

# Organizational Behavior and Management

*Twelfth Edition*

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This book is dedicated to our students and colleagues who inspire and challenge us.



#### ORGANIZATIONAL BEHAVIOR AND MANAGEMENT, TWELFTH EDITION

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The recipient of numerous teaching awards at four different universities, Rob is also the co-author of several textbooks, including: *M: Management*, *Management: Leading & Collaborating in a Competitive World*, *Organizations: Behavior, Structure, Processes*, *Human Resource Management* and *Global Management and Organizational Behavior*. He has published numerous academic articles in *Journal of Managerial Psychology*, *Journal of Applied Psychology*, *Academy of Management Executive*, *Journal of Management Education*, *Journal of Business Research*, *Work and Stress*, *Human Resource Management Review*, *Management International Review*, *Business Horizons*, *Human Resource Management*, and *International Journal of Human Resource Management*. He has served on the editorial boards of two international management journals, and has held multiple national leadership positions for the Academy of Management's Human Resource Division. Rob has worked in the private, non-profit, and education sectors, and has conducted research-based consulting for several global companies and local governmental agencies.

**John (Jack) M. Ivancevich** (August 16, 1939–October 26, 2009): **In Memoriam.**

*Hugh Roy and Lillie Cranz Cullen Chair and Professor of Organizational Behavior and Management, C. T. Bauer College of Business, University of Houston; B.S. from Purdue University, and MBA and DBA from the University of Maryland.*

Jack was committed to higher education and the creation and dissemination of management knowledge. He was comfortable in the classroom and would encourage students to think critically about and apply the concepts and theories of organizational behavior and management to their lives. Jack had an "open door" policy, and spent countless hours helping students and answering their questions. His reputation as a tough teacher was softened by his appreciation for the need of many students to balance a desire for education with a full-time job and family demands. Among Jack's most valued honors was the *Ester Farfel Award for Research, Teaching, and Service Excellence*, the highest honor bestowed to a University of Houston faculty member.

Complementing his passion for teaching, Jack loved to write books. He tried to write at least 300 days a year, averaging about 1,200 words per day. Over a 40-year period, Jack reached well over a million students by authoring or co-authoring 88 books about various aspects of management and organizational behavior. In 1987, the first edition of *Organizational Behavior and Management* (with Michael T. Matteson) was published. Preceding this textbook were several others like the award-winning and popular textbook *Organizations: Behavior, Structure, Processes* (co-authored with James L. Gibson and James H. Donnelly); which was first published in 1973 and is currently in its 14th edition. In 2005, *Organizations* (11th edition) received the McGuffey Longevity Award from the Text and Academic Authors Association. This award recognizes textbooks and learning materials whose excellence has been demonstrated over time. A sample of Jack's other textbooks

include: *Human Resource Management*, *Global Management and Organizational Behavior* (co-authored with Robert Konopaske), *Management and Organizational Behavior Classics* (co-authored with Michael T. Matteson), *Fundamentals of Management: Functions, Behavior, Models* (co-authored with James L. Gibson and James H. Donnelly), and *Management: Quality and Competitiveness* (co-authored with Peter Lorenzi, Steven Skinner, and Philip Crosby).

Jack was not only an accomplished educator and book author but also a prolific and highly respected researcher. Well known for his highly disciplined work ethic, Jack authored or co-authored some 160 research articles, which were published in such journals as *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Applied Psychology*, and *Harvard Business Review*. His research was highly influential and explored a range of management and organizational behavior topics, including job stress, white-collar crime, diversity management, global assignments, job loss, absenteeism, job satisfaction, goal setting, job performance, training method effectiveness, and organizational climate. The diversity of Jack's research reflected the complex and inter-related nature of management issues in organizations. In 2000, in recognition of publishing a substantial number of refereed articles in Academy of Management journals, Jack was inducted into the Academy of Management's *Journals Hall of Fame* as one of the first 33 Charter Members. This is an impressive achievement when considering that in 2000, the Academy of Management had approximately 13,500 members.

**Michael T. Matteson** is an Emeritus Professor of Management at the University of Houston. After receiving his Ph.D. in industrial psychology from the University of Houston, Mike taught graduate and undergraduate courses in the C. T. Bauer College of Business for over three decades. He also served as Associate Dean and Department Chairperson at the University of Houston. Mike has published numerous research and theory-based articles on occupational stress, managing stress, preventive health, work-site health promotion, intervention programs, and research methods. He has consulted with and provided training programs for organizations in numerous industries. He is the co-author or co-editor of a number of textbooks and trade books including *Stress and Work: A Managerial Perspective*, *Management and Organizational Behavior Classics*, and *Controlling Work Stress*.

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# Preface

In revising this twelfth edition of *Organizational Behavior and Management*, we reviewed the most current theories, research, and organizational applications for possible inclusion. We retained the classic, influential, and long-standing work in organizational behavior. Chapter by chapter, we made a concerted effort to add several more company and other real-world examples (e.g., COVID-19's impact on organizations and managers) to make the content more relevant and interesting for students. Our own teaching of organizational behavior and many excellent suggestions from the reviewers of the previous edition were factored into each phase of the revision.

The major task of the author team was to produce a student-friendly, accurate, clear, and meaningful revision that will result in enhanced student learning. The student and the instructor were always in mind as we carefully revised the book.

We have reviewed and considered numerous suggestions and notes from current instructors and students who use *Organizational Behavior and Management*, as well as from colleagues, managers, and previous users of the text. The themes and tone of these excellent ideas were to keep this book relevant, add more company examples than in previous editions, and help users apply the content to their own lives and job situations. The basic structure has been kept much as it was originally, but we have significantly updated, streamlined, and/or expanded the content of each chapter. We have, in each new edition, added more comprehensive treatment of the content base. The content in this revision has been related to events, activities, and decisions made in organizational life. We have updated all information that needed to be refreshed. Our intention in making these changes has been to offer an intensive treatment of organizational behavior that helps instructors teach easily and effectively. As dedicated teachers, we revise with fellow teachers and the student population in mind. This book was not written as a research message or as a new theoretical model. Like its predecessors, the twelfth edition of *Organizational Behavior and Management* contains knowledge that applies both inside and outside the classroom.

Can the serious theory and research basis of organizational behavior be presented to students in an exciting, fun, and challenging way? We believe it can. Thus, we expanded the theory, research, and applications of the subject matter in the revision of the book. The twelfth edition of *Organizational Behavior and Management* differs from the previous editions in these ways:

1. We continue to include more domestic and global organizational examples to help students relate theory and research to actual organizations and current events. Here is a sample of the real-world organizations we added to this revision: Amazon, Microsoft, Facebook, Apple, Google, Disney, PepsiCo, Caterpillar, World Central Kitchen, Tyson, Walmart, HubSpot, Hilton, Asana, Ultimate Software, Quicken Loans, KVH Industries, Domino's, Starbucks, Boeing, Equifax, J. C. Penney, Pinterest, Bandwidth, Abbvie, Tampa Bay Buccaneers, Ford Motor Company, Chicago Teachers Union, General Motors, Southwest Airlines, Cargill, National Basketball Association (NBA), General Mills, General Electric, WD-40 Company, Subaru (Japan), Fail Forward (Canada), Volkswagen (Germany), Tencent Holdings and TikTok (China), Nestlé (Switzerland), Kia Motors (South Korea), Virgin Group (Britain), and H&M (Sweden).

2. Expanded coverage of topics relevant to managers in today's business environment includes diversity statistics for the U.S. population and workforce over the next 40 years; 2020 World's Most Admired Companies; training and development areas where companies spent the most money in 2019; top global cities and their importance in the worldwide business environment; the effects of working remotely, especially during the pandemic lockdown; the lack of women and minorities in senior positions and on company boards; mental health issues in the workplace; expanded worker benefits during the pandemic; 2020's most valuable brands; companies' renewed efforts to address social justice, diversity, and sustainability issues; current statistics on workplace violence, sexual harassment, and discrimination cases; and the increased use of collaboration software and cloud computing to connect team members across the globe.
3. Fundamental themes are woven throughout the book, including globalization, managing diversity and demographic changes, technological changes, total quality, and ethics and social responsibility. These themes are consistent with the recommendations for balanced subject matter coverage made by the American Assembly of Collegiate Schools of Business/International Association for Management Education. This internationally acclaimed accrediting body establishes the boundaries for appropriate topic coverage.
4. Most end-of-chapter cases have been refreshed. Six new cases have been added to replace previously used cases: Case 4.1, "Tyson Managers Place Bets on COVID-19 Cases"; Case 6.1, "Rethinking Job Design Post-Pandemic"; Case 8.1, "Doing Away with Toxic Behavior"; Case 11.1, "Resolving Conflicts over Getting a Vaccine"; Case 14.1, "Boeing's Decision Costs Hundreds of Lives and Billions of Dollars"; and Case 16.1, "Buffer Goes Virtual."
5. Many of the book's elements—Reality Check, Global OB, OB Matters, You Be the Judge, and OB in Action—have been updated or replaced with current topics and issues relevant to managers. The elements included in this edition are relevant, teachable, and comprehensive.
6. The complete set of materials—text, exercises, elements, and cases—stimulates students to think about how they would respond if they were in the situation being discussed or described.

Reading this new edition of *Organizational Behavior and Management*, students become involved participants in learning about behavior and management within work settings. We have designed the book with instructional flexibility in mind. The book combines text, self-learning exercises, group participation exercises, and cases. These elements are directed at students interested in understanding, interpreting, and attempting to predict the behavior of people working in organizations.

Organizational functioning is complex. No single theory or model of organizational behavior has emerged as the best or most practical. Thus, managers must be able to probe and diagnose organizational situations when they attempt to understand, interpret, and predict behavior. This edition of the text devotes considerable attention to encouraging the development of these probing and diagnostic skills. The first step in this development is for each reader to increase his or her own self-awareness. Before a person can diagnose why another person (a friend, subordinate, or competitor) is behaving in a particular way, he or she should conduct a self-analysis. This introspective first step is built into each chapter's content and into the learning elements found at the end of chapters. The content and these elements encourage the students to relate their own knowledge and experience to the text, exercises, and cases in the book.

## Framework of the Book

*Organizational Behavior and Management* is organized into five parts containing a total of 17 chapters, one appendix, and a comprehensive glossary. The framework highlights behavior, structure, and processes that are part of life in profit and nonprofit organizations. The five parts are as follows:

### Part One: The Field of Organizational Behavior

The first chapter, “Effective Managers Understand Organizational Behavior,” introduces the field of organizational behavior and explores the how, what, why, and when of organizational behavior as viewed and practiced by managers. Chapter 2, “International and Organizational Culture,” covers such issues as internal culture, cultural diversity, and cross-cultural research.

### Part Two: Understanding and Managing Individual Behavior

These seven chapters focus on the individual, including topics such as “Individual Differences at Work” (Chapter 3), “Perceptions and Attributions” (Chapter 4), “Motivation” (Chapter 5), “Job Design and Performance” (Chapter 6), “Evaluation and Rewards Influence Behavior” (Chapter 7), “Managing Employee Behavior” (Chapter 8), and “Managing Individual Stress” (Chapter 9).

### Part Three: Group Behavior and Interpersonal Influence

These two topics are explored in a three-chapter sequence: Chapter 10, “Groups and Teams”; Chapter 11, “Managing Conflict and Negotiations”; and Chapter 12, “Power and Politics.”

### Part Four: Organizational Processes

Part Four includes three chapters: Chapter 13, “Communicating Effectively”; Chapter 14, “Decision Making”; and Chapter 15, “Leadership.”

### Part Five: Organizational Design, Change, and Innovation

Two chapters make up the final part: Chapter 16, “Organizational Structure and Design,” and Chapter 17, “Managing Organizational Change.”

## Features of the Twelfth Edition

The “Reality Check” and “You Be the Judge” elements start and end each chapter and are helpful for reflective analysis and debate individually or in small in-class groups.

This edition includes many other teaching and discussion “elements.” We define a text element as a specific, content-based story, case, or example that is associated with and illustrates the chapter’s objectives and themes. The end-of-chapter elements include exercises and cases that were selected because of their relevance to the chapter content and because of feedback from adopters.

We have purposefully woven global events, situations, and examples throughout the book’s content, elements, and end-of-chapter material. Globalization is such a vital concern today that it must be presented and covered throughout the book.

Managing diversity in the workplace is an important topic, which is presented and discussed throughout the book.



Ethical behavior and social corporate responsibility are topics of major concern throughout the world, especially in the wake of recent scandals. Examples, incidents, and debates that present ethical dilemmas are integrated throughout the chapters.

The text emphasizes realism and relevance. Hundreds of real-world examples of decisions, business situations, problem solving, successes, and failures are presented. *Fortune* 1000 companies do not dominate this book. Smaller and medium-size firms that students may not be familiar with are also used to illustrate organizational behavior and management activities. Finally, we have taken the time and space to explain the concepts, frameworks, and studies presented in the text. It was not our intention to be an encyclopedia of terms and references, but instead to use the ideas, work, and concepts of colleagues only when they add learning value to the chapter content. The goal of each presentation is to present something of value. A “cookbook” list of terms, names, historical points of reference, or empirical studies often becomes pedantic and boring. Comments on previous editions of this text suggest that *Organizational Behavior and Management* is readable and teachable. We believe this is so as we actively teach using this book.

The learning and knowledge enrichment elements, the Reality Checks, OB Matters, Global OB examples, OB in Action, You Be the Judge features, exercises, and cases, can be used by instructors in any combination that fits the course objectives, teaching style, and classroom situation.

## **OB Matters**

OB Matters features are interspersed throughout the text. They focus on ethical issues, global examples, and general organizational behavior and management activities. The encounters bring the concepts to life by presenting meaningful examples of activities that tie in with the chapter content.

## **Global OB**

Global OB features focus specifically on global issues, problems, solutions, and programs. These are based on a variety of individual, group, or organizational situations.

## **OB in Action**

OB in Action features appear throughout the text—with at least one in each chapter. This element explains, in straightforward terms, principles of how to manage and how to lead. These principles are easy to understand and use and are based on experience, theory, and empirical research.

## **You Be the Judge**

The “You Be the Judge” scenarios in each chapter present a particular problem, dilemma, or issue and require the student to make a decision and solve the dilemma, problem, or situation. These action-oriented elements are intended to increase student involvement. Our “Comment” on the dilemmas is found at the end of each chapter.

## **Exercises**

*Organizational Behavior and Management* also includes self-learning and group exercises. Some of the exercises allow the individual student to participate in a way that enhances self-knowledge. These self-learning exercises illustrate how to gather and use feedback properly and emphasize the uniqueness of perception, values, personality, and communication abilities. In addition, a number of exercises apply theories and principles from the text in group

activities. Working in groups is a part of organizational life, so these exercises introduce a touch of reality. Group interaction can generate debates, lively discussions, testing of personal ideas, and sharing of information.

Furthermore, the exercises are designed to involve the instructor in the learning process. Student participation allows for trying out techniques and patterns of behavior and integrating exercise materials with the text. None of the exercises requires advance preparation for the instructor, although some require returning to a particular section or model in the chapter for information. The main objective is to get the reader involved.

## Cases

The chapters end with full-length cases. These cases reflect a blend of old- and new-economy examples, principles, and lessons. Lessons can and are still being learned from older situations, recent examples, and current front-page news incidents. These realistic, dynamic cases link theory, research, and practice. They provide an inside view of various organizational settings and dynamics. The cases, like the real world, do not have one “right” solution. Instead, each case challenges students to analyze the complexity of the work environment as if they were general managers. The cases also are an invaluable teaching tool. They encourage the individual student to probe, diagnose, and creatively solve real problems. Group participation and learning are encouraged through in-class discussion and debate. The questions at the end of each case may be used to guide the discussion. A case analysis should follow the following format:

1. Read the case quickly.
2. Reread the case using the following model:
  - a. Define the major problem in the case in organizational behavior and management terms.
  - b. If information is incomplete, which it is likely to be, make realistic assumptions.
  - c. Outline the probable causes of the problem.
  - d. Consider the costs and benefits of each possible solution.
  - e. Choose a solution and describe how you would implement it.
  - f. Go over the case again. Make sure the questions at the end of the case are answered, and make sure your solution is efficient, feasible, ethical, legally defensible, and can be defended in classroom debate.

## Other Learning Devices

*Learning objectives* begin each chapter to help the reader anticipate the chapter’s concepts, practices, and concerns.

An important part of any course is vocabulary building. Thus, the book provides a thorough glossary of key terms at the end of the book, as well as key terms highlighted and defined in the pages of each chapter. Before a quiz or test, students can use the glossary to pick out terms that they will be expected to know and use.

We were determined to help the reader prepare his or her own portrait of organizational behavior and management. We hope the text, exercises, cases, and other learning and knowledge enrichment elements help each student become an adventurous explorer of how organizational behavior and management occurs within organizations.

## Supplementary Materials

The twelfth edition includes a variety of supplementary materials, all designed to provide additional classroom support for instructors. These materials are as follows:



## Instructor Library

The Connect Management Instructor Library is your repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture. Instructor materials include the Instructor's Manual, PowerPoint slides, and Test Bank and Videos.

The Instructor's Manual is organized to follow each chapter in the text. It includes chapter objectives, chapter synopses, chapter outlines with tips and ideas, and project and class speaker ideas. Organizational encounter discussion questions and suggested answers, as well as exercise and case notes, are also provided to help you incorporate these dynamic features into your lecture presentations.

The Test Bank has been updated to complement the twelfth edition of the text. This testing resource contains approximately 100 true/false, multiple-choice, and essay questions per chapter. Each question is classified according to level of difficulty and contains a reference to the question's accompanying learning objective.

## Manager's Hot Seat:

Now instructors can put students in the hot seat with access to an interactive program. Students watch real managers apply their years of experience when confronting unscripted issues. As the scenario unfolds, questions about how the manager is handling the situation pop up, forcing the student to make decisions along with the manager. At the end of the scenario, students watch a post-interview with the manager to view how their responses matched up to the manager's decisions. The Manager's Hot Seat videos are now available as assignments in Connect.

## Self-Assessments

Students can explore inclinations and preferences regarding organizational behavior topics such as active listening, creativity, decision making, and diversity.

## Contributors

The authors wish to acknowledge the many scholars, managers, reviewers, and researchers who contributed to every edition of *Organizational Behavior and Management*. In particular, we would like to thank the following reviewers of this edition, whose valuable feedback helped guide this revision of the book: Tom Butkiewicz, University of Redlands; Irene Z. Church, Muskegon Community College; George Smith, University of South Carolina Beaufort; Carly Speranza, Marymount University; and Gary Valcana, Athens State University. We are indebted to those individuals who granted permission for the use of exercises and cases. In addition, adopters of former editions have made invaluable suggestions, offered materials to incorporate, and informed us about what worked well. These adopters are too numerous to list, but we appreciate the votes of confidence, the willingness to help us improve the book, and the obvious dedication each of you have to teaching.

Michael Dutch, professor of business administration at Guilford College, updated and revised the Instructor's Manual that accompanies this edition. We appreciate his conscientiousness and high-quality work.

In addition, sections of the book were shaped significantly by two colleagues, James Donnelly, Jr., and James Gibson at the University of Kentucky. These two colleagues have shared and put into practice a common belief that teaching and learning about organizational behavior and management can be an exhilarating and worthwhile experience. Roger Blakeney, Dick DeFrank, Bob Keller, Tim McMahon, Dale Rude, and Jim Phillips, all at the

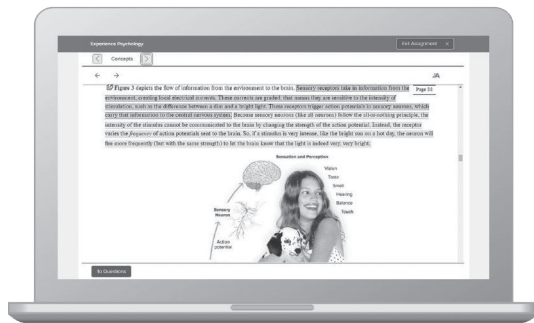


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University of Houston; Dave Schweiger at the University of South Carolina; and Art Jago at the University of Missouri have exchanged materials, ideas, and opinions with the authors over the years, and these are reflected in these pages.

Finally, the book is dedicated to our current and former organizational behavior and management students at Texas State University, the University of Maryland, the University of Kentucky, the University of North Carolina at Wilmington, Florida Atlantic University, and the University of Houston. We also dedicate this textbook to the students who are becoming the managers and leaders so vital to the success of all types of organizations and their employees.

*Robert Konopaske*

*John M. Ivancevich*

*Michael T. Matteson*

## PART ONE

# The Field of Organizational Behavior



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1. EFFECTIVE MANAGERS UNDERSTAND ORGANIZATIONAL BEHAVIOR
2. INTERNATIONAL AND ORGANIZATIONAL CULTURE



## CHAPTER ONE



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# Effective Managers Understand Organizational Behavior

## Learning Objectives

After completing Chapter 1, you should be able to:

- **Summarize** key contributions from the evolution of management.
- **Discuss** why it is important to understand organizational behavior.
- **Explain** how systems theory relates to organizational effectiveness.
- **Analyze** the environmental forces affecting today's management practices.
- **Understand** how to frame the study of organizational behavior.

Tony Hsieh, co-founder and former CEO of Zappos, built a thriving and successful online shoe and retail business by changing the rules of how to organize, motivate, and lead employees. For nearly 20 years, Hsieh and his team built the online business into a major success story while having a lot of fun along the way. Nine years after Hsieh co-founded the company, Amazon purchased Zappos in 2009 for \$1.2 billion.<sup>1</sup> Retiring as CEO in August 2020, Hsieh's effectiveness as a manager and leader derived partly from his knowledge and use of organizational behavior principles. He understood how to inspire and motivate individuals, both employees as well as customers. Hsieh and his team carefully selected employees who fit well with and contributed to the firm's high performance and fun team atmosphere. In those instances when any new employees wanted to leave the company after they completed training, they were offered thousands of dollars to quit—a strategy now used by other Amazon companies.<sup>2</sup>

Hsieh believed in treating both employees and customers well, compared to other businesses that place most of their focus on the customer or the company's bottom line. A major goal of Zappos is to treat employees and customers with integrity, honesty, and commitment.<sup>3</sup> Hsieh encouraged employees to be curious and develop their skills by checking out books stored at the company, post questions to the "Ask Anything" newsletter, make suggestions to improve how things get done, and contribute to Zappos's fun and sometimes zany work environment. Employees have been known to volunteer to shave their heads, act in unconventional ways during job interviews, decorate their workspaces in unique ways, and ring cowbells to entertain groups who visit the company's headquarters in Las Vegas.<sup>4</sup>

Employees weren't the only stakeholders who benefited from Hsieh's free-spirited managerial approach. Customers are spoiled when they talk with Zappos's customer service agents who are encouraged to give customers a "Wow" experience. Surprisingly, customer

# Reality Check

## How much do you know about organizations?

1. True or false: Eighteen of the top 25 largest (in market value) global companies are from the United States.
  - a. True
  - b. False
2. The first comprehensive general theory of management applied to organizations was offered by \_\_\_\_\_.
  - a. Henry Ford
  - b. Thomas Watson
  - c. Henri Fayol
  - d. Thomas Edison
3. An American icon who emphasized the importance of quality production and products was \_\_\_\_\_.
  - a. W. Edwards Deming
  - b. Walt Disney
  - c. Sam Walton
  - d. Mark Stine
4. The most publicized study of organizations is called the \_\_\_\_\_.
  - a. Los Alamos Experiment
  - b. Tavistock Studies
  - c. Hawthorne Studies
  - d. Dell Analysis
5. Organizational behavior as a field is considered to be \_\_\_\_\_.
  - a. outdated
  - b. same as management
  - c. multidisciplinary
  - d. only applicable in developed countries

service employees at Zappos aren't told how long they can spend on the phone with customers and they don't follow a script, which is unusual in a time when many call-in customer service operations are tightly controlled or even outsourced to other countries.

Sadly, Hsieh's visionary approach to management and business was cut short by his untimely death in November 2020 at the age of 46. However, his legacy and his focus on customer service and satisfaction remain a beacon for many in the business world.<sup>5</sup>

Compared to Tony Hsieh, some might see Jack Welch, former chief executive officer of General Electric, as a traditional hard-edge authoritarian manager. By all accounts, there seems to be some truth in that description. In his early days, Welch had a reputation for eliminating entire layers of employees. He was referred to as "Neutron Jack." People were eliminated, but the firm's buildings remained intact. Eventually, however, Welch learned that the human being is essential and the key to an organization's success:

The talents of our people are greatly underestimated and their skills are underutilized. Our biggest task is to fundamentally redesign our relationship with our employees. The objective is to build a place where people have the freedom to be creative, where they feel a sense of accomplishment—a place that brings out the best in everybody.<sup>6</sup>

The key to managing people in effective ways that lead to profits, productivity, and innovation ultimately lies in the manager's perspective. Pfeffer captured the importance of viewing people as assets by posing a number of questions and issues:

When managers look at their people, do they see costs to be reduced? Do they see reluctant employees prone to opportunism, shirking, and free riding, who can't be trusted and who need



to be closely controlled through monitoring, rewards, and sanctions? . . . Or do they see intelligent, motivated, trustworthy individuals—the most critical and valuable strategy assets their organizations can have? . . . With the right perspective, anything is possible. With the wrong one, change efforts and new programs become gimmicks, and no amount of consultations, seminars, and slogans will help.<sup>7</sup>

Hsieh's, Welch's, and Pfeffer's views about how to view and treat human talent are critical to the overall success of any organization. In addition to treating employees as assets (and not liabilities), managers and leaders will need other skills and competencies. The next generation of leaders will need to be fast, agile, continuously learn, and stay in front of their competition, whether it's local, national, or global. Foreign language ability, an international business perspective, and a strong knowledge of technology and the law will also help. Since change is so widespread and constant, managers will have to be entrepreneurial. The core qualities needed to create the ideal work atmosphere begin with intelligence, passion, a strong work ethic, a team orientation, and a genuine concern for people.<sup>8</sup>

## The Evolution of Management

The formal and modern study of management started around the mid-1800s.<sup>9</sup> However, the management process probably first began in the family and tribal organization. Later, as civilizations developed, management practices pervaded the formalized political units such as those found in early Sumeria and Babylon (from around 4500 B.C.E.). The Babylonian *Code of Hammurabi* written around 1772 B.C.E. is one of the oldest written records of laws governing business dealings and provides the first mention of accounting. In ancient Egypt, a document titled *The Duties of the Vizier* established the roots of today's concepts of the principles of management. Even some of our modern ideas of what makes a great leader can trace their beginnings to the epic tales of ancient civilizations.<sup>10</sup>

The Egyptians, Chinese, Greeks, and Romans were all noted in history for achieving major managerial feats such as the building of the pyramids, organizing governments, planning military maneuvers, operating trading companies that traversed the world, and controlling a geographically dispersed empire. However, management as a process was based on trial-and-error in order to accomplish specific goals, with little or no theory and virtually no sharing of ideas and practices. This lack of sharing slowed the influence of management practices throughout the world.

This trial-and-error approach to management continued during the Industrial Revolution in England that lasted between 1700 and 1840. As a nation, England changed dramatically from a rural society to the workshop of the world. It was the first nation to successfully make the transition from a rural-agrarian society to an industrial-commercial society.<sup>11</sup> The establishment of large factories created new challenges that required novel managerial techniques. Management of the workshops of England was characterized by an emphasis on efficiency, strict controls, and rigid rules and procedures.

A new industrial era began in the United States around the time of the Civil War. There was a dramatic expansion of mechanical industries such as the railroads and steel production. In addition, large industrial manufacturing complexes employed hundreds of thousands of workers and grew in importance. Attempts to better plan, organize, lead, and control the work of employees in these complexes led managers to discuss and write about their ideas and managerial problems in engineering journals.

In 1881, a new way to study management started with a \$100,000 gift by Joseph Wharton to the University of Pennsylvania to establish a management department in a college. The management curriculum at that time covered such topics as strikes, business law, the nature

of stocks and bonds, and principles of work cooperation. The nearby OB Matters feature provides additional information about how management education has evolved.

### Scientific Management

#### scientific management

A body of literature that emerged during the period 1890–1930 that reports the ideas and theories of engineers concerned with such problems as job definition, incentive systems, and selection and training.

In 1886, an engineer named Frederick W. Taylor presented a paper titled “The Engineer as an Economist” at a national meeting of engineers. This paper and others prepared by Taylor expressed his philosophy of **scientific management**.<sup>12</sup> Taylor’s major thesis was that maximum good for society can come only through the cooperation of management and labor in the application of scientific methods. He stated that the principles of management were to:

- Develop a science for each element of an employee’s work, which replaces the old rule-of-thumb method.
- Scientifically select and then train, teach, and develop the worker, whereas in the past a worker chose the work to do and was self-trained.
- Heartily cooperate with each other to ensure that all work is done in accordance with the principles of science.
- Strive for an almost equal division of work and responsibility between management and nonmanagers.

These four principles constitute Taylor’s concept of scientific management. Some regard him as the father of modern management. Regardless of the amount of credit he deserves, Taylor was a key figure in elevating the role of management in organizations. He has had a lasting impact on a unified, coherent way to improve the way managers perform their jobs.

### Administrative Management

Henri Fayol, a French industrialist, presented what is considered the first comprehensive statement of a general theory of management. First published in France in 1916,<sup>13</sup> Fayol’s *Administration Industrielle et Générale* was largely ignored in the United States until it was translated into English in 1949.

Fayol attributed his success in turning around and managing a large mining firm to his system of management, which he believed could be taught and learned. He emphasized the importance of carefully practicing efficient planning, organizing, commanding, coordinating, and controlling. These five pillars of management (the modern term “leading” has replaced the term “commanding”) are frequently used as the foundation for most introductory management and organizational behavior textbooks. It is apparent that Fayol was influenced by the trial-and-error struggles of earlier civilizations.

Fayol’s approach was a significant contribution in that it presented three important developments that have had a lasting impact on the field.

1. Management is a separate body of knowledge that can be applied in any type of organization.
2. A theory of management can be learned and taught.
3. There is a need for teaching management in colleges.

Since the end of the Industrial Revolution, management developments have largely focused on the role of human psychology.<sup>14</sup> The human relations movement grew out of worker dissatisfaction caused by many of the scientific and administrative management practices. Mary Parker Follett recognized that worker satisfaction is the key to getting things accomplished, rather simply adjusting the job procedures. The Hawthorne studies of 1924–1932 found that workers are most productive when management pays attention to them

## O B M A T T E R S

While informal training in business and commerce has been going on for centuries, the history of formal business-related education began in Europe and dates from the mid-1700s. The first academic institution to specialize in business-related training was the Escola do Comércio, founded in Lisbon, Portugal, in 1755. Although they taught accounting and closed in 1844, the institution opened the door for other business schools. The oldest business school still in existence today is the Ecole Supérieure de Commerce de Paris (ESCP) in France, which opened in 1819. Several other schools followed, with Budapest Business School opening in 1857 as the first public school in what was at the time Austria-Hungary.

Business education came to the United States in the late 1800s, with the Wharton School at the University of Pennsylvania (1881), the Haas School of Business at the University of California (1898), and the Booth School of Business at the University of Chicago (1898). The early 1900s saw a rapid increase in the number of universities offering business education. In 1900, Dartmouth College offered a masters degree in commercial sciences as the first graduate degree in business, Harvard University conferred the first MBA in 1908, and in 1920 the University of Chicago's Booth School was the first to begin offering a doctorate degree in business.

With the rapid spread of colleges of business around the world, there was a need to establish a cohesive set of guidelines about what constitutes a management education and thus, the Association to Advance Collegiate Schools of Business (AACSB) was born. Founded in 1916 as a means to create a shared curriculum, AACSB expanded its mission to develop new curriculum and faculty standards while allowing universities some flexibility in their approaches. Today, AACSB accreditation serves as a quality assurance that standards of performance are being met and continual improvement is being pursued.

It is no coincidence that the development and expansion of formal training in management coincides with the Industrial Revolution across Europe and the United States. This was a time of rapid transition toward industrialization and growth of large business organizations. With that came the increasing need for professionally trained managers. The curriculum of these programs largely paralleled the dominant thinking of the times. As a reaction to the Robber Barons and antitrust legislation, early management education was a social science that sought to balance profits with social benefits. However, over time this shifted to more of a focus on management as a science that could be measured and analyzed. For example, Joseph Wharton (the namesake of Penn's Wharton School) was a strong proponent of applying the principles of reason and science to the field of business and the founding dean of the Harvard School of Business was also known as an

enthusiast of scientific management. With the transition toward the incorporation of psychology into management theories beginning in the 1930s, there was a corresponding shift in college curriculums. Noted scholars such as Elton Mayo and Mary Parker Follett introduced the ideas that ultimately became standard parts of the curriculum during the Human Relations movement.

With economic deregulation in the 1970s and 1980s, management curriculum shifted toward a heavy emphasis on profit maximization, prioritizing shareholder returns above all else. "Off-shoring" and "right-sizing" were extolled as methods for improving financial performance. However, recently we are witnessing a slight shift in the focus of management education. With events like the litany of ethical scandals, the financial crisis of 2008, and the growing realization of a global climate crisis, colleges and universities are taking a leadership role in refocusing our priorities by shifting the curriculum to emphasize broader issues such as stakeholder management, sustainability, and ethical leadership. Much like the situation of over 100 years ago, the excesses of businesses are causing us to rethink our priorities.

The newest approach to management education is the online curriculum; however, it is not as new as one might think. The concept of distance learning dates from the mid-1800s, with the University of London offering the first distance learning degrees in 1858. However, it wasn't until 1981 that the first online management-related program was offered when the Western Behavioral Sciences Institute began using electronic bulletin boards in its School of Management and Strategic Studies, which even predates the birth of the modern Internet by two years. It's not until 1994 that the first real-time college courses were offered, and in 2013 the University of Florida—Online became the first online-only public university. It is estimated that currently more than 98 percent of all brick-and-mortar universities offer online classes.

What does the future of management education hold? What do you think?

**Sources:** Daniel A. Wren and Arthur G. Bedeian, *The Evolution of Management Thought*, 8th ed. (Hoboken, NJ: John Wiley & Sons, 2020); David Ferrer, "History of Online Education," *The Quad*, July 17, 2019, <https://thebestschools.org>; George E. Smith, Kathleen J. Barnes, and Sarah Vaughn, "Introduction to the Special Issue on Current Issues in AACSB Accreditation," *Organization Management Journal* 14, no. 1 (2017), pp. 2–6; J. C. Spender, "How Management Education's Past Shapes Its Present," *BizEd Magazine*, March 5, 2016, <https://bized.aacsb.edu>; J. C. Spender "A Brief and Non-Academic History of Management Education," *BizEd Magazine*, March 1, 2016, <https://bized.aacsb.edu>; Steven Pearlstein, "Business' Focus on Maximizing Shareholder Value Has Numerous Costs," *The Washington Post*, September 6, 2013, <https://www.washingtonpost.com>; "A History of the MBA (MBA Friday Facts)," *Top MBA*, June 22, 2012, <https://www.topmba.com>; Rakesh Khurana, *From Hire Aims to Hired Hands* (Princeton, NJ: Princeton University Press, 2007).

as human beings rather than treating them as merely another component of the manufacturing process. Chester Barnard wrote about the importance of authority being earned by managers rather than simply being given it.<sup>15</sup> The 1950s and 1960s saw a stream of studies focused on the satisfaction of employees' basic needs as the key to motivation. More recently, management thought has returned to focusing on efficiency and effectiveness due to increased competition from globalization and a profit-maximizing mindset.<sup>16</sup> One of the more intriguing works in this area is the concept of *Moneyball* and its focus on rethinking the essence of how a business can achieve success in its industry.<sup>17</sup> However, we are now increasingly paying attention to the byproducts of this focus and are witnessing a reintroduction of social concerns like ethical leadership, maintaining legitimacy, and operating in a sustainable manner.

## Why Study Organizational Behavior?

### organizational behavior

Drawing on psychology, sociology, political science, and cultural anthropology, OB is the study of the impact that individuals, groups, and organizational structure and processes have on behavior within organizations.

Why do employees behave as they do in organizations? Why is one individual or group more productive than another? Why do managers continually seek more effective ways to design jobs and delegate authority? Why are some organizations (e.g., Netflix) more innovative than others (e.g., Blockbuster)? These and similar questions are important to the relatively new field of study known as **organizational behavior**. Understanding the behavior of people in organizations—productivity, teamwork, work-life balance, job stress, and career progression—are top concerns of all managers and leaders. People make the difference.

Based on the fact that organizational behavior (OB) has evolved from multiple disciplines, we will use the following definition of OB throughout this book:

Drawing on psychology, sociology, political science, and cultural anthropology, OB is the study of the impact that individuals, groups, and organizational structure and processes have on behavior within organizations.

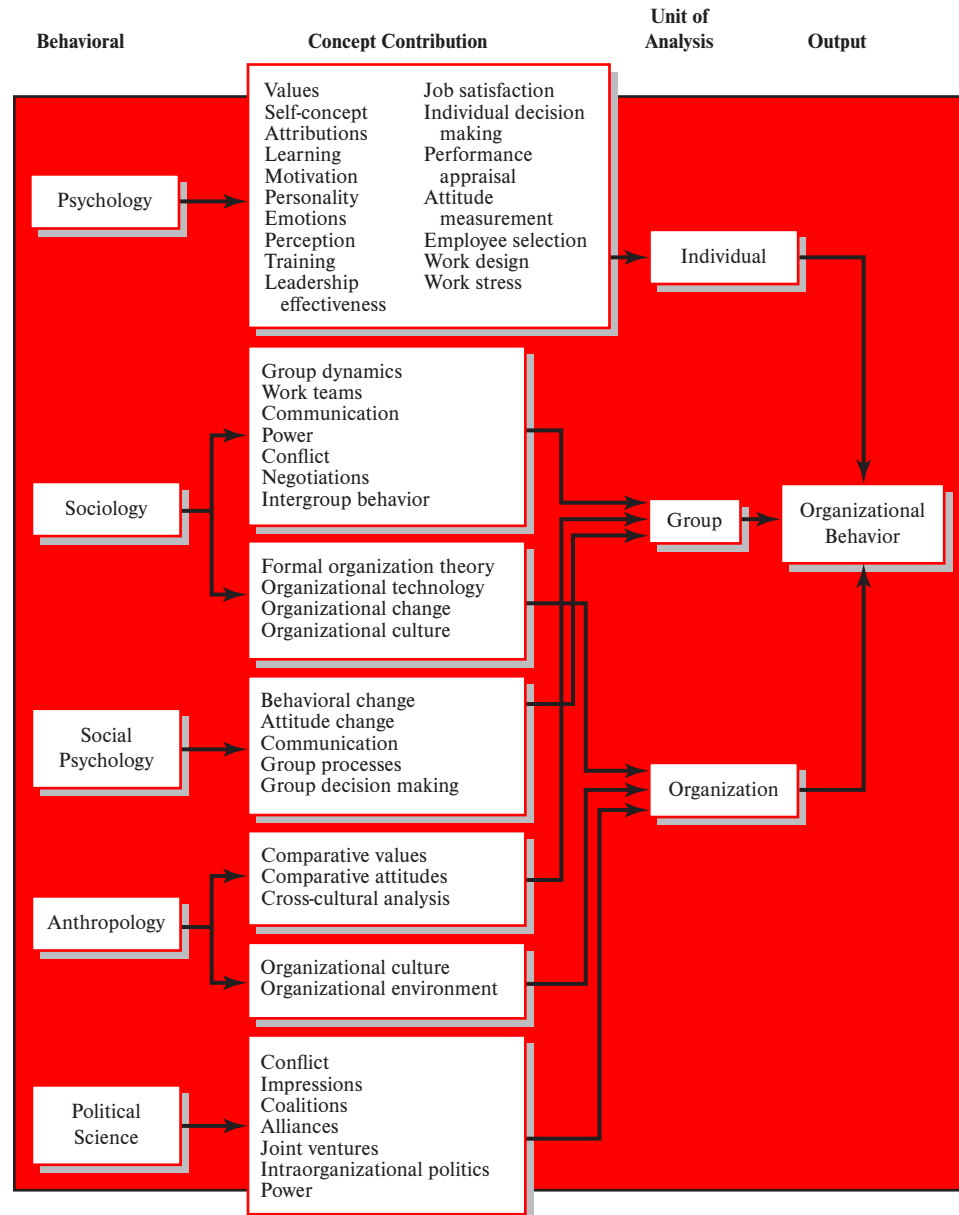
This multidisciplinary view of organizational behavior illustrates a number of points. *First, OB is a way of thinking.* Behavior is viewed as operating at individual, group, and organizational levels. This approach suggests that when studying OB, we must identify clearly the level of analysis being used—individual, group, and/or organizational. *Second, OB is multidisciplinary.* This means that it utilizes principles, models, theories, and methods from other disciplines. The study of OB is not a discipline or a generally accepted science with an established theoretical foundation. It is a field that only now is beginning to grow and develop in stature and impact. *Third, there is a distinctly humanistic orientation within organizational behavior.* People and their attitudes, perceptions, learning capacities, feelings, and goals are of major importance to the organization. *Fourth, the field of OB is performance-oriented.* Why is performance low or high? How can efficiency and effectiveness be enhanced? Can training increase on-the-job performance? Practicing managers face these important issues. *Fifth, the scientific method is used to study OB variables and relationships.* As the scientific method has been used in conducting research on organizational behavior, a set of principles and guidelines on what constitutes good research has emerged.<sup>18</sup> *Finally, the field is application-oriented.* It is concerned with providing useful answers to questions that arise in the context of managing organizations.<sup>19</sup>

Exhibit 1.1 offers a framework and overview of the multiple disciplines that have contributed to the study of OB and the application of OB principles in organizational settings.

## Leaders and Organizational Behavior

Changes occurring within and outside of institutions present major challenges to leaders, managers, and senior executives in organizations. Terms such as social responsibility,

**EXHIBIT 1.1**  
Contributions to the  
Study of Organizational  
Behavior



cultural diversity, ethics, global competitiveness, social networking, and reengineering are used freely by experts and nonexperts. Each of these concepts reinforces the fact that leaders are being asked to perform effectively in an ever-changing world. For example, managers needed to act quickly during the global 2020 pandemic to make sure their employees were safe and equipped to do their work remotely while trying to do business. In some industries, such as restaurants, hotels, airlines, cruise lines, and other hospitality-related businesses, managers found themselves scrambling to keep business operations going.<sup>20</sup>

Another challenge that leaders face is the increased emphasis that consumers are placing on value and sustainability.<sup>21</sup> The trend among consumers is to consider the total value of a

product or service and whether it has been produced with sustainable living in mind as climate change continues to be an important topic across the globe. Today, more than ever, customers expect organizations to take the lead in being environmentally conscious, producing top-quality goods or services at the best price possible, while trying to reduce their negative impact on the planet.

Along with an increasingly diverse workforce and demanding customers, leaders must contend with changes in both domestic and global markets and competition. The global market expects easy access to high-quality products and services at a competitive price. Leaders are being asked to establish and manage effective employee teams, departments, or organizations that can respond and compete globally.

Everything facing a leader in organizations today is constantly changing. Properly aligning the human resources of the organization with the changing conditions requires an understanding of such phenomena as the organization's environment, individual characteristics, group behavior, organizational structure and design, and organizational change processes. The modern-day goal of aligning human resources with organizational factors was initiated with the Hawthorne studies.

### The Hawthorne Studies

From 1900 to 1930, Taylor's concept of scientific management dominated thought about management. His approach focused on maximizing worker output. However, Taylor's emphasis on output and efficiency didn't address employees' needs, leading some trade unions to resist implementation of scientific management principles. Mary Parker Follett was opposed to Taylor's lack of specific attention on human needs and relationships in the workplace. She was one of the first management theorists to promote participatory decision making and decentralization. Her view emphasized individual and group needs. The human element was the focus of Follett's view about how to manage. However, she failed to produce empirical evidence to support her views. Industry leaders wanted concrete evidence that focusing on human resources would result in higher productivity. The Hawthorne studies, though flawed, provoked many managers and academics to focus on employees' needs, attitudes, and behaviors.

A team of Harvard University researchers was asked to study the activities of work groups at Western Electric's Hawthorne plant outside of Chicago (Cicero, Illinois).<sup>22</sup> Before the team arrived, an initial study at the plant examined the effects of illumination on worker output. It was proposed that "illumination" would affect the work group's output. One group of female workers completed its job tasks in a test room where the illumination level remained constant. The other study group was placed in a test room where the amount of illumination was changed (increased and decreased).

In the test room where illumination was varied, worker output increased when illumination increased. This, of course, was an expected result. However, output also increased when illumination was decreased. In addition, productivity increased in the control-group test room, even though illumination remained constant throughout the study.

The Harvard team was called in to solve the mystery. The team concluded that something more than pay incentives was improving worker output within the work groups. After conducting additional studies, the researchers uncovered what is referred to as the "Hawthorne effect" operating within the study groups.<sup>23</sup> That is, the workers felt important (and increased their productivity) because someone was observing and studying them at work.

For another eight years, Elton Mayo, Fritz Roethlisberger, and William Dickson, leaders of the Harvard study team, continued their research of over 20,000 Western Electric employees at the Hawthorne plant. They found that individual behaviors were modified within and by work groups. In a study referred to as the "bank wiring room," the Harvard researchers



again faced perplexing results. The study group completed only two terminals per worker daily. This was considered to be a low level of output.

The bank wiring room workers appeared to be restricting output. The work group members were friendly, got along well on and off the job, and helped each other. There appeared to be a practice of protecting the slower workers. The fast producers did not want to outperform the slowest producers. The slow producers were part of the team, and fast workers were instructed to “slow it down.” The group formed an informal production norm of only two completed boards per day.

The Harvard researchers learned that economic rewards did not totally explain worker behavior. Workers were observant, complied with norms, and respected the informal social structure of their group. The researchers also learned that social pressures could restrict output.

Interviews conducted years after the Hawthorne studies with a small number of actual study participants and a reanalysis of data raised doubts about a number of the original conclusions.<sup>24</sup> The conclusion that supportive managers helped boost productivity is considered incorrect by critics. Instead, the fear of job loss during the Great Depression and managerial discipline, not the practices of supportive managers, are considered responsible for the higher rate of productivity in the relay assembly test room experiments. Despite the criticism, the Hawthorne studies are still considered the major impetus behind the emphasis on understanding and dealing with human resources.

Since the 1930s, the Hawthorne studies are perhaps the most-cited research in the applied behavioral science area, though they are not referred to as the most rigorous series of studies. Nonetheless, the Hawthorne studies did point out that workers are more complex than the economic theories of the time proposed. Workers respond to group norms, social pressures, and observation. These were important revelations that changed the way management viewed employees and paved the way for more modern ways of viewing the impact of individuals, groups, and organization structures and processes on organizational behavior. One of those modern views is systems theory, which is discussed next.

## Systems Theory and Organizational Effectiveness

### systems theory

A theory stating that an organization is a managed system that changes inputs into outputs.

### inputs

Goods and services (raw materials, human resources, energy, etc.) organizations take in and use to create products or services.

### outputs

The products and services (smartphones, food, social networking sites, etc.) that organizations create.

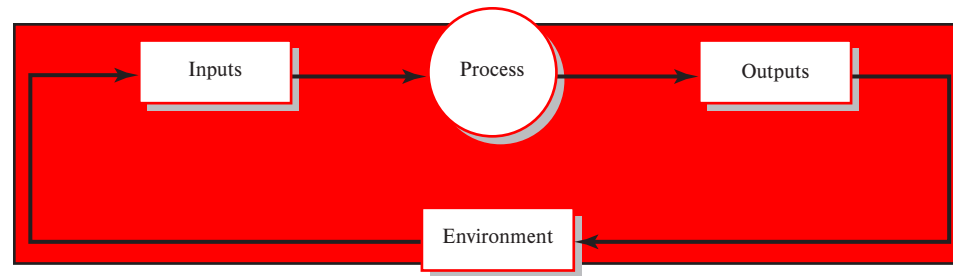
**Systems theory** suggests that an organization is a managed system that changes inputs into outputs. It enables managers to describe the behavior of organizations both internally and externally. Internally, you can see how and why people within organizations perform their individual and group tasks. Externally, you can relate the transactions of organizations with other organizations and institutions. All organizations acquire resources from the outside environment of which they are a part and, in turn, provide goods and services demanded by the larger environment. Managers must deal simultaneously with the internal and external aspects of organizational behavior. This essentially complex process can be simplified, for analytical purposes, by employing the basic concepts of systems theory.

In systems theory, the organizations are seen as one element of a number of elements that act interdependently. The flow of **inputs** and **outputs** is the basic starting point in describing the organization. In the simplest terms, the organization takes resources (inputs) from the larger system (environment), processes these resources, and returns them in changed form (output). Exhibit 1.2 displays the fundamental elements of the organization as a system.

The concept of organizational effectiveness presented in this book relies on systems theory. Two main conclusions suggested by systems theory are: (1) effectiveness criteria must reflect the entire input-process-output cycle, not simply output, and (2) effectiveness criteria must reflect the interrelationships between the organization and its outside environment. Thus:

Organizational effectiveness is an all-encompassing concept about how products or services are produced or provided.

**EXHIBIT 1.2**  
**The Basic Elements of**  
**a System**



Much additional research is needed to develop knowledge about the components of effectiveness. There is little consensus about these relevant components, about the interrelationships among them, and about the effects of managerial action on them.<sup>25</sup> In this textbook, we attempt to provide the basis for asking questions about what constitutes effectiveness and how the qualities that characterize effectiveness interact.

According to systems theory, an organization is an element of a larger system, the environment. With the passage of time, every organization takes, processes, and returns resources to the environment. The ultimate criterion of organizational effectiveness is whether the organization survives in the environment. Survival requires adaptation, and adaptation often involves predictable sequences. As the organization ages, it probably will pass through different phases. It forms, develops, matures, and declines in relation to environmental circumstances. Organizations and entire industries rise and fall. Today, the online retail industry is on the rise, and the coal industry is declining. Marketing experts acknowledge the existence of product-market life cycles. Organizations also seem to have life cycles. Consequently, the criteria of effectiveness must reflect the stage of the organization's life cycle.<sup>26</sup> For example, a grocery store that has been in business for 30 years (maturity stage) needs to focus on being efficient in order to remain competitive and survive.

Managers and others with interests in the organization must have indicators that assess the probability of the organization's survival. In actual practice, managers use a number of indicators of long-run survival. Among these indicators are measurements of productivity,

efficiency, accidents, turnover, absenteeism, quality, rate of return, morale, engagement, and employee satisfaction.<sup>27</sup> The overarching criterion that cuts across each effectiveness dimension is quality. Unless customers perceive quality in products or services, there will be no survival. Any of these criteria can be relevant for particular purposes. For simplicity, we will discuss six popular criteria of effectiveness. They are quality, productivity, efficiency, satisfaction, adaptiveness, and development.

### Quality

J. M. Juran and W. Edwards Deming, in 1950, were prophets without recognition in their own country, the United States. These two Americans were pioneers in quality and emphasized the importance of quality long before it was popular to do so.<sup>28</sup> Deming is the most recognized guru of statistical quality control (SQC). He is the namesake of Japan's most prestigious quality award, the Deming Prize, created in 1951.

Juran is best known for his concept of total quality control (TQC). This is the application of quality principles to all

### OB in Action

#### WAYS TO IMPROVE EFFECTIVENESS

Many high-performance, effective organizations engage in the following managerial practices:

1. Provide opportunities for training, development, and continuous learning.
2. Share information often with employees.
3. Encourage cooperation across teams, departments, and the organization.
4. Link compensation to performance.
5. Avoid layoffs.
6. Role model positive behaviors and attitudes.
7. Respect differences across employees.
8. Listen to employees' and other stakeholders' concerns and ideas.



company programs, including satisfying internal customers. In 1954 Juran first described his method in Japan. He became an important inspiration to the Japanese because he applied quality to everyone from the top of the firm to the clerical staff.

Today is different. Inspired by the teachings of these two pioneers, many U.S. leaders and managers believe that to survive, organizations must provide high-quality and reliable products and services, as well as treat customers in a close-to-perfect manner.<sup>29</sup>

More than any other single event, the 1980 NBC-TV White Paper, “If Japan Can . . . Why Can’t We?” introduced the importance of quality to the American public. The television program showed how, from 1950 to 1980, the Japanese had risen from the ashes of World War II to become an economic giant with companies like Toyota, Honda, and Sony turning out products of superior quality. Japanese organizational effectiveness centered on the notion of quality. The Japanese interpret quality as it relates to the customer’s perception. Customers compare the actual performance of the product or evaluate the service being provided to their own set of expectations. The product or service either passes or fails. Thus, quality has nothing to do with how shiny or good looking something is or with how much it costs. Quality is defined as meeting customers’ needs and expectations.

In today’s competitive global world, the effective company is typically the one that provides customers with consistently high-quality products or services. According to *Fortune* magazine’s 2020 list of the World’s Most Admired Companies in terms of quality, Apple, Amazon, Microsoft, Walt Disney, and Berkshire Hathaway earned the top five spots.<sup>30</sup> These companies know that to stay in business (survival in effectiveness terms), the customer must be kept happy and satisfied.

In many organizations, quality continues to be the top priority.<sup>31</sup> For example, Dodge and Kia tied for top place in the J.D. Power 2020 Initial Quality Study. Dodge is the first U.S. domestic brand in the study’s 34-year history to land at the top of the list. 2020 was the sixth consecutive year that Kia was the highest-ranked mass-market brand.<sup>32</sup> Kia and its sister company, Hyundai, continue to outpace their Japanese counterparts in terms of vehicle quality and are targeting an increase in global sales growth in 2021, despite the impact of the global pandemic.<sup>33</sup>

## Productivity

As used here, productivity reflects the relationship between inputs (e.g., hours of work, effort, use of equipment) and output (e.g., smartphones produced, customer complaints handled, trucks loaded). The concept excludes any consideration of efficiency, which is defined below. The measures of productivity, such as profit, sales, market share, students graduated, patients released, documents processed, clients serviced, and the like, depend upon the type of industry or institution that is being discussed. Every institution has outputs and inputs that need to be in alignment with the organization’s mission and goals. These measures relate directly to the output consumed by the organization’s customers and clients.

## Efficiency

Efficiency is defined as the ratio of outputs to inputs. The short-run criterion focuses attention on the entire input-process-output cycle, yet it emphasizes the input and process elements. Among the measures of efficiency are rate of return on capital or assets, unit cost, scrap and waste, downtime, occupancy rates, and cost per patient, per student, or per client. Measures of efficiency inevitably must be in ratio terms; the ratios of benefit to cost or to time are the general forms of these measures.

## Satisfaction

The idea of the organization as a social system requires that some consideration be given to the benefits received by its participants as well as by its customers and clients. Satisfaction and morale are similar terms referring to the extent to which the organization meets the needs of employees. We use the term satisfaction to refer to this criterion. Measures of satisfaction include employee attitudes, turnover, absenteeism, tardiness, and grievances.

## Adaptiveness

Adaptiveness is the extent to which the organization can and does respond to internal and external changes. Adaptiveness in this context refers to management's ability to sense changes in the environment as well as changes within the organization itself. Ineffectiveness in achieving production, efficiency, and satisfaction can signal the need to adapt managerial practices and policies. Or the environment may demand different outputs or provide different inputs, thus necessitating change. To the extent that the organization cannot or does not adapt, its survival is jeopardized.

## Development

This criterion measures the ability of the organization to increase its capacity to deal with environmental demands. An organization must invest in its members by committing to employee development and training to increase its chances of survival in the long run. Despite the ongoing effects of COVID-19, U.S. companies continued to spend on the following areas, although overall training budgets decreased or stayed the same:<sup>34</sup>

- Management/supervisory training
- Customer service training
- Onboarding (socializing new employees into organization)
- Executive development
- IT/systems training
- Compliance training
- Industry-specific training

There are several environmental forces that can influence a manager's ability to achieve organizational effectiveness.

## Environmental Forces Reshaping Management Practice

### power

The ability to get things done in the way the organization wants them to be done.

A number of forces are reshaping the nature of managing within organizations. Organizations that have recognized these forces are working to channel their managerial talents to accomplish goals by using their knowledge about each of six major forces.<sup>35</sup>

The first force at work is the **power** of human resources, or the organization's ability to get things done in the way it wants them to be done. The way managers and employees work, think, and behave exerts a major influence on the overall effectiveness and success of an organization. Over the next several years as baby boomers (those born between 1946 and 1964) continue to retire, organizations of all types will be facing a shrinking pool of skilled job candidates and a shortage of technically skilled workers. Some of the key human resource challenges will be in the areas of recruiting skilled talent, training and developing employees, transferring knowledge from senior to junior employees through mentoring, and retaining high-performing employees as job opportunities become more available.

**globalism**

The interdependency of transportation, distribution, communication, and economic networks across international borders.

To compete effectively in the 21st century, **globalism** must be understood and leveraged. Globalism is characterized by networks that interconnect countries, institutions, and people. Of the largest 25 global corporations in terms of market value in 2020, 14 are from the United States; 5 from China; 2 from Germany; and 1 each from Saudi Arabia, Japan, the Netherlands, and South Korea.<sup>36</sup> As a result of global integration, the growth rate of world trade has increased faster than that of world gross domestic product. That is, the trading of goods and services among nations has been increasing faster than the actual world production of goods. To survive the fast-paced changes in the global world, firms must make not only capital investments but also investments in people. How well a firm recruits, selects, retains, and motivates a skilled workforce will have a major impact on its ability to compete in the more globally interdependent world.

The Global OB feature describes the top worldwide cities as ranked by global consulting firm A.T. Kearney. The company looked at various metrics across several dimensions to determine not only the top-ranked cities across the globe in 2020, but also the cities that have the potential to exert their global influence in the near future.

**diversity**

Refers to those attributes that make people different from one another.

As will be discussed in greater detail in Chapter 3, a **diverse** workforce is fast becoming a reality in the United States. As America's workforce changes, managers and co-workers need to continuously learn more about each other so that a productive and respectful work culture can be created and nurtured. While Japan and China are basically homogeneous societies in terms of race, the United States is diverse and has been rapidly increasing its workforce diversity since the 1970s. Not only is racial and ethnic diversity growing, but also more women, older workers, and people with disabilities (including wounded veterans) are entering the workforce in increasing numbers. The workforce in 2020 was quite diverse with 47 percent being female, 18 percent Hispanic, 13 percent Black, and 10 percent Asian.<sup>37</sup>

From 2019 to 2029, older workers (aged 55 and older), Hispanics, and Asians are expected to be the fastest-growing groups in the U.S. labor force. About 25 percent of the U.S. workforce is likely to be nonwhite by the year 2029.<sup>38</sup> The percentage of women in the workforce will remain relatively steady at close to 47 percent. This increase of diversity (older, minority, and female employees) in the labor force presents several opportunities for U.S. organizations. However, unless they properly train, prepare, and compensate minorities and women for the highest-level jobs, organizations are not going to be competitive. Also, organizations need to think of creative and flexible staffing approaches to retain experienced older workers who want to continue working while potentially dealing with health concerns or enjoying partial retirement.

**speed of change**

Rapid change is found in many areas of business, including technology, demographics, globalism, and new products and services.

The **speed of change** is another crucial force to recognize. Smartphones, tablets, social networking sites, the Internet, genetic engineering, space travel, and artificial intelligence (AI) are some of the changes sweeping the world. Identifying, understanding, and responding quickly to changes in the environment are now a part of a manager's job requirement.

The elements of change include almost instantaneous communication, machine learning, and computation.<sup>39</sup> Technology is facilitating online connectivity through such social networking sites as Facebook, Twitter, Instagram, and LinkedIn that has resulted in the shrinking of space and distance. Intangible value of all kinds, such as services or products that "go viral" and reach millions of potential users, is growing at a rapid speed. The modern manager is going to have to be adaptable to such rapid change.

**psychological contract**

An unwritten agreement between an employee and the organization that specifies what each expects to give to and receive from the other.

The worker-employer **psychological contract** is another force. Very few organizations still offer employees lifetime jobs, guaranteed advancement or pay raises, or assurance that their work roles will be predictable and stable. However, the most admired employers believe that openness, integrity, providing opportunities, and supporting the growth and development of their employees are top priorities. They believe this is an unwritten contract they have with their people. Employees believe that employers must be honest, open, and fair and

## GLOBAL OB

Several events over the past few years demonstrate how global and interrelated the world has become. For example, the global COVID-19 pandemic, ongoing economic and social injustice, refugee migration, and climate change affect people, financial markets, and institutions on a worldwide basis.

Tracking this “borderless” world, Kearney, a global management consulting firm, has developed an in-depth analysis of the top-performing cities today and those with the greatest potential for the future.

For the Global Cities Index, the study analyzed 151 cities around the world, measuring 29 metrics across five dimensions: business activity (flow of capital, market dynamics, and major companies present), human capital (education levels), information exchange (access to information via Internet and other media sources), cultural experience (access to major sporting events, museums, and other expos), and political engagement (political events, embassies, and think tanks). New York topped the list, followed by London, Paris, Tokyo, Beijing, Hong Kong, Los Angeles, Chicago, Singapore, and Washington, D.C., rounding out the top 10 cities based on the 2020 study.

The Global Cities Outlook portion of the study measured 13 leading indicators across four dimensions to determine the likelihood of these cities becoming global hubs: personal well-being (safety, health care, inequality, and environmental performance), economics (long-term investments and gross domestic product [GDP]), innovation (level of entrepreneurship through patents, private investments, and

business incubators), and governance (proxy for long-term stability through transparency, quality of bureaucracy, and ease of doing business). London ranked first, followed by Toronto, Singapore, Tokyo, Paris, Munich, Abu Dhabi, Stockholm, Amsterdam, and Dublin.

Interestingly, 14 global cities placed in the top 25 rankings of *both* indexes and are considered “Global Elite”—well-known centers for commerce, culture, and politics. In the Americas, Chicago, San Francisco, Boston, and Toronto are considered elite. In Europe, six cities—London, Paris, Berlin, Vienna, Amsterdam, and Munich—made elite status. And in the Asia-Pacific region, Tokyo, Singapore, Sydney, and Melbourne top the elite ranking for that area.

Despite serious setbacks caused by the pandemic in 2020, cities around the world continue to make strides to become global. Cities are becoming stronger and increasingly exerting influence that transcends country borders. Much like countries that formed “power groups” like the G20 and NATO, cities are organizing into consortiums that will greatly influence business, politics, people, education, and the environment in the near future.

**Sources:** Kearney, “2020 Global Cities Index: New Priorities for a New World,” <https://www.kearney.com>, accessed December 4, 2020; Niel Harmse, “Could COVID-19 Topple Global Cities’ Dominance?” *MSCI*, October 13, 2020, <https://www.msci.com>; Richard Florida, Edward Glaeser, Maimunah Mohd Sharif, Kiran Bedi, et al., “How Life in Our Cities Will Look After the Coronavirus Pandemic,” *Foreign Policy*, May 1, 2020, <https://foreignpolicy.com>; Meaghan O’Neill, “How Urban Planners Are Reacting to Climate Change,” *Architectural Digest*, March 2, 2020, <https://www.architecturaldigest.com>.

also be willing to give employees a larger say in their jobs. Employees also want organizations to pay more attention to their family commitments and their physical and mental health. Companies like Google, Facebook, Amazon, Microsoft, and Apple offer employees a wide range of benefits that help balance work-life demands.<sup>40</sup> The nearby OB Matters discusses how managers may need to adjust their approach to the psychological contract to retain employees, particularly Millennials.

Another major force influencing management is **technology**. In a general sense, technology is the processes that convert raw materials or intellectual capital into products or services. Technology is more than just machinery. It also encompasses the design of practices that can be used to service customers, treat patients, and manufacture high-quality products. The technology of an organization influences the workflow, structure, systems, and philosophy of the organization to a significant degree. Today, technology is so pervasive and powerful that it needs to be well understood to be used effectively.

Today, we use technology and human assets to operate, maintain, and invent new business systems that are more powerful than the previous generation. Organizations, in their quest for competitive advantage, must attract, retain, and recognize crucial human assets to continue advancing.

Companies like Google, Apple, Amazon, Facebook, and Walt Disney’s Pixar are sought out by talented, technology-savvy job candidates. In examining the programs, practices, and approaches used by these and other firms, it is obvious that valuing those who have knowledge about how to use technology is a priority. Technology can yield competitive advantages only when it is utilized effectively.

**technology**

Refers to actions, physical and mental, that an individual performs upon some object, person, or problem to change it in some way.

## O B M A T T E R S

Millennials, those born roughly between 1980 and 2000, currently make up the largest segment of the U.S. workforce, approximately 50 percent. Much has been written about this group of workers, including what they think office life should look like, how growing up in a digital world allows them to navigate technology with ease, and why seeking information from many sources helps them problem solve efficiently.

Having recovered from an economic recession that happened a little more than a decade ago, companies have hired more workers and expanded their businesses in a way that hasn't occurred in quite a while (the global pandemic notwithstanding). And, unlike their parents, millennials expect advancement to happen quickly, or they are willing to jump ship for new opportunities and career growth. According to current research, the average tenure for millennials is a little more than two years, compared with eight years for generation X workers (ages 40–55) and nearly 10 years for baby boomers (ages 56–71).

Managers may need to revisit the psychological contract between employees and the organization in an effort to keep workers, particularly millennials. Here are a few strategies to help managers retain this talented group of employees:

- Give them more challenging work. If they feel management is invested in their personal growth, millennials are likely to stay put and cultivate strong personal and professional relationships with their colleagues, bosses, and senior leadership.

- Foster a supportive work environment. Research reveals that the number-one reason these workers leave their job is because of their boss—not necessarily because they are unhappy with the company. Making millennials feel valued and supported may lead to increased productivity and longer tenure.
- Provide ongoing feedback. Most millennials would be happy if annual performance reviews went away. Professional development is vital to their overall satisfaction, and millennials expect their managers to check in with them on a regular basis, evaluating their work and giving them guidance and feedback about how they're doing on the job.

The psychological contract between organizations and their employees is one of the forces that continue to reshape the nature of management. Understanding some of the motivations important to millennials may help managers keep them from looking elsewhere for their next career move.

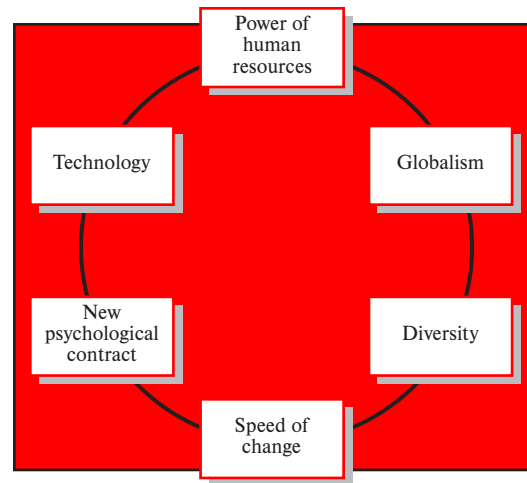
**Sources:** U.S. Bureau of Labor Statistics, Economic News Release: Table 1. Median Years of Tenure with Current Employer for Employed Wage and Salary Workers by Age and Sex, Selected Years, 2010–2020, <https://www.bls.gov>, accessed December 7, 2020; Michelle Cheng, "The Scourge of Millennial Job Hunting Is a Myth," *Quartz*, <https://qz.com>, accessed December 7, 2020; Terri Williams, "Employees May Hate Their Jobs—But They're Not Going to Quit," *MultiBriefs: Exclusive*, July 10, 2020, <https://exclusive.multigriefs.com>; Peter Economy, "The (Millennial) Workforce of the Future Is Almost Here—These 3 Things Are About to Change Big Time," *Inc.*, January 15, 2019, <https://www.inc.com>; Roger Trapp, "Leaders Should Do More to Manage Workers of All Types," *Forbes*, September 23, 2015, <https://www.forbes.com>.

Rapid advancement in technology over the last decade has changed the way managers act and perform. Before the information era of the late 2000s, employees gathered data and information and provided it up the organizational chain of command.<sup>41</sup> Managers (up the chain) analyzed what was provided, made a decision, and informed subordinates to carry out their decisions. This method had a high potential for errors of omission, delays, and miscommunication. Today, technology provides easier access to large amounts of information (big data) that can be analyzed quickly, and other tools, such as artificial intelligence and machine learning, provide managers the opportunity, to share, delegate, or oversee decision making by their team or unit. In addition, cloud-based software programs enable managers and their employees to collaborate on key projects as part of their daily work activities—whether in the office or working remotely—and have a positive impact on overall productivity.<sup>42</sup>

As illustrated in Exhibit 1.3, the six forces reshaping management practice—the power of human resources, globalism, diversity, the speed of change, a new worker–employer psychological contract, and technology—offer challenges to managers. Resisting the reality of these forces will likely lead to unnecessary conflict, reduced managerial and nonmanagerial performance, and lost opportunities. In managerial terms, failing to cope and deal with these forces will likely result in job dissatisfaction, poor morale, reduced commitment, lower work quality, burnout, poor judgment, and a host of unhealthy consequences.

The purpose of this book is to help you learn how to manage and lead individuals and groups in organizations. These human resources are operating in a world impacted by

**EXHIBIT 1.3**  
**The Six Forces**  
**Reshaping Management**  
**Practice**



powerful forces. Organizations are essential to the way our society operates in the world. In industry, education, health care, and defense, organizations have created impressive gains for the standard of living and prestige of entire nations. The size of the organizations with which you deal daily should illustrate the tremendous political, economic, and social powers they separately possess. If a large firm announced that it was closing its plant in your community, the resulting impact might be devastating economically. On the other hand, if Apple announced it was opening a computer assembly plant in your community, the effect probably would be very positive.

Organizations are much more than only a means for providing goods and services.<sup>43</sup> They create the settings in which most of us spend our lives. In this respect, they have profound influence on employee behavior. However, because large-scale organizations have developed only in recent times, we are just now beginning to recognize the necessity for studying them. Researchers have just begun the process of developing ways to study the behavior of people in organizations of all sizes.

## Framing the Study of Organizational Behavior

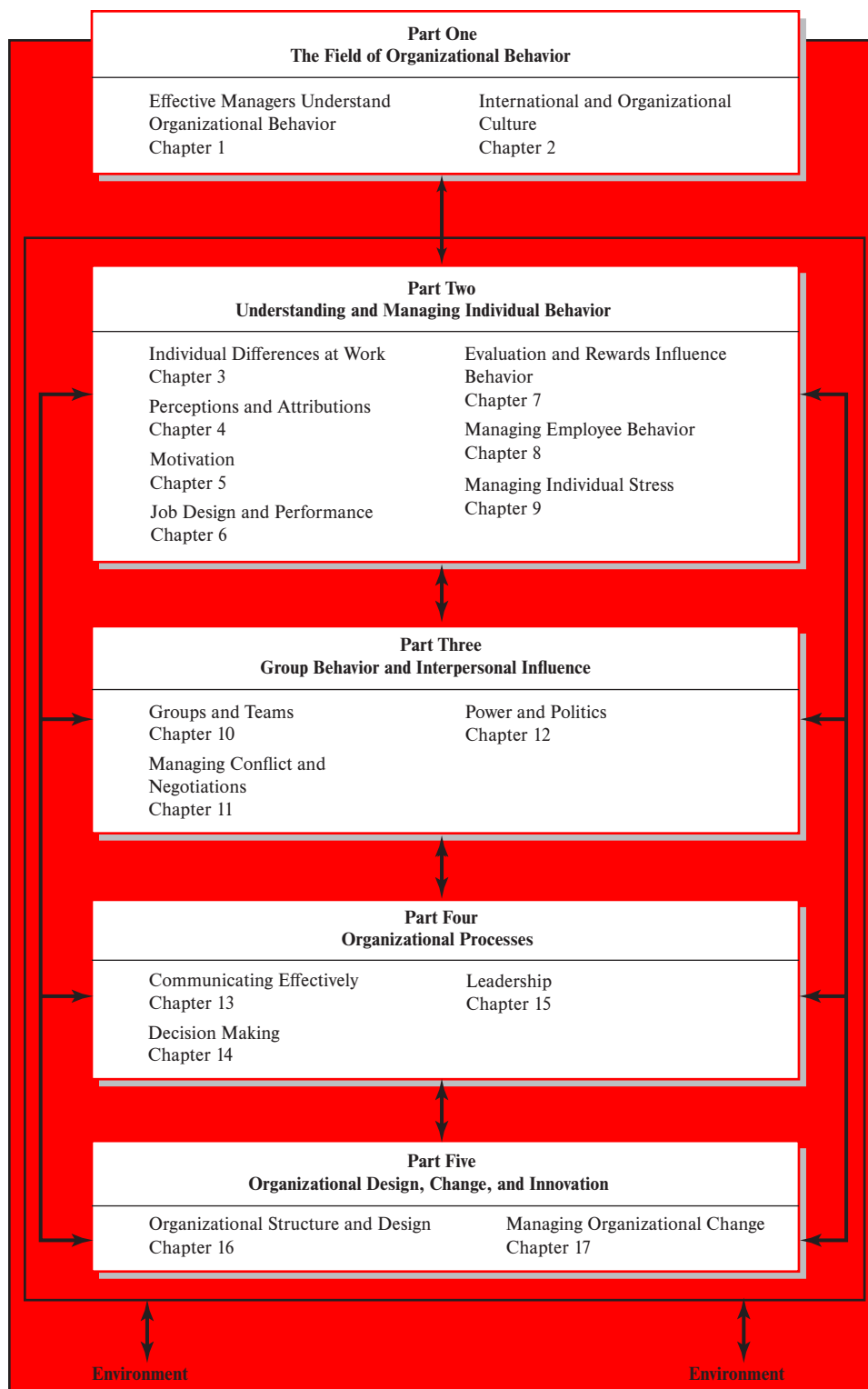
Exhibit 1.4 illustrates the flow of chapters in this book and presents a perspective on how to frame the study of organizational behavior and management within organizations. The book is divided into five parts: the field of organizational behavior; understanding and managing individual behavior; group behavior and interpersonal influence; organizational processes; and organizational design, change, and innovation.

### The Organization's Environment

Organizations exist within societies. Within a society many factors impinge upon the effective functioning of an organization, and management must be responsive to them. For example, the Patient Protection and Affordable Care Act of 2010 continues to cause changes to both the health care industry and the way employers provide health care benefits to their employees.<sup>44</sup> In addition to complying with laws, managers must proactively monitor and respond to competitors' strategic moves, the needs of customers or clients, political constraints, and economic and technological changes and developments. The model proposes that environmental forces exert an influence throughout every aspect of the organization.



**EXHIBIT 1.4**  
**Framework for**  
**Studying**  
**Organizational**  
**Behavior**



## O B M A T T E R S

The economic data churned out by the government every month doesn't identify whether workers are working harder or smarter. But some part of productivity gains may be attributed to technology and working smarter.

When a Raleigh, North Carolina, Internet start-up downsized Forsyth's job, she was not too upset. She had developed an aversion to the 50- and 60-hour workweeks, the chaotic working conditions, and the lack of a job description. The mother of two now works in publishing, finds her current employer more "family friendly," and enjoys keeping to a 40-hour workweek.

In a recent Glassdoor survey, nearly half of the respondents said that a good work-life balance would make them more likely to apply for a job at a specific company, which beat out other factors such as company culture or the company's financial state. Companies such as Ultimate Software, Etsy, Zoom, 23andMe, and Patagonia have been recognized by employees for their commitment to a good work-life balance.

Despite the fact that Americans have always placed great stock in hard work, there is growing evidence that "working hard" may not mean "working long." According to the U.S. Bureau of Labor Statistics, the proportion of Americans working 49 hours or more a week has remained steady in recent years, after rising in the late 1980s and early 1990s to approximately 29.5 percent. But in the past several

years, the percentage of managers and professionals working 49 hours or more a week has begun to fall.

It appears that America's work ethic is changing from working hard to working smart. It is more than simply a work/life balance issue, however, in that a basic American social value of more hard work is being transformed into "work smart but don't forget your other life obligations." How will this change the workplace? Will hourly workers decline overtime opportunities more consistently? Will they move to ensure (through their union) that their workweek remains consistent and does not include continual overtime requests? Will the 40-hour workweek be challenged (as it has in some European countries)? How will this change the pace of productivity? Will face-time at the office continue to be important? Will HR professionals promote the firm's use of flextime and telecommuting to attract and retain workers?

**Sources:** Amy Elisa Jackson, "These 10 Companies Make Work-Life Balance More Than a Buzzword," *Glassdoor* (blog), January 16, 2019, <https://www.glassdoor.com>; Jonathan Long, "5 Simple Ways to Improve Your Work-Life Balance," *Entrepreneur*, March 31, 2016, <https://www.entrepreneur.com>; R. Burke, "Working to Live or Living to Work: Should Individuals and Organizations Care?" *Journal of Business Ethics* 84 (2009), pp. 167–72; Jason Desena, "While America Is Sleeping, Europe Is Catching Up," *Financial Times*, July 17, 2007, p. 36; Eric Clarke, "Working Smarter, Not Harder," *Accounting Technology*, April 2006, pp. 20–22; John W. Schoen, "Are We Working Smarter or Harder?" MSNBC, August 28, 2003, [www.msnbc.com/news/954222.asp](http://www.msnbc.com/news/954222.asp).

## Understanding and Managing Individual Behavior

Individual performance is the foundation of organizational performance. Understanding individual behavior, therefore, is critical for effective management, as illustrated in this account:

Miguel Avila has been a field representative for a major drug manufacturer since he graduated from college seven years ago. He makes daily calls on physicians, hospitals, clinics, and pharmacies as a representative of the many drugs his firm manufactures. During his time in the field, prescription rates and sales for all of his firm's major drugs have increased, and he has won three national sales awards given by the firm. Yesterday, Miguel was promoted to sales manager for a seven-state region. He no longer will be selling but instead will be managing 15 other representatives. Miguel accepted the promotion because he believes he knows how to motivate and lead salespeople. He commented: "I know the personality profile of the successful salesperson. They are special people. I know what it takes to get them to perform. Remember that I am one. I know their values and attitudes and what it takes to motivate them. I know I can motivate a sales force."

In his new job, Miguel Avila will be trying to maximize the individual performance of 15 sales representatives. Most of his interactions will be pleasant, but he is aware of some expense account padding that he intends to stop. As a manager, Miguel will be dealing with several facets of individual behavior. Our model includes three important influences on individual behavior and motivation in organizations: individual differences, individual motivation, and rewards.



### ***Individual Differences***

Because organizational performance depends on individual performance, managers such as Miguel Avila must have more than a passing knowledge of the determinants of individual performance. Social psychology and psychology contribute a great deal of relevant knowledge about the relationships among attitudes, perceptions, emotions, personality, values, and individual performance. Managers cannot ignore the necessity for acquiring and acting on knowledge of the individual characteristics of both their subordinates and themselves.

### ***Individual Motivation***

Motivation and ability to work interact to determine performance. Motivation theory attempts to explain and predict how the behavior of individuals is aroused, started, sustained, and stopped. Unlike Miguel Avila, not all managers and behavioral scientists agree on what is the “best” theory of motivation. In fact, motivation is so complex that it may be impossible to have an all-encompassing theory of how it occurs. However, managers must still try to understand it. They must be knowledgeable about motivation because they are concerned with performance.

### ***Rewards***

One of the most powerful influences on individual performance is an organization’s reward system. Management can use rewards (or punishment) to increase performance by present employees. Management also can use rewards to attract skilled employees to join the organization. Paychecks, raises, and stock options are important aspects of the reward system, but they are not the only aspects. Miguel Avila makes this point very clear when he states: “I know what it takes to get them to perform.” Performance of the work or job itself can provide employees with rewards, particularly if job performance leads to a sense of personal responsibility, autonomy, and meaningfulness.

### ***Misbehavior***

In a perfect world, organizations wouldn’t have to worry about preventing and managing the occasional (though often destructive) misbehavior of some of its leaders, managers, and employees. In recent years, we have witnessed countless questionable or unethical acts in business, including Volkswagen’s emissions scandal; Boeing’s 737 Max scandal; and the long list of organizations that have either reported or been accused of “accounting irregularities.”<sup>45</sup> Many companies’ and managers’ reputations have been damaged through misbehavior. Such damaging behaviors and actions need to be prevented whenever possible.

### ***Stress***

Stress is an important result of the interaction between the job and the individual. Stress in this context is a state of imbalance within an individual that often manifests itself in such symptoms as insomnia, excessive perspiration, nervousness, and irritability. Whether stress is positive or negative depends on the individual’s tolerance level. People react differently to situations that outwardly would seem to induce the same physiological and psychological demands. Some individuals respond positively through increased motivation and commitment to finish the job. Other individuals respond less desirably by turning to such outlets as alcoholism and drug abuse. Hopefully, Miguel Avila will respond positively to the stresses of his new job as sales manager.

Handling the expense account padding misbehavior of one of his employees will produce a form of stress that Miguel didn’t experience as a field representative. Management’s responsibility in managing stress has not been clearly defined, but there is growing evidence that organizations are devising programs to deal with work-induced stress.

## Group Behavior and Interpersonal Influence

Interpersonal influence and group behavior are also powerful forces affecting organizational performance. The effects of these forces are illustrated in the following account:

Kelly Davis spent two and a half years as a claims adjuster in a busy branch of a national insurance company. During that time she developed close personal friendships among her co-workers. These friendships extended off the job as well. Kelly and her friends were the top team in the bank bowling league.

Two months ago Kelly was promoted to branch manager. She was excited about the new challenge but was a little surprised that she received the promotion since some other likely candidates in the branch had been with the insurance company. She began the job with a great deal of optimism and believed her friends would be genuinely happy for her and supportive of her efforts. However, since she became branch manager, things haven't seemed quite the same. Kelly can't spend nearly as much time with her friends because she is often away from the branch attending management meetings at the main office. A computer training course she must attend two evenings a week has caused her to miss the last two wine-and-cheese club meetings, and she senses that some of her friends have been acting a little differently toward her lately.

Recently, Kelly said, "I didn't know that being part of the management team could make that much difference. Frankly, I never really thought about it. I guess I was naïve. I'm seeing a totally different perspective on the business and have to deal with problems I never knew about."

Kelly Davis's promotion has made her a member of more than one group. In addition to being a member of her old group of friends at the branch, she also is a member of the management team. She is finding out that group behavior and expectations have a strong impact on individual behavior and interpersonal influence. Our model includes a number of important aspects of group and interpersonal influence on organization behavior: leadership, group behavior, intergroup behavior and conflict, and organizational power and politics.

### *Groups and Teams*

Groups form because of managerial action, and also because of individual efforts. Managers create work groups to carry out assigned jobs and tasks. Such groups, created by managerial decisions, are termed formal groups. The group that Kelly Davis manages at her branch is a formal group.

Groups also form as a consequence of employees' actions. Such groups, termed informal groups, develop around common interests and friendships. The wine-and-cheese club at Kelly Davis's branch is an informal group. Though not sanctioned by management, groups of this kind can affect organizational and individual performance. The effect can be positive or negative, depending on the intention of the group's members. If the group at Kelly's branch decided informally to slow the work pace, this norm would exert pressure on individuals who wanted to remain a part of the group. Effective managers recognize the consequences of the individual's need for affiliation.

### *Managing Conflict and Negotiations*

As groups function and interact with other groups, they develop their own unique set of characteristics, including structure, cohesiveness, roles, norms, and processes. As a result, groups may cooperate or compete with other groups, and intergroup competition can lead to conflict. If the management of Kelly's insurance company instituted an incentive program with cash bonuses to the branch bringing in the most new customers, this might lead to competition and conflict among the branches. While conflict among groups can have beneficial results for an organization, too much or the wrong kinds of intergroup conflict

can have very negative results. Managers need to develop and use a wide range of negotiation skills to keep groups functioning effectively. Thus, managing intergroup conflict is an important aspect of managing organizational behavior.

### ***Power, Politics, and Empowerment***

Power in the context of group behavior is the ability to get someone to do something you want done or to make things happen in the way you want them to happen. Many people in our society are very uncomfortable with the concept of power, and some are very offended by it. This is because the essence of power is control over others. To many Americans, control over others is an offensive thought. However, power is a reality in organizations. Managers derive power from both organizational and individual sources. Kelly Davis has power by virtue of her position in the formal hierarchy of the insurance company. She controls performance evaluations and salary increases. However, she also may have power because her co-workers respect and admire the abilities and expertise she possesses. Managers, therefore, must understand the concept of power and when to delegate it to others.

### **Organizational Processes**

Certain behavioral processes give life to an organization. When these processes do not function well, problems can arise, as illustrated in this account:

When she began to major in marketing as a junior in college, Debra Chin knew that some day she would work in that field. Once she completed her MBA, she was more positive than ever that marketing would be her life's work. Because of her excellent academic record, she received several outstanding job offers. She decided to accept the job offer she received from one of the nation's largest consulting firms. She believed this job would allow her to gain experience in several areas of marketing and to engage in a variety of exciting work. On her last day on campus, she told her favorite professor: "This has got to be one of the happiest days of my life, getting such a great career opportunity."

Recently, while visiting the college placement office, the professor was surprised to hear that Debra had told the placement director that she was looking for another job. Since she had been with the consulting company less than a year, the professor was somewhat surprised. He decided to call Debra to find out why she wanted to change jobs. This is what she told him: "I guess you can say my first experience with the real world was 'reality shock.' Since being with this company, I have done nothing but gather data on phone surveys. All day long I sit and talk on the phone, asking questions and checking off the answers. In graduate school I was trained to be a manager, but here I am doing what any high school graduate can do. I talked to my boss, and he said that all employees have to pay their dues. Well, why didn't they tell me this when they were recruiting me? To say there was a conflict between the recruiting information and the real world would be a gross understatement. I'm an adult—why didn't they provide me with realistic job information, then let me decide if I want it? A little bit of accurate communication would have gone a long way."

This book includes discussion of a number of processes that contribute to effective organizational performance: communication, decision making, and leadership.

### ***Communication Process***

Organizational survival is related to the ability of management to receive, transmit, and act on information. The communication process links the people within the organization. Information integrates the activities of the organization with the demands of the environment. But information also integrates the internal activities of the organization. Debra Chin's problem arose because the information that flowed from the organization was different from the information that flowed within the organization.

## YOU BE THE JUDGE

At New Hope Natural Media in Boulder, Colorado, a questionnaire is included in every paycheck asking for feedback in four key areas: the employees' feelings about their financial package, their feelings toward other employees, their feelings about the skills they are developing, and their overall feelings about their job. What is the company's objective of receiving feedback in these four areas? How can this feedback be used?

Communication and feedback are considered the "breakfast of champions" at New Hope Natural Media. You be the judge. Do you think this is a good management approach? Why? These days it is common to read about managerial decisions that are considered unethical. It is now accepted that most decisions made in an organization are permeated by ethical implications. Managers are powerful, and, where power exists, there is potential for good and evil. Headlines emphasize the ethical nature of decision making: "Ponzi Victims Find

Little Solace in Guilty Plea"; "Merrill's \$3.6bn Bonuses under Fire"; "Top Pain Scientist Fabricated Data in Studies, Hospital Says"; "Crisis on Wall Street: Ex-AIG Executive Is Sentenced to 4 Years"; and "Siemens to Pay €1bn Fines in Effort to Close Bribery Scandal."

**Sources:** J. Rosanas, "Beyond Economic Criteria: A Humanistic Approach to Organizational Survival," *Journal of Business Ethics* 78, no. 3 (2008), pp. 447–62; John L. Akula, "Business Crime: What to Do When the Law Pursues You," *Sloan Management Review*, Spring 2000, pp. 29–42; Vita Bekker, Joanna Chung, Brooke Masters, Megan Murphy, and Alan Rappeport, "Ponzi Victims Find Little Solace in Guilty Plea," *Financial Times*, March 12, 2009, p. 16; Sarah O'Connor, "Merrill's \$3.6bn Bonuses under Fire," *Financial Times*, March 31, 2009, p. 2; Keith J. Winstein and David Armstrong, "Top Pain Scientist Fabricated Data in Studies, Hospital Says," *The Wall Street Journal*, March 11, 2009, p. A12; Amir Efrati, "Crisis on Wall Street: Ex-AIG Executive Is Sentenced to 4 Years," *The Wall Street Journal*, January 28, 2009, p. C3; Daniel Schäfer, "Siemens to Pay €1bn Fines in Effort to Close Bribery Scandal," *Financial Times*, December 16, 2008, p. 17.

The nearby You Be the Judge explains an unusual method of communication at New Hope Natural Media. This method can be used to acquire a sense of what employees are thinking, which can then be valuable to a manager in modifying the compensation system.

### Decision-Making Process

The quality of decision making in an organization depends on selecting proper goals and identifying means for achieving them. With good integration of behavioral and structural factors, management can increase the probability that high-quality decisions will be made. Debra Chin's experience illustrates inconsistent decision making by different organizational units (human resources and marketing) in the hiring of new employees. Organizations rely on individual decisions as well as group decisions, and effective management requires knowledge of both types of decisions.

The power of managers is clearly evidenced in making decisions about employees' well-being, distributing organizational resources, and designing and implementing rules and policies. In Debra Chin's case, she claims the consulting firm didn't provide a realistic job preview. She is making a statement that suggests unethical behavior on the part of the individuals who interviewed her for the consulting firm job. Was this the right thing for the company to do? Debra suggests that it was not the right thing or the ethical way to conduct an interview. Ethical dilemmas will be discussed throughout the book because managers and workers must make decisions every day that have an ethical component.<sup>46</sup>

### Leadership Process

Leaders exist within all organizations. Like the insurance company's Kelly Davis, they may be found in formal groups, but they also may be found in informal groups. Leaders may be managers or nonmanagers. The importance of effective leadership for obtaining individual, group, and organizational performance is so critical that it has stimulated a great deal of effort to determine the causes of such leadership. Some people believe that effective leadership depends on traits and certain behaviors—separately and in combination. Other people

## YOU BE THE JUDGE COMMENT

Receiving feedback from employees about their jobs, feelings, attitudes, preferences, and impressions is invaluable. The feedback can be used to make specific modifications in financial

packages, social and interpersonal opportunities, skill development, and job characteristics. Feedback from trusted sources can result in noticeable changes and improvement.

believe that one leadership style is effective in all situations. Still others believe that each situation requires a specific leadership style. Are managers always leaders? Unfortunately, the answer is no, as will be found throughout this book.

### Organizational Design, Change, and Innovation

To work effectively in organizations, managers must have a clear understanding of the organizational structure. Viewing an organization chart on a piece of paper or framed on a wall, one sees only a configuration of positions, job duties, and lines of authority among the parts of an organization. However, organizational structures can be far more complex than that, as illustrated in the following account:

Dr. John Rice recently was appointed dean of the business school at a major university. Before arriving on campus, John spent several weeks studying the funding, programs, faculty, students, and organizational structure of the business school. He was trying to develop a list of priorities for things he believed would require immediate attention during his first year as dean. The president of the university had requested that he have such a list of priorities available when he arrived on campus.

During his first official meeting with the president, John was asked the question he fully expected to be asked: "What will be your No. 1 priority?" Rice replied: "Although money is always a problem, I believe the most urgent need is to reorganize the business school. At present, students can major in only one of two departments—accounting and business administration. The accounting department has 20 faculty members. The business administration department has 43 faculty members, including 15 in marketing, 16 in management, and 12 in finance. I foresee a college with four departments—accounting, management, marketing, and finance—each with its own chairperson. First, I believe such a structure will enable us to better meet the needs of our students. Specifically, it will facilitate the development of major programs in each of the four areas. Students must be able to major in one of the four functional areas if they are going to be prepared adequately for the job market. Finally, I believe such an organizational structure will enable us to more easily recruit faculty since they will be joining a group with interests similar to their own."

As this account indicates, an organization's structure is the formal pattern of activities and interrelationships among the various subunits of the organization.

Managers sometimes must consider the possibility that effective organizational functioning can be improved by making significant changes in the total organization. Organizational change and development represent planned attempts to improve overall individual, group, and organizational performance. Debra Chin might well have been spared the disappointment she experienced had an organizational development effort uncovered and corrected the inconsistent communication and decision making that brought about Debra's unhappiness. Concerted, planned, and evaluative efforts to improve organizational functioning have great potential for success.

Change and innovation are so vital to an organization's success that managers must be prepared for reactions to them from employees. Change and innovation typically disrupt normal routines and patterns of behavior. When routines are disrupted, reactions can range from enthusiastic acceptance to covert sabotage.

### Summary of Key Points

- The key to an organization's success is the institution's human resources. Organizations need human resources that work hard, think creatively, and perform excellently. Rewarding, encouraging, and nurturing the human resources in a timely and meaningful manner is required.
- A number of contributing disciplines stand out such as psychology, sociology, and cultural anthropology.
- The behavior of employees is the key to achieving effectiveness. People behave in many predictable and unpredictable ways. Each person has a unique behavioral pattern. Managers must observe, respond to, and cope with the array of behavior patterns displayed by employees.
- The "effect" is the behavior or reaction of a person who is being observed. Individuals who are being observed are likely to react in a nonroutine way because they are being watched or are a part of an experiment.
- Systems theory is used to integrate organizational effectiveness and time. Two main conclusions of systems theory are: (1) effectiveness criteria (e.g., productivity, quality, adaptiveness) must reflect the entire input-process-output cycle; and (2) effectiveness criteria must reflect the interrelationships between the organization and its outside environment. The organization is simply an element or part of a larger system, the environment.
- Employers and employees enter into psychological contracts. The employer believes that no worker is guaranteed a lifelong job or pay raise. If the worker's performance is good and profit is earned, then employment continues and pay raises are provided. Employees today believe that employers should be honest, concerned about their families, and interested in their overall health. These assumptions are the basis of what is called the new psychological agreement or contract.

1. Describe some of the innovative management practices that managers like Tony Hsieh of Zappos use to be successful.
2. What are the key principles of scientific management?
3. What knowledge about human behavior in the workplace was discovered during the Hawthorne studies?
4. Why does the field of organizational behavior draw on so many different disciplines?
5. How would you determine whether a large public hospital in your city (community or regional) is effective?
6. In today's fast-paced, global, and technological environment, it is important for an organization of any size to be adaptive. How do firms such as Facebook, Google, and Apple adapt?
7. What abilities will managers need to be successful in the 21st century? Which of these abilities do you have now? How do you plan to acquire the others?



8. The psychological contract between workers and employers specifies what each expects to give and receive from the other. What can you offer an employer, and what do you expect in return?
9. As a manager, what type of quality improvement results should you strive for in order to achieve success over both the short and long run?
10. What are five things that you, as a manager, can do to lead the way to higher levels of effectiveness?

## Exercise

### Exercise 1.1: *Initial View of Organizational Behavior*

Now you have completed Chapter 1, which sets the tone for the book *Organizational Behavior and Management*, complete the following exercise. This should be used as your beginning baseline assumptions, opinions, and understanding of organizational behavior. Once you have completed the course (book), we will take another look at your assumptions, opinions, and understanding.

This exercise contains 20 pairs of statements about organizational behavior. For each pair, circle the letter preceding the statement that you think is most accurate. Circle only *one* letter in each pair.

After you have circled the letter, indicate how certain you are of your choice by writing 1, 2, 3, or 4 on the line following each item according to the following procedure.

- Place “1” if you are *very uncertain* that your choice is correct.
- Place “2” if you are *somewhat uncertain* that your choice is correct.
- Place “3” if you are *somewhat certain* that your choice is correct.
- Place “4” if you are *very certain* that your choice is correct.

Do not skip any pairs.

1.
  - a. A supervisor is well advised to treat, as much as possible, all members of his/her group exactly the same way.
  - b. A supervisor is well advised to adjust his/her behavior according to the unique characteristics of the members of his/her group. \_\_\_\_\_
2.
  - a. Generally speaking, individual motivation is greatest if the person has set goals for himself/herself that are *difficult* to achieve.
  - b. Generally speaking, individual motivation is greatest if the person has set goals for himself/herself that are *easy* to achieve. \_\_\_\_\_
3.
  - a. A major reason organizations are not as productive as they could be these days is that managers are too concerned with managing the work group rather than the individual.
  - b. A major reason organizations are not as productive as they could be these days is that managers are too concerned with managing the individual rather than the work group. \_\_\_\_\_
4.
  - a. Supervisors who, sometime before becoming a supervisor, have performed the job of the people they are currently supervising are apt to be more effective supervisors than those who have never performed that particular job.
  - b. Supervisors who, sometime before becoming a supervisor, have performed the job of the people they are currently supervising are apt to be less effective supervisors than those who have never performed that particular job. \_\_\_\_\_
5.
  - a. On almost every matter relevant to the work, managers are well-advised to be completely honest and open with their subordinates.
  - b. There are very few matters in the workplace where managers are well-advised to be completely honest and open with their subordinates. \_\_\_\_\_
6.
  - a. One's need for power is a better predictor of managerial advancement than one's motivation to do the work well.



# Reality Check

## Now how much do you know about organizations?

6. Deming and Juran are considered world-class experts on \_\_\_\_\_.
  - a. organizations
  - b. quality
  - c. mathematics
  - d. business planning
7. Psychology has made a major contribution to organizational behavior, especially at what level of analysis?
  - a. System
  - b. Team
  - c. Individual
  - d. Organization
8. Most would agree that the most important long-run criterion of effectiveness is \_\_\_\_\_.
  - a. efficiency
  - b. satisfaction
  - c. costs
  - d. survival
9. The field of organizational behavior considers \_\_\_\_\_ to be crucial for conducting research.
  - a. cost factors
  - b. scientific method
  - c. board of examiners
  - d. forensic accounting
10. Who was credited with introducing the concept of scientific management?
  - a. Joseph Juran
  - b. Henri Fayol
  - c. Frederick W. Taylor
  - d. Joseph Wharton

## REALITY CHECK ANSWERS

### Before

1. *b* 2. *c* 3. *a* 4. *c* 5. *c*  
 Number Correct \_\_\_\_\_

### After

6. *b* 7. *c* 8. *d* 9. *b* 10. *c*  
 Number Correct \_\_\_\_\_

7. *a*. When people fail at something, they try harder the next time. \_\_\_\_\_
- b*. When people fail at something, they quit trying. \_\_\_\_\_
8. *a*. Performing well as a manager depends most on how much education you have. \_\_\_\_\_
- b*. Performing well as a manager depends most on how much experience you have. \_\_\_\_\_
9. *a*. The most effective leaders are those who give more emphasis to getting the work done than they do to relating to people. \_\_\_\_\_
- b*. The most effective leaders are those who give more emphasis to relating to people than they do to getting the work done. \_\_\_\_\_
10. *a*. It is very important for a leader to “stick to his/her guns.” \_\_\_\_\_
- b*. It is *not* very important for a leader to “stick to his/her guns.” \_\_\_\_\_

11. *a.* Pay is the most important factor in determining how hard people work.
- b.* The nature of the task people are doing is the most important factor in determining how hard people work. \_\_\_\_\_
12. *a.* Pay is the most important factor in determining how satisfied people are at work.
- b.* The nature of the task people are doing is the most important factor in determining how satisfied people are at work. \_\_\_\_\_
13. *a.* Generally speaking, it is correct to say that a person's attitudes cause his/her behavior.
- b.* Generally speaking, it is correct to say that a person's attitudes are primarily rationalizations for his/her behavior. \_\_\_\_\_
14. *a.* Satisfied workers produce more than workers who are not satisfied.
- b.* Satisfied workers produce no more than workers who are not satisfied. \_\_\_\_\_
15. *a.* The notion that most semiskilled workers desire work that is interesting and meaningful is most likely incorrect.
- b.* The notion that most semiskilled workers desire work that is interesting and meaningful is most likely correct. \_\_\_\_\_
16. *a.* People welcome change for the better.
- b.* Even if change is for the better, people will resist it. \_\_\_\_\_
17. *a.* Leaders are born, not made. \_\_\_\_\_
- b.* Leaders are made, not born. \_\_\_\_\_
18. *a.* Groups make better decisions than individuals.
- b.* Individuals make better decisions than groups. \_\_\_\_\_
19. *a.* The statement, "A manager's authority needs to be commensurate with his/her responsibility" is, practically speaking, a very meaningful statement.
- b.* The statement, "A manager's authority needs to be commensurate with his/her responsibility" is, practically speaking, a very meaningless statement. \_\_\_\_\_
20. *a.* A major reason for the relative decline in North American productivity is that the division of labor and job specialization have gone too far.
- b.* A major reason for the relative decline in North American productivity is that the division of labor and job specialization have not been carried far enough. \_\_\_\_\_

**Source:** Adapted from Robert Weinberg and Walter Nord, "Coping with 'It's All Common Sense,'" *Exchange: The Organizational Behavior Teaching Journal* 7, no. 2 (1982), pp. 29–32. *Exchange: The Organizational Behavior Teaching Journal* published by Organizational Behavior Teaching Society. Copyright © 1982. Reproduced with permission of Sage Publications, Inc. via Copyright Clearance Center.

## Case

### Case 1.1: REI Tells Employees to Go Outside

The annual holiday shopping season typically begins on the Friday after Thanksgiving, known by retailers and consumers alike as "Black Friday." In recent years, however, some retailers such as Walmart, Target, and Macy's have moved up the start of their shopping season to Thanksgiving Day, which has caused much debate about making employees work on a holiday typically spent with family and friends.

Over the past few years, specialty outdoor retailer Recreational Equipment Inc. (REI) bucked the holiday shopping trend all together. The company announced it would not only close its stores on Black Friday, but would also pay its almost 15,000 employees to take the day off and "go outside." REI also told consumers that online purchases made on the company's website would

not be processed until Saturday of the extended holiday weekend, allowing all of its employees to #OptOutside.

Reaction to REI's unusual strategy was overwhelmingly positive. And according to retail analysts, the company's decision to close its brick-and-mortar stores on Black Friday increased its online traffic dramatically—26 percent from a previous year—a win-win for both the company and its employees.

REI has been ahead of the curve on sustainable business practices and exceptional employee benefits for many years. Based in Kent, Washington, the company began in 1938 when Lloyd and Mary Anderson formed a cooperative to share outdoor gear with some of their mountain-climbing friends. A total of 23 people each paid \$1 to join. Fast-forward 75 years, and the retailer is

the nation's largest consumer cooperative. Consumers join as members (currently \$20 for a lifetime membership) and receive 10 percent back on purchases they make in stores or online as part of an annual dividend. REI has more than 19 million active members and more than \$3.2 billion in annual revenues.

The company's employee-friendly culture is not new. In the early 1960s, the company began providing employees and their families with health care benefits and implemented a profit-sharing program soon after. By the mid-1970s, REI launched a philanthropy program to support outdoor recreation, donating more than \$40 million to date to projects on public lands. More than 20 years ago, in 1996, REI launched the largest outdoor gear and apparel store on the Internet. And REI was voted one of *Fortune's* "100 Best Companies to Work For" in 2019 for the 23rd straight year.

Several years ago, REI started giving employees two "Yay Days" on an annual basis. A "Yay Day" is an extra paid day off when employees are invited to try something new, challenge themselves in a favorite activity, or work on an outdoor stewardship project. This additional paid time off allows staffers to reconnect with the outdoors in an effort to gain knowledge they can share with REI customers. And sharing their "Yay Day" experiences on social media helps employees provide REI with great marketing exposure to attract more job seekers and potential customers to the company and its employee-friendly culture. More than 1,200 photos were posted on Instagram tagged #REIYayDay.

Unlike some companies, REI works hard to retain its employees. The company would like employees to spend their entire working career with the organization. In

2019, REI funded more than \$78 million in profit-sharing and employee incentives.

These business strategies all support the company's core mission of providing more people with greater access to the outdoors while promoting environmental and social stewardship. REI also gives back to the outdoor community by investing millions of dollars (\$8 million in 2019) in more than 425 nonprofit partners around the country. As noted in the company's annual stewardship report, "For REI, success means running a healthy business and making a positive impact on our employees, members, and society."

### Questions

1. How does REI leverage its social and environmental stewardship to attract and retain top employees?
2. Explain how REI uses social media to communicate its organizational culture to employees, co-op members, and potential new hires.
3. Why does giving "Yay Days" to employees help support REI's overall business strategies?

**Sources:** REI, "2019 Stewardship Report" and "2019 by the Numbers," <https://www.rei.com>, accessed January 2, 2021; "REI: Celebrating 75 Years of Adventure, Employee Perspectives," *YouTube*, <http://www.youtube.com>, accessed January 2, 2021; Katie Boué, "Yay for Corporate Culture," *Outdoor Industry Association*, <https://outdoorindustry.org>, accessed January 2, 2021; Eric Artz, "More Important Than Ever Before, We#OptOutside Again on Black Friday," *REI News*, October 1, 2020, <https://www.rei.com/blog>; April Berthene, "REI Again Closes for Black Friday and Encourages Consumers to 'Opt to Act,'" *Digital Commerce 360*, October 24, 2019, <https://www.digitalcommerce360.com>; Molly Brown, "REI's Move to Close Black Friday Pays Off with 20 Percent Hike in Online Traffic," *Geekwire*, November 30, 2015, <https://www.geekwire.com>; Matt Kates, "Banning Black Friday: REI's Decision to Opt Out (and Why Others May Want to Follow)," *Forbes*, November 16, 2015, <https://www.forbes.com>.

## CHAPTER TWO



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# International and Organizational Culture

## Learning Objectives

After completing Chapter 2, you should be able to:

- **Give** examples of how culture and values influence workplace behavior.
- **Describe** the key components and levels of organizational culture.
- **Explain** the various methods that managers use to influence culture change.
- **Identify** ways in which socialization sustains organizational culture.
- **Compare** the characteristics of effective socialization.

To succeed in an increasingly global economy, managers need to understand that culture has a profound effect on behavior within organizations. A country's culture affects how organizational transactions are conducted (e.g., marketing, hiring practices, reward programs, supervisor–employee interactions, and use of technology). Knowledge of and flexibility regarding how to work productively with individuals from different backgrounds have become important factors for managers to consider as part of their daily work activities. Learning to operate in a world influenced by cultural differences is a mandatory requirement for effective management in today's global business environment.<sup>1</sup>

In addition to national culture, the culture within an organization also exerts influence over employee behavior. When a person moves from one firm to another or even from one department to another in the same company, he or she senses and experiences differences between the environments. Attempting to adjust to these different environments involves learning new values, processing information in new ways, and working within an established set of norms, customs, and rituals. The adaptation to new environments is becoming a common occurrence and is likely to remain so well into the 21st century. Although adaptation is difficult, it can be better understood by learning about organizational culture.<sup>2</sup>

This chapter begins by discussing how international cultures and societal values can influence managerial actions and employee behaviors. It then discusses organizational culture and its effects, and how organizations sustain their culture through socialization. Cultural anthropologists propose that a national culture is learned, it is shared, and it defines the boundaries of different groups and various aspects of a country's culture (e.g., aesthetics, religion, attitudes, legal factors, language, and education) that are interrelated.<sup>3</sup> Thus, a **national culture** is the sum total of the beliefs, rituals, rules, customs, artifacts, and institutions that characterize the population of a nation.

Nation states such as Brazil, Russia, India, China, and the United States are created politically. They usually contain more than one culture. For example, Canada's population comprises several cultures—Anglo, Quebecers (French-speaking), Asian, African, Arab, and Amerindian. Iraq consists of Kurdish and Arab cultural groups—Shiites and Sunnis (different sects of the Islam religion).<sup>4</sup>

### national culture

The sum total of the beliefs, rituals, rules, customs, artifacts, and institutions that characterize the population of a nation.

# Reality Check

## How much do you know about culture?

1. An organization (also a smaller unit such as a department) has how many cultural levels?
  - a. One
  - b. Two
  - c. Three
  - d. Four
2. What process should a manager be familiar with in terms of transmitting cultural signals?
  - a. Reorganization
  - b. Delegation
  - c. Reverse engineering
  - d. Socialization
3. Which of the following company cultures include giving its customers a "Wow!" experience through service?
  - a. IBM
  - b. Zappos
  - c. The Body Shop
  - d. Facebook
4. True or false: Workplace spirituality is considered to be the same as religion.
  - a. True
  - b. False
5. A country with a high level of uncertainty avoidance is \_\_\_\_\_.
  - a. France
  - b. United States
  - c. Japan
  - d. China

The values, norms, customs, and rituals of cultures do not simply appear. They take an evolutionary course and are influenced by politics, religion, language, and other cultural aspects. Individuals and groups in the society play a role in the course that a culture takes over time.

## National Culture and Values Influence Workplace Behavior

### values

The guidelines and beliefs that a person uses when confronted with a situation in which a choice must be made.

Organizations are able to operate efficiently only when shared values exist among the employees. **Values** are the conscious, affective desires or wants of people that guide behavior. An individual's personal values guide behavior on and off the job. If a person's set of values is important, it will guide the person and also enable the person to behave consistently across situations.

Values are a society's ideas about what is right or wrong, such as the belief that hurting someone physically is immoral. Values are passed from one generation to the next and are communicated through education systems, religion, families, communities, and organizations.<sup>5</sup>

One useful framework for understanding the importance of values in organizational behavior is provided by Hofstede. The result of his research on 116,000 people in 50 countries has been a four-value dimension framework.<sup>6</sup> From this initial research, Hofstede identified four value dimensions by which cultures can differ: (1) power distance, (2) uncertainty avoidance, (3) individualism, and (4) masculinity/femininity. Two additional dimensions

were added as a result of subsequent research: long-term/short-term orientation and indulgence/restraint.

*Power distance* is the level of acceptance by a society of the unequal distribution of power in organizations. The extent to which unequal power is accepted by subordinates in organizations differs across countries. In countries in which people display high power distance (e.g., Mexico), employees acknowledge the boss's authority and typically follow the chain of command. This respectful response results, predictably, in more centralized authority and structure. In countries where people display low power distance (e.g., Norway), superiors and subordinates are likely to regard one another as equal in power, resulting in a more decentralized and less rigid management structure and style.

The concept of *uncertainty avoidance* refers to the extent to which people in a society feel threatened by ambiguous situations. Countries with a high level of uncertainty avoidance (e.g., France) tend to have specific rules, laws, and procedures. Managers in these countries tend to have a propensity for low-risk decision making, and employees exhibit little aggressiveness. In countries with lower levels of uncertainty avoidance (e.g., Hong Kong), organizational activities are less formal, more risk taking occurs, and there is high job mobility.

*Individualism* refers to the tendency of people to fend for themselves and their family. In countries that value individualism (e.g., the United States), individual initiative and achievement are highly valued and the relationship of the individual with organizations is one of independence.

In many Arab countries, where low individualism exists, one finds tight social frameworks and emotional dependence on belonging to the organization. These countries emphasize collectivism. Japan is a collectivist country in which the will of the group rather than the individual predominates. Collectivist societies value harmony, whereas individualistic cultures value self-respect and autonomy.

*Masculinity/femininity* refers to the presence of traditionally "masculine" values—assertiveness and materialism—and "feminine" values—a concern for relationships and the quality of life. In highly masculine societies (e.g., Switzerland), one finds considerable job stress and conflict between the job and family roles. In countries with low masculinity (e.g., Denmark), one finds less conflict and stress.

Several years after Hofstede's original research was conducted, Chinese scholars identified a fifth cultural dimension. They administered the Chinese Value Survey (CVS) to Chinese students in 22 countries across five continents. *Long-term orientation*, the dimension identified, is defined as the degree to which members of a given culture value persistence, thrift (savings), and order in relationships.<sup>7</sup> It has been argued that cultures with a long-term orientation are more likely to experience stronger economic growth and entrepreneurial activity. The opposite pole of this dimension, *short-term orientation*, is when a culture values respect for tradition, the exchange of favors and gifts, protecting one's "face" (i.e., avoiding shame), and steadiness and stability. Both poles of this dimension can be traced to the teachings of the Chinese philosopher, Confucius; however, this dimension also applies to non-Confucian-influenced countries.<sup>8</sup>

The sixth cultural dimension is *indulgence/restraint*, which describes the extent to which a culture controls the desire to pursue enjoyment and fun. An indulgent culture allows relative freedom to seek pleasure, and its values place relatively great importance on leisure and freedom of speech. Such cultures, which include Mexico, the United States, and Canada, tend to have more people who describe themselves as happy and perceive they have personal control over their life. A restrained culture tends to control the impulse to gratify personal needs, and it imposes strict social norms. Examples include Russia and China.<sup>9</sup>

The results of Hofstede's research are shown in what he calls maps of the world. The maps reveal at a glance the similarities and differences in work values across nations.



**EXHIBIT 2.1** Sample of Hofstede's Research on Cultural Values

Sources: Adapted from "Cultural Tools," [www.geert-hofstede.com](http://www.geert-hofstede.com), accessed January 3, 2021; Geert Hofstede and Michael Harris Bond, "The Confucius Connection: From Cultural Roots to Economic Growth," *Organizational Dynamics* 16, no. 4 (1988), pp. 4–21.

Hofstede Dimension	High	Medium	Low
Individualism	United States	Austria	Indonesia
Power distance	Malaysia	Italy	Israel
Uncertainty avoidance	Argentina	Australia	Hong Kong
Masculinity/femininity	Japan	Brazil	Sweden
Long-term orientation	China	Netherlands	Philippines
Indulgence/restraint	Canada	Finland	Russia

Exhibit 2.1 presents a sample of Hofstede's research findings. The six cultural value dimensions are interdependent and complex.<sup>10</sup> Consequently, the effects of values on workplace productivity, attitudes, and effectiveness are difficult to determine. Managers must be cautious about grossly overgeneralizing. For example, not all Americans value individualism, masculinity values, a low power distance, and moderate uncertainty avoidance.

A society's values have an impact on organizational values because of the interactive nature of work, leisure, family, and community.<sup>11</sup> American culture has historically given work a central place in the constellation of values. Work remains a source of self-respect and material reward in the United States. Work also serves as a place to achieve personal growth and fulfillment. As the demographics and makeup of the workforce become more culturally diverse, it will become extremely important for managers to learn about the value system and orientations of the changing workforce.<sup>12</sup> Does the value mix change or is it different for African Americans, Mexican Americans, Asian Americans immigrants, and others who are increasing in numbers in the society and in the workforce? This is a question that researchers and managers will need to explore further in the next few decades.

Based on their studies and review of the literature, scholars such as Hofstede believe that managers' national origin significantly affects their views and style of managing. Just as there's an American bias in some managerial approaches, there's a Brazilian, Chinese, or Indian bias in other management practices. No nation, group of managers, or set of researchers is perfectly free of any bias or ethnocentric tendencies. Cross-cultural understanding will come about only if managers and researchers are willing to increase their global perspectives and knowledge bases about diverse groups of employees. Global approaches to managing organizational behavior will eventually become a top priority around the world. The era of domestically bound approaches to managing what occurs in organizations is ending.

## Organizational Culture Matters

When people walk into a Starbucks coffeehouse, call the customer service line of online retailer Zappos, or stop by to eat at a McDonald's restaurant, they notice that there's something different about each of these organizations. Starbucks's associates and baristas go the extra mile to connect with customers and fulfill the company's mission "to inspire and nurture the human spirit—one person, one cup and one neighborhood at a time."<sup>13</sup> One of Zappos's core values is to "deliver WOW through service," and that's what the customer service representatives try to do each time they talk with a customer.<sup>14</sup> With more than 38,000 restaurants in more than 100 countries, McDonald's has enjoyed considerable success as a result of its strong culture and unwavering focus on quality, service, and cleanliness.<sup>15</sup> Although culture can't be seen, it can be sensed or felt through employees' attitudes, emotions, and perceptions. Organizational culture is like an invisible glue that holds an organization together.



## Organizational Culture Defined

Despite being an important concept, organizational culture as a perspective to understand the behavior of individuals and groups within organizations has its limitations. First, it is not the only way to view organizations. We have already discussed the Systems Theory without even mentioning culture. Second, like so many concepts, organizational culture is not defined the same way by any two popular theorists or researchers. Some of the definitions of culture are as follows:

- Symbols, language, ideologies, rituals, and myths.<sup>16</sup>
- Organizational scripts derived from the personal scripts of the organization's founder(s) or dominant leader(s).
- Is a product; is historical; is based upon symbols; and is an abstraction from behavior and the products of behavior.<sup>17</sup>

Organizational culture is what the employees perceive and how this perception creates a pattern of beliefs, values, and expectations. Edgar Schein defined organization culture as:

A pattern of basic assumptions—invented, discovered, or developed by a given group as it learns to cope with the problems of external adaptation and internal integration—that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.<sup>18</sup>

The Schein definition points out that culture involves assumptions, adaptations, perceptions, and learning. He further contends that an organization's culture such as that of Samsung, Citigroup, or Singapore Airlines has three levels. Level one includes artifacts that are visible but not often interpretable. A company's annual report, approved dress code, and office layout are examples of artifacts within an organization. At level two are values or things that are important to people. Values are conscious, affective desires or wants. For example, a company's plan to become more environmentally friendly in its day-to-day operations would occur at level two. At level three are the basis or unconscious assumptions that people make that guide their behavior. Included in this level are assumptions that tell individuals how to perceive, think about, and feel about work, performance goals, human relationships, and the performance of colleagues. For example, if a company decides it needs to be more environmentally friendly, the unconscious assumption about that desire is that the company must also maintain profitability while trying to become "green." Exhibit 2.2 presents the three levels of organizational culture.

### EXHIBIT 2.2 Three Levels of Organizational Culture

Source: Adapted from E. H. Schein, "Coming to a New Awareness of Organizational Culture," *Sloan Management Review* 25, no. 2 (Winter 1984), pp. 3–16.

