are many restaurants in town, making it a competitive business. You recognize that providing high quality, friendly service and having actively engaged employees is going to make the difference between your restaurant's success and failure.

Your management team decides to first address organizational citizenship and employee engagement as drivers of high quality customer service.

First, think independently about what your restaurant can do to enhance the engagement and citizenship behaviors of your employees. Then share your ideas with the group and identify your top three suggestions for the restaurant. Be ready to share your ideas with the class.

Your management team next decides that it will be important to minimize dysfunctional employee behaviors if the restaurant is to succeed. First, think independently about what your restaurant can do to minimize the occurrence of these destructive behaviors. Then share your ideas with the group and identify your top three suggestions for the restaurant. Be ready to share them with the class.

## VIDEO EXERCISES

### Managing at Camp Bow Wow

**Summary:** Sue Ryan left the corporate world to open her own business, Camp Bow Wow, to enjoy—and pass on—the better managerial practices that she'd encountered in her career. Her strategy for managing her business is to mentor and develop other managers to help her.

1. **How does Sue Ryan perform the three basic managerial roles—interpersonal, informational, and decision making—in her role at Camp Bow Wow?**

   In the interpersonal category, Sue assumes the leader role and encourages workers to increase productivity. In the informational category, Sue assumes the disseminator role by outlining customer service policies to employees. In the decision-making category, Sue assumes the role of resource allocator as she allocates budget requests.

2. **How do Candace Stathis and Sue Ryan apply the four critical managerial skills—technical, interpersonal, conceptual, and diagnostic—in their roles at the company? Which of these skills do you think is most important skill for a manager at Camp Bow Wow and why?**

   Ryan and Stahis need technical skills associated with operations such as handling the dogs. They need interpersonal skills for the customer service function and conceptual skills to see "the big picture" of Camp Bow Wow Boulder. Diagnostic skills help them recognize the optimal solutions to problems. The video shows that Sue excels in leadership skills while Candace excels in the interpersonal skills required for good customer care. The most important skill is interpersonal to effectively and efficiently deal with the dog owners.

3. **How do Ryan and Stathis balance the three levels of business outcomes—individual, group and team, and organizational? How would each manager rank the importance of the three outcomes? Why are their rankings likely to be the same or different?**

   Sue Ryan would rank organizational outcomes first because she is a manager who realizes the effect of good customer service on business performance. She would rank group and team outcomes next because productivity depends on having her employees care for the dogs effectively. She would rank individual outcomes last because she is not caring for the dogs herself, rather managing the care. Candace Stathis would rank group and team outcomes first because she interacts with other employees to assure quality care for the dogs. She would rank individual outcomes next because handles customers who are "are way harder to train" than dogs. She would rank organizational outcomes last because she is a middle manager, not a top manager.

## Now What?

Imagine being a new manager at Happy Time Toys, a company that designs and manufactures novelty toys. While attending a group meeting with your boss and two coworkers, your boss asks for ways of better using the organization's talent to create a competitive advantage. *What do you say or do?* Go to this chapter's "Now What?" video, watch the challenge video, and choose the best response. Be sure to also view the outcomes of the two responses you didn't choose.

**OB Concepts Applied:** the managerial functions of planning, organizing, directing, and controlling; the role of OB in managing effectively.

**Discussion Questions**

1. **Which aspects of management and organizational behavior discussed in this chapter are illustrated in these videos? Explain your answer.**

   Organizational behavior explains how people interpret events and behave in organizations and describes how organizations shape behavior. OB explains how organizations work. OB can improve a firm's performance by positively influencing bottom line results.

   Happy Time Toys correctly assumed that people work best when they're rewarded properly. However, the "Employee of the Month" program did not motivate everyone to work harder (incorrect response #2) because different employees are motivated by different rewards, especially in a culturally diverse workforce. In the video, one employee put the Employee of the Month certificate in the recycle bin, and one group said that they'd feel more appreciated with a day off or a raise.

OB explains that workers are more motivated when they believe their organization is open, concerned, and willing to listen. As the Human relations movement showed, humane, employee-centered management recognizes employees' needs.

Organizational culture is a system of shared values, norms, and assumptions that guide members' attitudes and behaviors in an organization. To create a strong culture, leaders clearly communicate the firm's expectations to employees. When Happy Time Toys focused on a strong culture that supported creativity and set clear performance goals linked to the company's business strategy, company performance improved dramatically. Creativity in toy development, high quality, and competitive prices re-energized the company (correct response).

The video also illustrated the managerial functions of planning, organizing, directing and controlling as Happy Time Toys aligned its talent strategy with its business strategy.

**2. How could a company's talent strategy undermine its ability to create a competitive advantage?**

A competitive advantage offers quality, service, and an acceptable price, and an organization's talent is the key to securing each of these. The effective management of people is key to the creation of a competitive advantage because productivity comes from challenged, empowered, excited, rewarded people.

When Happy Time Toys tied its talent strategy a low-cost business strategy (incorrect response #1), its ability to create a competitive advantage was undermined. Why? The philosophy of reducing wages and headcount to save money and keep prices low resulted in increased customer complaints, high turnover, higher absenteeism, reduced production levels, lack of employee engagement and job satisfaction. These elements make a company *less* competitive in the marketplace.

**3. How else might you answer the question of how Happy Time Toys can create a competitive advantage through its talent?**

Another approach for Happy Time Toys could be a specialization strategy which focuses on a narrow market segment or niche. The company could develop a competitive advantage based on customer intimacy─ delivering unique and customized products and increasing customer loyalty. Creating customer loyalty requires employees to combine knowledge about their customers with a quick response to a customer's need. Talent is the most critical element in building a customer-oriented company. Hiring active learners with good customer relations skills and emotional resilience under pressure complements a customer intimacy competitive advantage.

# PART ONE – INTRODUCTION TO ORGANIZATIONAL BEHAVIOR

# Chapter Two – The Changing Environment of Organizations

## Overview

The environment of all organizations is changing at an unprecedented rate.  People work in different ways and places than in the past, the workplace is increasingly diverse, ethical challenges are a constant issue, and globalization is commonplace.

Understanding and addressing the environment of a business has traditionally been the purview of top managers. But the effects of today's changing environment permeate the entire organization. Hence, to truly understand the behavior of people in organizational settings, it is also necessary to understand the changing environment of business.

This chapter is intended to provide the framework for such understanding. Specifically, as illustrated in Figure 2.1, we introduce and examine five of the central environmental forces for change faced by today's organizations: diversity, globalization, technology, ethics and corporate governance, and new employment relationships. An understanding of these forces will then set the stage for our in-depth discussion of contemporary organizational behavior.

## Learning Outcomes

After studying this chapter, students should be able to:

1. Describe the nature of diversity in organizations.
2. Describe the different types of diversity and barriers to inclusion that exist in the workplace.
3. Discuss the emergence of globalization and cross-cultural differences and similarities.
4. Discuss the changing nature of technology and its impact on business.
5. Describe emerging perspectives on ethics and corporate governance.
6. discuss the key issues in new employment relationships.

## Real World Challenge: Global Diversity at Coca-Cola

**Summary:**  With over 130,000 global employees, over 65,000 of them in the U.S., beverage giant The Coca-Cola Company is a global business that operates in a multicultural world both in the workplace and in the marketplace. The company recognizes that its ability to thrive in a multicultural world is both critical to its financial performance and consistent with its values.  Accordingly, diversity is recognized by Coca-Cola as an important component of their vision for the company in 2020.  The Coca-Cola Company understands that although it has been recognized as a diversity leader there is always more it can do.

**Real World Challenge:**  Imagine that the company's leaders ask you for advice on how to build a diverse and inclusive workforce that allows it to leverage the potential of its diverse employees to enhance the company's performance.  After reading this chapter, what would you tell them?

**Real World Response:** Senior executives including the Chairman and CEO are involved with many nonprofits involving underrepresented groups, and corporate goals are linked to individuals' diversity metrics including being a cross-cultural mentor and the recruitment, promotion, engagement, and retention of diverse employees. The company also offers a variety of diversity education programs that have evolved from minimizing conflict to strengthening the company's ability to amplify, respect, value, and leverage employee differences to influence sustainable business outcomes. Rather than just focusing on diversity numbers, The Coca-Cola Company focuses on fostering an inclusive culture using social psychology research on unconscious bias and change management techniques.

## Chapter Outline

### I. DIVERSITY AND BUSINESS

***Diversity*** refers to the variety of observable and unobservable similarities and differences among people.

Some differences, such as gender, race, and age, are often the first diversity characteristics to come to mind. But diversity is much more than demographics and can reflect combinations of characteristics rather than a single attribute. Each individual also has a variety of characteristics, and combinations of them can result in diversity.

### II. TYPES OF DIVERSITY AND BARRIERS TO INCLUSION

#### A. Types of Diversity

***Surface-level diversity*** refers to observable differences in people, including race, age, ethnicity, physical abilities, physical characteristics, and gender.

***Deep-level diversity*** refers to individual differences that cannot be seen directly, including goals, values, personalities, decision-making styles, knowledge, skills, abilities, and attitudes.

Three other types of within-group diversity reflect different types of deep-level diversity.

***Separation diversity*** refers to differences in position or opinion among group members reflecting disagreement or opposition – dissimilarity in an attitude or value, for example, especially with regard to group goals or processes.

***Variety diversity*** refers to differences in a certain type or category, including group members' expertise, knowledge, or functional background.

***Disparity diversity*** refers to differences in the concentration of valuable social assets or resources – dissimilarity in rank, pay, decision-making authority, or status, for example.

Table 2.1 summarizes these five types of diversity.

#### B. Trends in Diversity

Some short-term demographic trends are strong enough to suggest that the changing demographic mix in the workforce will continue to increase the importance of understanding and leveraging diversity.

The Census Bureau projects that by 2020 the U.S. workforce will consist of 62.3 percent White non-Hispanics, 18.6 percent Hispanics, 12 percent Blacks, and 5.7 percent Asians.

Longer-term U.S. demographic projections further highlight the increasingly diverse character of the United States:

- The population is projected to become older.
- By 2050, the total population is forecasted to increase 49%.
- Non-Hispanic Whites are expected to decrease from 69.4% to 50.1% of the total population by 2050.
- People of Hispanic origin is projected to increase 188% by 2050.
- The Black population is projected to increase by 71% by 2050.
- The Asian population is forecasted to grow 213% by 2050.

In 2014, only 23 of the Fortune 500 CEOs were minorities, and White people held 87% of total seats on corporate boards of directors.

Many countries and regions face talent shortages at all levels, and those gaps are expected to worsen. Talent shortages are forecast to rise globally.

### C. Generational Differences

Age-based diversity is a major issue facing many organizations today. Figure 2.2 provides a clear indicator of why this is true.

The U.S. Bureau of Labor Statistics projects a dramatic increase in workers age sixty-five and older during the next decade, while the percentage of younger workers is expected to decrease.

Most experts characterize today's workforce as comprising four generations. According to date of birth, they are: seniors (1922–1943); baby boomers (1943–1963); Generation X (1964–1980); and Generation Y, also referred to as the Millennial Generation (1980–2000).

The U.S. workforce is aging at the same time Generation Y, the largest generation since the baby boomers, is entering the workforce. This increases the importance of understanding the role of age in organizations, and how to manage generational differences at work.

The influence of age in training environments has been extensively studied. Age was negatively associated with learning scores in an open learning program for managerial skills. Older trainees demonstrated lower motivation, reduced learning, and less post-training confidence in comparison to younger trainees. This suggests that age has a negative relationship with learning, and that part of its influence may be due to motivation.

Increasing conscientiousness and knowledge counteract some of the negative effects of aging that result from reductions in information processing speed and motivation to learn.

Some organizations are using reverse mentoring to bridge generational differences and transfer the technology skills younger workers bring to the workplace to more senior employees.

### D. Diversity Issues for Managers

Why should we care about diversity? As managers, diversity awareness will enable us to hire, retain, and engage the best talent, which will help to maximize the organization's performance. Diversity also fosters greater creativity and innovation.

**1. The Business Case for Diversity**

One reason that organizations should promote diversity is performance. Recent research has found that firm performance increases when employees have more positive attitudes toward diversity.

Diversity contributes to a firm's competitive advantage when it enables all employees to contribute their full talents and motivation to the company.

Diversity management is also important for legal reasons. The Civil Rights Act of 1991 allows monetary damages in cases of intentional employment discrimination. Obeying the law and promoting diversity is consistent with hiring the people best suited for the job and organization.

**2. Barriers to Inclusion**

Given both the performance benefits and legal imperatives of diversity, then, what prevents companies from becoming inclusive and making the most of their diversity? A report of the U.S. Equal Employment Opportunity Commission identified several common diversity barriers that exist in many organizations. These barriers, summarized in Table 2.2, stem from a variety of decision-making and psychological factors as well as from employee unawareness.

Understanding and proactively addressing the barriers can minimize their impact and enhance inclusion.

**a. The "Like Me" Bias**

Consciously or unconsciously, we tend to associate with others whom we perceive to be like ourselves. This bias is part of human nature.

**b. Stereotypes**

A stereotype is a belief about an individual or a group based on the idea that everyone in that particular group will behave the same way. Stereotypes are harmful because they result in judgments about an individual based solely on his or her being part of a particular group, regardless of his or her unique identity. Stereotypes are often negative and erroneous, and thus adversely affect the targeted individuals.

**c. Prejudice**

Even if an organization has a strong commitment to inclusion, it is possible that the beliefs and actions of individual employees or managers are inconsistent with the organization's policies and values.

**d. Perceived Threat of Loss**

As voluntary efforts are made by companies to promote inclusion, members of groups who traditionally have been the predominant employees of a particular workforce or occupation may grow anxious or angry. If they perceive a direct threat to their own career opportunities, they may feel that they need to protect their own prospects by impeding the prospects of others.

e. **Ethnocentrism**

Ethnocentrism reflects the belief that one's own language, native country, and cultural rules and norms are superior to all others. Ethnocentrism often has less to do with prejudice and more to do with inexperience or ignorance about other people and environments.

f. **Unequal Access to Organizational Networks**

All organizations have formal and informal networks. These organizational networks influence knowledge sharing, resource accessibility, and work opportunities. Women and minorities are often excluded from informal organizational networks, which can be important to job performance, mentoring opportunities, and being seen as a candidate for promotion.

3. **Managing Diversity**

The most important element in effectively leveraging the positive potential of diversity is top management support for diversity and for diversity initiatives.

An inclusive environment is created when all employees' cultural awareness and empathy are enhanced through diversity training and all employees are given equal access to mentors and other influential company employees.

Creating fair company policies and practices that give all employees equal access to performance feedback, training and development, and advancement opportunities is also critical.

Diversity initiatives are more successful when the company is able to keep employees thinking about diversity issues, even when they do not feel a direct, negative impact.

Training and mentoring can also help. Diversity training and diversity education need to communicate that bias is a part of being human. It is not realistic to claim or to pursue an "I'm totally unbiased" stance with regard to diversity.

## CASE STUDY: Diversity at Wegmans

**Summary:** East coast grocer Wegmans views diversity as more than just a legal or moral obligation or business necessity – to them it is a business opportunity. The company strives to attract and retain a workforce that reflects different backgrounds, experiences, and viewpoints and mirrors the communities in which it operates. Wegmans believes that to be a great place to shop, they must first be a great place to work. Wegmans emphasizes diversity in hiring to refresh stores with new ideas. Corporate values including respect, caring, empowerment, and high standards have helped the company repeatedly appear on *Fortune's* list of the 100 Best Companies to Work For.

1. **In what ways can diverse employees contribute to Wegmans' business performance?**

Research finds that firm performance increases when employees have positive attitudes toward diversity. Diversity contributes to a firm's competitive advantage when it enables all employees to