

ORGANIZATIONAL A SKILL-BUILDING APPROACH BEHAVIOR

EDITION

2

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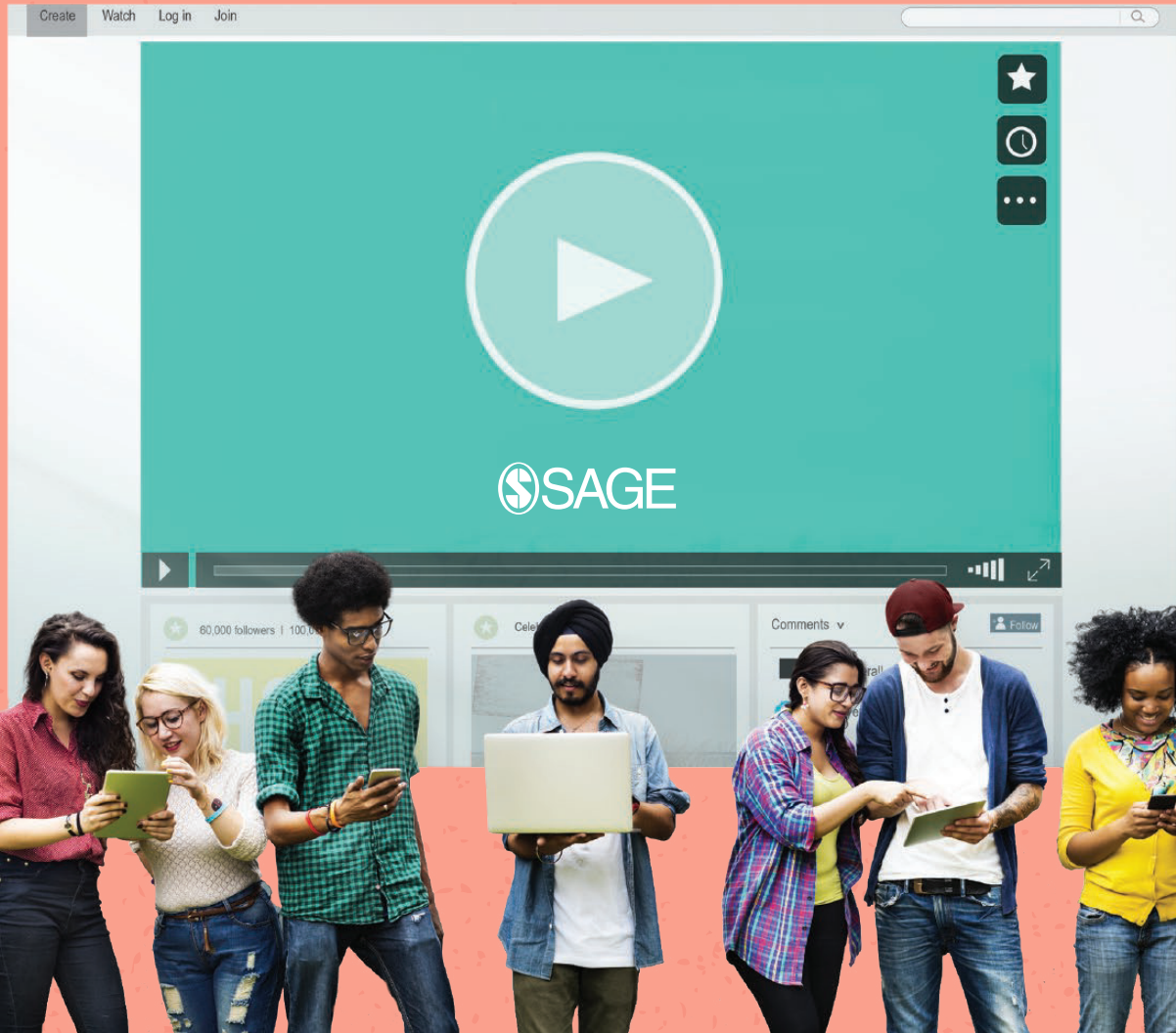


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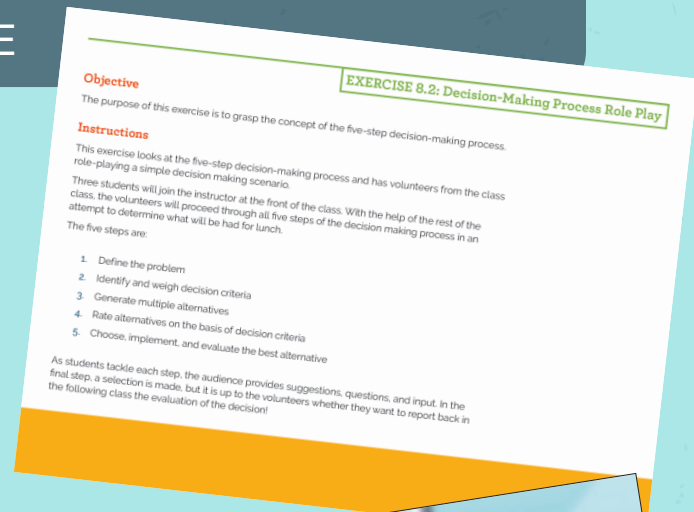


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Organizational Behavior

A Skill-Building Approach

Second Edition

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PREFACE

Nikos Kazantzakis once wrote:

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

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

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

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

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

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

Our Vision

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

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

What Makes Our Book Unique

Skill-building approach. Students are provided with opportunities to develop motivational, leadership, and teamwork skills that will help them to analyze behavioral patterns and take appropriate actions to help shape and influence those behaviors in positive ways. Supporting students in building and developing the skills and abilities that will allow them to make decisions and take actions that result in expected and desirable behaviors and related outcomes is the primary objective of our textbook.

Practical applications, self-assessments, experiential exercises, and additional pedagogical features make OB come to life and encourage students to engage with OB concepts in meaningful ways.

A Skill-Building Approach

We believe that in today’s business world, organizational behavior is more important than ever. Companies are looking for employees and managers who have strong organizational behavior skills. Leadership, teamwork, motivational capabilities, decision making, communication, ethics, and creativity are valuable and essential people skills needed in organizations.

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

Why Critical Thinking Matters in OB

Critical thinking is an essential skill; managers use critical thinking to understand, explain, predict, and influence behavior in the workplace. A critical thinker uses his or her intelligence, knowledge, and skills to question and carefully explore situations and to arrive at thoughtful conclusions based on evidence and reason. Someone thinking critically is able to get past biases and view situations from different perspectives to ultimately improve his or her understanding of the world.

Business leaders use critical thinking when making decisions, solving problems, gathering information, and asking questions. Time and again, research has shown the effectiveness of critical thinking in the workplace. In an article published in the journal *Current Directions in Psychological Science*, the authors report that cognitive ability tests, including critical-thinking tests, “are among the strongest and most consistent predictors of performance across academic and work settings.”¹

In *Organizational Behavior: A Skill-Building Approach*, we use the components and core skills of critical thinking to teach the many facets of organizational behavior to students. Adding critical thinking to these behaviors further enhances students’ abilities to strategically think as well as analyze and solve problems. By seeking first to understand the dynamics of human behavior, then sharing the knowledge learned,

they will be able to build more successful relationships within their personal and professional lives.

How Our Book Incorporates Critical Thinking

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

Chapter 1 explains the central role critical thinking plays in OB and introduces a five-step **critical-thinking framework** that students can apply to challenging scenarios, problems, decisions, and other issues.

Thinking Critically questions don't necessarily have a right or wrong answer but rather are designed to challenge students to think critically and achieve higher levels of learning.

Examining the Evidence boxes highlight a recent seminal OB study from high-quality OB journals and discuss its practical applications in the business world. Critical-thinking questions at the end of each box allow students to see how research in academe applies to real-life settings.

OB in the Real World boxes feature real-world anecdotes, quotes, and examples from seasoned business professionals who share their knowledge and experience with students by describing how they used OB to positively influence outcomes and achieve organizational success. Critical-thinking questions help students see how OB concepts impact real people and organizations.

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

Digital Resources



SAGE edge for Instructors

A password-protected instructor resource site at edge.sagepub.com/neckob2e supports teaching with high-quality content to help in creating a rich learning environment for students. The SAGE edge site for this book includes the following instructor resources:

- **Test banks built on Bloom's Taxonomy** and **AACSB Standards** to provide a diverse range of test items, which allow you to save time and offer a pedagogically robust way to measure your students' understanding of the material
- **Sample course syllabi** with suggested models for structuring your course
- Editable, chapter-specific **PowerPoint® slides** that offer flexibility when creating multimedia lectures
- EXCLUSIVE access to full-text **SAGE journal articles** to expose students to important research and scholarship tied to chapter concepts
- **Video and multimedia content** that enhances student engagement and appeal to different learning styles
- **Lecture notes** that summarize key concepts on a chapter-by-chapter basis to help you with preparation for lectures and class discussions
- Sample **answers to in-text questions** that provide an essential reference

- Lively and stimulating **experiential exercises and activities** that can be used in class to reinforce active learning and the skill-building approach
- **Teaching notes for the cases** to guide analysis
- **Running case studies from the first edition** provide instructors with additional case study content to use for further analysis of chapter concepts
- Suggested film clips showing **OB in the movies** that include analysis and critical-thinking questions
- **Self-Assessments** pulled from the end of each chapter allow students to print and fill out assessments in or outside of the classroom

SAGE edge for students

The open-access companion website helps students accomplish their coursework goals in an easy-to-use learning environment, featuring:

- **Learning objectives** with summaries reinforce the most important material
- Mobile-friendly practice **quizzes** encourage self-guided assessment and practice
- Mobile-friendly **flashcards** strengthen understanding of key concepts
- Carefully selected **video and multimedia content** enhances exploration of key topics to reinforce concepts and provide further insights
- **Self-Assessments** pulled from the end of each chapter allow students to print and fill out assessments in or outside of the classroom
- EXCLUSIVE access to full-text **SAGE journal articles** to expose students to important research and scholarship tied to chapter concepts

SAGE coursepacks

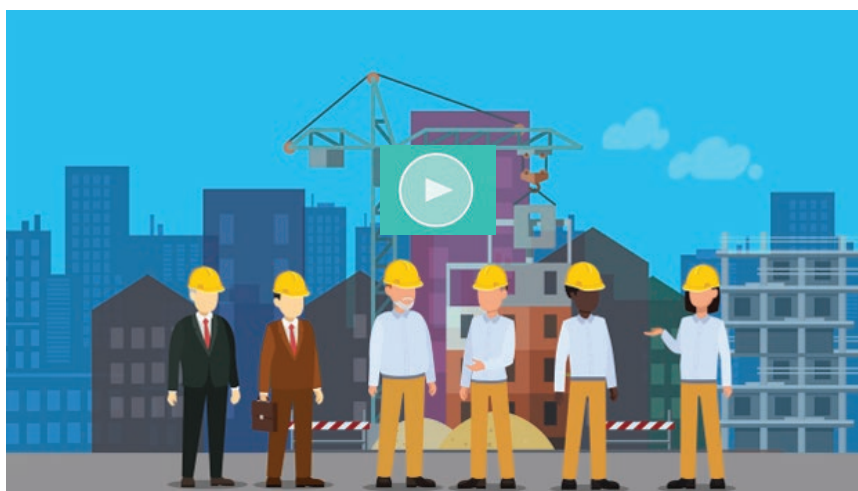
SAGE coursepacks makes it easy to import our quality instructor and student resource content into your school's learning management system (LMS) with minimal effort. Intuitive and simple to use, **SAGE coursepacks** gives you the control to focus on what really matters: customizing course content to meet your students' needs. The SAGE coursepacks, created specifically for this book, are customized and curated for use in Blackboard, Canvase, Desire2Learn (D2L), and Moodle.

In addition to the content available on the SAGE edge site, the coursepacks include:

- **Pedagogically robust assessment tools** that foster review, practice, and critical thinking, and offer a better, more complete way to measure student engagement, including:
 - **Diagnostic chapter pretests and posttests** that identify opportunities for student improvement, track student progress, and ensure mastery of key learning objectives
 - **Instructions** on how to use and integrate the comprehensive assessments and resources provided
 - **Assignable video tied to learning objectives, with corresponding multimedia assessment tools** bring concepts to life that increase student engagement and appeal to different learning styles. The **video assessment questions** feed to your gradebook.
 - **Integrated links to the eBook version** that make it easy to access the mobile-friendly version of the text, which can be read anywhere, anytime

Interactive eBook

Organizational Behavior 2e is also available as an **Interactive eBook** which can be packaged with the text for just \$5 or purchased separately. The Interactive eBook offers hyperlinks to original SAGE videos, including **You Make the Call videos**, which place students in the role of a decision maker within an organization who is faced with a real-world challenge, and **Did You Know videos** that provide students with unassuming research findings from sources such as Gallup and the Harvard Business Review to challenge the assumption that OB is a common-sense course. The Interactive eBook also includes additional case studies, as well as carefully chosen journal articles that students can access with just one click. Users will also have immediate access to study tools such as highlighting, bookmarking, note-taking/sharing, and more!



New to This Edition

In addition to updating 80 percent of the chapter references, we have added two new end-of-chapter exercises and one online exercise for use in online classes to each chapter. We have also moved the continuing case studies from the text to the instructor resource site and replaced them with chapter-opening cases on real-world companies, including Under Armour, Twitter, and Uber. We have updated all

end-of-chapter cases and added new profiles for the OB in the Real World feature. Additionally, we have added a new chapter on ethics and social responsibility and added the topic of trust to Chapter 11 on conflict and negotiation. Please read the section below to see the chapter-specific changes that have been made.

Chapter-by-Chapter Changes

Chapter 1 (Why Organizational Behavior Matters)

- New opening case: Southwest Airlines
- New section explaining why OB is not just common sense
- New OB in the Real World (OBRW) featuring Tom Hatten, founder of Mountainside Fitness
- New OBRW featuring Dr. Karen Hardy, Director of Risk, US Department of Commerce
- More detailed explanation of the four functions of management and how they apply to OB
- Additional discussion on how human skills and communication skills directly relate to organizational behavior
- New case: CVS Health

Chapter 2 (Diversity and Individual Differences)

- New opening case: PepsiCo
- New OBRW featuring Kaia West, HR recruitment, KPMG
- Explores three diversity initiatives commonly used in the workplace (reducing bias, hiring tests, grievance procedures) and explains the reasons why they may not work
- Outlines positive ways for managers to promote diversity
- Describes cross-cultural diversity and how it can be managed within the organization
- Expands discussion of the Big Five model

Chapter 3 (Perception and Learning)

- New opening case: Twitter
- New OBRW, featuring Matt Nuyen, Head of Sales, Currency Capital
- Discusses perception in relation to fake news using current research and media examples
- Expands the discussion of common perceptual distortions (halo effect, stereotypes, selective attention, and so on) with new research

Chapter 4 (Emotions, Attitudes, and Stress)

- New opening case: Under Armour
- New OBRW featuring Clare Collins, founder of Silver Linings Bikinis
- Enhanced discussion of emotional contagion using real-world examples
- Updated information and real-world examples on employee engagement

- Greater coverage of stress in the workplace including the causes of stress, different ways to manage stress, and the impact of stress on job satisfaction
- More discussion on wellness illustrated by new research and real-world examples

Chapter 5 (Motivation: Concepts and Theoretical Perspectives)

- New opening case: AriZona Iced Tea
- Greater depth added to the definition of motivation and the process of motivation
- New OBRW featuring Mark Shoen, U-Haul
- New figure illustrating S.M.A.R.T goals
- Enhanced discussion, research, and examples on equity theory and expectancy theory

Chapter 6 (Motivation: Practices and Applications)

- New opening case: Disney
- Revised introduction to intrinsic motivation
- New “Examining the Evidence” feature discussing the possibility of family motivation as a replacement for intrinsic motivation
- New OBRW featuring Rob Kanjura, Savant Naturals
- New OBRW featuring Karen Sanders, manager, Virginia Tech
- Expanded discussion of performance-based pay
- New section, “Motivation over Time,” examining research on the effects of rewards on employee motivation over time, illustrated by new figure
- New Examining the Evidence feature: “Family Motivation as a Substitute for Intrinsic Motivation?”
- New material focusing on differences in work values between the baby boomer, Generation X, and millennial generations
- Enhanced discussion of motivation through job design
- Explores the argument for and against flexible work options through research and real-world examples

Chapter 7 (Teams)

- New opening case: Pearson
- Enhanced explanation of the differences between groups and teams
- Updated research-based information on highly effective teams, highlighting the concept of psychological safety (illustrated with new figure)
- New OBRW featuring Derrick Hall, CEO, Arizona Diamondbacks
- Detailed discussion on virtual teams using current research, real-world examples, and a new figure
- Expanded focus on team formation using Tuckman’s model
- Introduces Gersick’s Time and Transition Model as a different perspective to the Tuckman model
- Provides new examples of team norms

- Updated Examining the Evidence feature: “Team Cohesion: Is Too Much More Than Enough?”
- New section on cyberloafing as a form of social loafing
- Enhanced discussion of groupthink with the inclusion of political groupthink
- New section on how to brainstorm

Chapter 8 (Decision Making, Creativity, and Innovation)

- New opening case: ASU
- Explains the difference between decision making and problem solving
- Clarifies the difference between creativity and innovation using real-world examples
- New OBRW featuring John Beck, CIO, ASU
- Enriched discussion on availability heuristics based on current research.
- New research and examples to illustrate the factors that inspire creativity.
- New case: McDonald’s

Chapter 9 (Ethics and Social Responsibility in Organizations)

- New opening case: IBM
- New chapter on ethics
- Explains the importance of ethics in organizations
- Discusses ethical dilemmas and how to resolve them.
- New OBRW featuring Sam Heiler, plant manager, JMW Truss.
- New Examining the Evidence feature: “Ethical Leadership and Moral Judgments”
- Explains the different approaches to ethical decision making.
- Clarifies the differences between ethical leadership and ethical followership.
- Explores the approaches to social responsibility in organizations.
- Identifies the components of an ethical culture.
- New case: JetBlue

Chapter 10 (Effective Communication)

- New opening case: Uber
- Enhanced discussion of communication channels illustrated by real-world research
- New table describing some tips for email etiquette
- New OBRW featuring Destin Cook, Director of Finance, NextEra Energy
- Includes new research on the effect of modern technology on listening skills
- New Examining the Evidence feature: “Electronic Communication during Nonworking Hours”

Chapter 11 (Trust, Conflict, and Negotiation)

- New opening case: NFL
- New discussion on the concept of psychological contract
- New content on the topic of social networks

- New table outlining tips for building trust in organizations
- New OBRW featuring Ken Hill, CEO, Dorco
- New OBRW featuring Radha Abboy, 8020 Consulting
- New case: Disney

Chapter 12 (Leadership Perspectives)

- New opening case: Procter and Gamble
- Updated media examples and research
- New table highlighting the differences between charismatic, transformational, and transactional leaders
- New OBRW featuring Scott Whitfield, IBM
- New OBRW featuring Heather Clark, founder of Pomchies
- Real-world examples added to Empowering Leadership section
- New Examining the Evidence feature: “When Is Empowering Leadership Most Effective?”
- Expanded discussion on leadership and gender
- New section on LGBT employees in the workplace
- New case: Chobani Yogurt

Chapter 13 (Influence, Power, and Politics)

- New opening case: NextEra Energy
- Enhanced discussion of influencing tactics illustrated by real-world examples
- New figure illustrating inspirational leadership
- New Examining the Evidence feature: “Political Behavior: A Viable Coping Strategy for Organizational Politics?”
- New OBRW featuring Maurice S. Hebert, SVP, Tufts Health Plan
- New section added discussing four types of organizational politics

Chapter 14 (Organizations and Culture)

- New opening case: REI
- New OBRW, featuring senior account executive, Datavard
- New figure to illustrate the competing values framework
- New media examples to highlight strong and weak cultures

Chapter 15 (Organizational Change and Structure)

- New opening case: Google
- New introduction profiling sexual harassment using a real-world example
- New media examples illustrating the topic of external forces for change
- New OBRW featuring Cris Weekes, SVP, Central Garden and Pet
- New section on generational changes
- New section explaining the ten main reasons for resisting change
- New figure illustrating psychological reactions to change
- New section on Kotter’s 8-Step change model featuring updated figure
- New case: General Electric

End-of-Chapter Features

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

In Review, organized by learning objective, summarizes key chapter information.

Up for Debate challenges students to think critically and develop and discuss their own viewpoints across a wide range of issues, including diversity, emotional well-being, and ethics.

Short exercises, experiential exercises, and online exercises are designed to help students build valuable experience and increase their skills through decision-oriented and hands-on exercises.

Self-assessments allow students to apply chapter content to their own lives and better understand their own behaviors, skills, and strengths.

Case studies profile real-world companies and people and illustrate how OB concepts function in the real world, providing students with engaging case examples and opportunities to apply OB concepts to the case studies.

Content and Organization

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

Chapter 1, “Why Organizational Behavior Matters,” explains how and why OB has become significant in today’s organizations and describes how human skills and communication skills directly relate to organizational behavior.

Chapter 2, “Diversity and Individual Differences,” explores different types of diversity, describes positive ways for managers to promote diversity, discusses how cross-cultural diversity can be managed within the organization, and explores personality theory in greater depth.

Chapter 3, “Perception and Learning,” describes the ways in which we interpret our environment and discusses the effects of common perceptual distortions such as halo effect, stereotypes, and selective attention.

Chapter 4, “Emotion, Attitudes, and Stress,” explores how emotions influence our behavior; common workplace attitudes; and the impact of stress in the workplace and how to manage it.

Chapter 5, “Motivation: Concepts and Theoretical Perspectives,” discusses the process of motivation, and explores the theories of motivation and how they influence behavior in the workforce.

Chapter 6, “Motivation: Practices and Applications,” outlines the practical ways and strategies used by organizations such as job design and flexible work options to encourage motivation and empower employees.

Chapter 7, “Teams,” emphasizes the critical role of teams and teamwork, explores team norms, and explains the components that make up an effective team.

Chapter 8, “Decision Making, Creativity, and Innovation,” addresses the main types of decision making in organizations, and highlights creativity and innovation processes and how they affect organizational behavior.

Chapter 9, “Ethics and Social Responsibility in Organizations,” explains the importance of ethics in organizations, discusses ethical dilemmas, and explores different approaches to social responsibility.

Chapter 10, “Effective Communication,” describes the different types of communication channels, explores the effect of modern technology on communication, and describes the key barriers to effective communication.

Chapter 11, “Trust, Conflict, and Negotiation,” explains how managers can build trust in organizations, manage conflict, and learn to negotiate using a variety of different skills.

Chapter 12, “Leadership Perspectives,” discusses different types of leaders and leadership theories, and explores gender issues in the workplace, such as those related to LGBT employees.

Chapter 13, “Influence, Power, and Politics,” describes different types of influence tactics for influencing others, discusses the concept of power and its relationship to leadership, and explores different forms of organizational politics.

Chapter 14, “Organizations and Culture,” explores the facets of organizational culture, how organizations can adapt their practices across cultures, and different ways in which culture is shaped in organizations.

Chapter 15, “Organizational Change and Structure,” describes the forces for change in organizations, outlines resistance to change and how to reduce it, and discusses how organizational structure helps shape behavior in organizations.

Note

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

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Dr. Christopher P. Neck is currently an Associate Professor of Management at Arizona State University, where he held the title “University Master Teacher.” From 1994 to 2009, he was part of the Pamplin College of Business faculty at Virginia Tech. He received his Ph.D. in Management from Arizona State University and his MBA from Louisiana State University. Neck is author of over 100 scholarly articles in seminal academic journals as well as a number of books. Some of his books include: *Self-Leadership: The Definitive Guide to Personal Excellence* (2017, SAGE); *Fit to Lead: The Proven 8-Week Solution for Shaping Up Your Body, Your Mind, and Your Career* (2004, St. Martin’s Press; 2012, Carpenter’s Sons Publishing); *Mastering Self-Leadership: Empowering Yourself for Personal Excellence*, 6th edition (2013, Pearson); *The Wisdom of Solomon at Work* (2001, Berrett-Koehler); *For Team Members Only: Making Your Workplace Team Productive and Hassle-Free* (1997, Amacom Books); and *Medicine for the Mind: Healing Words to Help You Soar*, 4th Edition (Wiley, 2012). Neck is also the coauthor of the principles of management textbook *Management: A Balanced Approach to the 21st Century* (Wiley 2013; 2017, 2nd Edition); the upcoming introductory to entrepreneurship textbook *Entrepreneurship* (SAGE, 2017); and the introductory to organizational behavior textbook *Organizational Behavior* (SAGE, 2017).

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

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

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

Neck currently teaches a mega section of Management Principles to approximately 500 students at Arizona State University. Neck received the Order of Omega Outstanding Teaching Award for 2012. This award is awarded to one professor at Arizona State by the Alpha Lambda Chapter of this leadership fraternity. His class sizes at Virginia Tech filled rooms up to 2,500 students. He received numerous teaching awards during his tenure at Virginia Tech, including the 2002 Wine Award for Teaching Excellence. Also, Neck was the ten-time winner (1996, 1998, 2000, 2002, 2004, 2005, 2006, 2007, 2008, and 2009) of the “Students’ Choice Teacher of The Year Award” (voted by the students for the best teacher of the year within the entire university). Also, some of the organizations

that have participated in Neck's management development training include GE/Toshiba, Busch Gardens, Clark Construction, the United States Army, Crestar, American Family Insurance, Sales and Marketing Executives International, American Airlines, American Electric Power, W. L. Gore & Associates, Dillard's Department Stores, and Prudential Life Insurance. Neck is also an avid runner. He has completed 12 marathons, including the Boston Marathon, the New York City Marathon, and the San Diego Marathon. In fact, his personal record for a single long-distance run is a 40-mile run.

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

A member of the Honor Society of Phi Kappa Phi, Dr. Houghton's research specialties include human behavior, motivation, personality, leadership, and self-leadership. He has published more than 50 peer-reviewed journal articles, book chapters, and books, and his work has been cited more than 3,500 times in academic journals. He has coauthored three textbooks: *Self-Leadership: The Definitive Guide to Personal Excellence* (2017, SAGE), *Organizational Behavior* (2017, SAGE), and *Management: A Balanced Approach to the 21st Century* (Wiley 2013; 2017, 2nd Edition). He currently teaches undergraduate-, master's-, and doctoral-level courses in management, organizational behavior, and leadership. Dr. Houghton was named the 2013 Beta Gamma Sigma Professor of the Year for the WVU College of Business and Economics, awarded annually to one faculty member within the college as selected by a vote of the student members of Beta Gamma Sigma; and he received the 2008 Outstanding Teaching Award for the WVU College of Business and Economics, awarded annually to one faculty member for outstanding teaching.

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

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

As a writer, Emma has worked on numerous texts, including business and economics, self-help, and psychology. Within the field of higher education, Emma

worked with Dr. Christopher P. Neck and Dr. Jeffery D. Houghton on *Management* (Wiley 2013); and is the coauthor of the principles of management textbook *Management: A Balanced Approach to the 21st Century* (Wiley 2013, 2017–2nd Edition), the coauthor of *Organizational Behavior* (SAGE 2017), and the co-author of *Entrepreneurship: The Practice and Mindset* (SAGE 2018).

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



PART I

Introduction

CHAPTER 1

Why Organizational Behavior Matters





Carolyn Van Houten/The Washington Post via Getty Images

1

Why Organizational Behavior Matters

The single biggest decision you make in your job—bigger than all the rest—is who you name manager. When you name the wrong person manager, nothing fixes that bad decision. Not compensation, not benefits—nothing.

—Gallup CEO Jim Clifton in the summary accompanying his organization's 2013 "State of the American Workplace" employee engagement study

Learning Objectives

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

- 1.1** Explain the basic concept of organizational behavior (OB) and its value in organizations
- 1.2** Describe the key role of managing human capital in creating a sustainable competitive advantage for organizations
- 1.3** Identify the major behavioral science disciplines that contribute to OB
- 1.4** Demonstrate the value of critical thinking in the context of OB
- 1.5** Identify the major challenges and opportunities in the field of OB
- 1.6** Differentiate the three basic levels of analysis at which OB may be examined
- 1.7** Outline the benefits of positive OB and high-involvement management

CASE STUDY: SOUTHWEST AIRLINES' ORGANIZATIONAL CULTURE

The airline industry has been one of the most saturated and unprofitable businesses for at least the past three decades. It is a business where profit margins of 3 percent aren't uncommon and where customer satisfaction hovers around 60 percent. Seats are getting smaller, delays longer, and prices higher despite fuel prices being 30 percent lower.

The list of would-be competitors to Southwest Airlines and imitators is lengthy, all with plenty of money and plenty of brand recognition. What they all lacked was Southwest's intense focus on organizational culture. In an industry where profits are shrinking, Southwest Airlines stands as an example of a company that is finding opportunities where others are not with profit margins consistently around 10 percent. Southwest stands out in a well-saturated industry thanks to its organizational culture of putting employees before profits and before customers.

Southwest Airlines was founded in 1967 by Herb Kelleher and Rollin King, serving just three cities in Texas. By 1998 they had built Southwest Airlines to be the fifth largest US air carrier, serving over 50 million passengers a year. It only took until 1980 to be recognized as number one in customer service, a list that they consistently top to this day. Today Southwest has the mission of "dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit."

What makes Southwest Airlines consistently stand out begins with the way that they look for employees and the manner in which they treat them. Southwest Airlines founder Herb Kelleher has long kept the recruitment motto at Southwest, "Hire for attitude and train for skill." When searching for employees, Southwest is not looking for the perfect résumé or the perfect work experience. Instead, Southwest is looking for someone whose devotion

to the company and to its customers brings them to "a sense of mission, a sense that 'the cause comes before their own needs.'"

Southwest instills three main things into the hearts of its employees: a warrior spirit, a servant's heart, and a "fun-loving" (sic) attitude. These are far different directives than the typical "take the initiative" or "care about your customers" and that is why Southwest can bring in the kind of people that fits their mold for a trainable employee. In the past year, the company had openings for roughly 4,500 new employees and received more than 150,000 applications.

What motivates the employees at Southwest is something much greater than a paycheck; instead, they share a common purpose. The paycheck can get people to work on time consistently, but it takes something more inspirational to get employees to go the extra mile. Southwest CEO Gary Kelly says, "Southwest is a great place to work and brings the greatest joy because we have such meaningful purpose." The Southwest vision that guides its employees is "to connect people to what's important in their lives through friendly, reliable, and low-cost air travel." This vision guides Southwest's growth as well as the motivation of its employees to go the extra mile and serve the customers for a broader purpose than a paycheck.

To enforce this purpose to which all Southwest employees aspire to, Gary Kelly gives "shout outs" to employees who have gone above and beyond each month to show great customer service. The culture at Southwest Airlines is one that nurtures employees that go above and beyond and incentivizes them to show great customer service.

Despite Southwest's excellent reputation for customer service, like any large organization, it's experienced a few bumps in the road, largely related to technology problems. In July 2016, Southwest was forced to cancel thousands of flights following a technical failure, and in early 2017, a series of computer outages left hundreds of thousands of customers stranded.

President of Southwest Airlines, Tom Nealon, realizes the necessity of efficient technology for improving the customer experience, and for Southwest employees to adopt the technical skills needed to provide a higher level of service, but not at the sacrifice of the personal touch for which the airline is so well known.

"We need to be digital," he says. "We need to strengthen our customer experience. But our customer experience is always going to be centered with our people."

Indeed it is Southwest's "people" who went the extra mile and provided sleeping bags and pizzas to a girls' lacrosse team which had been stranded because of an outage. By going above and beyond the call of duty, Southwest's employees had saved the airline from a potential customer services disaster.

Another part of its technology program involves connecting with international customers. Since its 2010 purchase of AirTran Airways, trade on the international routes (gained by Southwest because of the acquisition) was not as good as it should be. Southwest is investing in technology to attract its international customers by building a new reservations system which includes foreign currency exchanges and point-of-sale programs.

Not only will the new system give Southwest better control over its flight fares, but it also provides the airline with the option to add ancillary charges, which is something that most

of its competitors do. But despite the changes ahead, Nealon says that Southwest will still keep its policy to allow passengers to check in their first two bags for free.

"It's part of our brand," Nealon says. "It's part of our promise to our customers, and we're not going to change it."

However, a recent tragic event has forced Southwest to look beyond its technology inefficiencies to address a much more serious situation. In April 2018, a Southwest Airlines plane was forced to make an emergency landing due to an engine explosion which killed one passenger and injured seven more. The CEO of Southwest Airlines, Grace C. Kelly, has called for "enhanced inspection procedures" on its entire fleet of aircraft to ensure a terrible tragedy like this never happens again.

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Case Questions:

1. Describe how Southwest Airlines builds their human capital.
2. What differentiates Southwest from any other airline?
3. What kinds of human skills is Southwest Airlines looking for in potential employees?

What Is Organizational Behavior and Why Is It Important?

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

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

We define **organizational behavior** (OB) as a field of study focused on understanding, explaining, and improving attitudes of individuals and groups in organizations.¹ An **organization** is a structured arrangement of people working together to accomplish specific goals. In short, OB focuses on figuring out how and why



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

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

individual employees and groups of employees behave the way they do within an organizational setting. Researchers carry out studies in OB, and managers or consultants establish whether this research can be applied in a real-world organization. Over the years this research has uncovered some surprising results. One study found that American employees would rather have a better boss than a pay raise.² This is certainly the case in Southwest Airlines where employees are more motivated by a good management with a clear vision, than they are by salary. Being treated well, respected, and rewarded for excellent service is more important to the Southwest Airlines employees than money. In another survey, people said they would rather have a better boss than a private office or free snacks!³ Management expert Victor Lipman believes that when people quit their jobs, they are quitting their managers, rather than the companies themselves.⁴ The point is that managers who lack OB skills lose good employees. This is why it is important for you to learn OB skills in order to eventually become a manager who people will listen to and respect.

How will studying organizational behavior benefit you in the workplace?

Understanding the ways people act and interact within organizations provides three key advantages:

1. You can *explain* behavior. You can explain why your boss, coworkers, or subordinates are doing what they are doing.
2. You can *predict* behavior. You can anticipate what your boss, coworkers, or subordinates will do in certain circumstances and situations.
3. You can *influence* behavior. You can shape the actions of your subordinates, as well as your boss and coworkers in order to help them accomplish their goals and achieve organizational objectives.

Although explaining and predicting behavior are undoubtedly useful skills, *influencing* behavior is probably of the greatest interest to a practicing manager. Once you are equipped with knowledge about your employees' work behaviors, you can use it to optimize performance by providing effective direction and guidance. This explains why managing organizational behavior (i.e., focusing on the behavior and actions of employees and how they apply their knowledge and skills to achieve organizational objectives) is so important in today's organizations. There is a common belief among some people that OB is just common sense, but this is not the case. We cannot rely on just common sense to truly understand the behaviors of others. If that were the case we would be in danger of using inaccurate generalizations, incorrect suppositions, and common misconceptions to justify or define other people's behaviors. OB provides a systematic approach, based on scientific evidence, to further our understanding of behavior that goes far beyond common sense alone.

Put simply, OB is for everyone. It applies to everyday situations where you find yourself interacting with people, from the workplace, to home life, to the basketball court. Explaining and predicting behavior are of great interest to both formal managers in organizations and all employees given we all have the ability to influence coworkers. Throughout this book, we will show how OB concepts can relate to all employees at all levels of a company with a primary focus on formal managers. While the understanding of OB can benefit all employees and all levels in an organization, let's now focus on formal managers and what a manager actually does in the workplace.

Let's remind ourselves what a manager actually does in the workplace. Typically, managers carry out four main functions: planning, organizing, leading, and controlling.⁵ (See Figure 1.1.)

In *planning*, a manager evaluates an organization's current position and where it wants to be in the future, and sets goals, designs strategies, and identifies actions

and resources needed to achieve success. *Organizing* means arranging resources such as people and functions to implement the strategy made during the planning stage. Managers ensure goals are achieved by *leading* teams and individuals effectively, which means motivating and communicating with people to achieve goals. The *controlling* function allows managers to monitor employee performance, ensure milestones are being reached, and take corrective or preventative action where necessary.

OB is an integral part of these four functions as each function involves people “behaving” in certain ways to achieve specific tasks and duties. Successful planning, organizing, leading, and controlling would not be possible without managers following some fundamental OB principles.

Organizational members need to be equipped with specific skills to carry out their roles effectively.⁶ First, they must have technical skills. A **technical skill** is an aptitude for performing and applying specialized tasks.⁷ Today’s members need to be proficient in using the latest technologies, including databases, spreadsheets, email, and social networking tools. Tom Nealon, president of Southwest Airlines, believes in combining people skills with technical skills in order to provide the best customer service to the airline’s passengers.

Although technical skills are important, they can be learned on the job; to be really effective, managers need to possess **human skills** or the ability to relate to other people.⁸ People with effective human skills take the feelings of others into account and are adept at dealing with conflict. These skills are essential for managing relationships not only with peers and employees but also with competitors, partners, suppliers, and stakeholders. Managers with human skills also realize the importance of communicating and sharing information across the organization in order to achieve goals. Southwest Airlines CEO Gary Kelly is a good example of someone who uses human skills to give “shout-outs” to the employees who have excelled in customer service. Kelly understands being acknowledged for hard work makes people feel good.

A key facet of human skills is **emotional intelligence** (EI), which is an awareness of how your actions and emotions affect those around you and the ability to understand and empathize with the feelings of others.⁹

Managers need to be technically proficient and know how to get along with people, but what about dealing with the complexities of the organization itself? Managers also need **conceptual skills** in order to see the organization as a whole, visualize how it fits into its overall environment, and understand how each part relates to the others.¹⁰ Conceptual skills help managers solve problems, identify opportunities and challenges, and think creatively when making decisions.

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

FIGURE 1.1

The Four Functions of Managers



Source: Carpenter, M., Bauer, T., Erdogan, B. (2012). "Chapter 15: The Essentials of Control." *Management Principles*. <https://2012books.lardbucket.org/books/management-principles-v1.1/s19-the-essentials-of-control.html>

Technical skill: The aptitude to perform and apply specialized tasks

Human skills: The ability to relate to other people

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

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



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

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

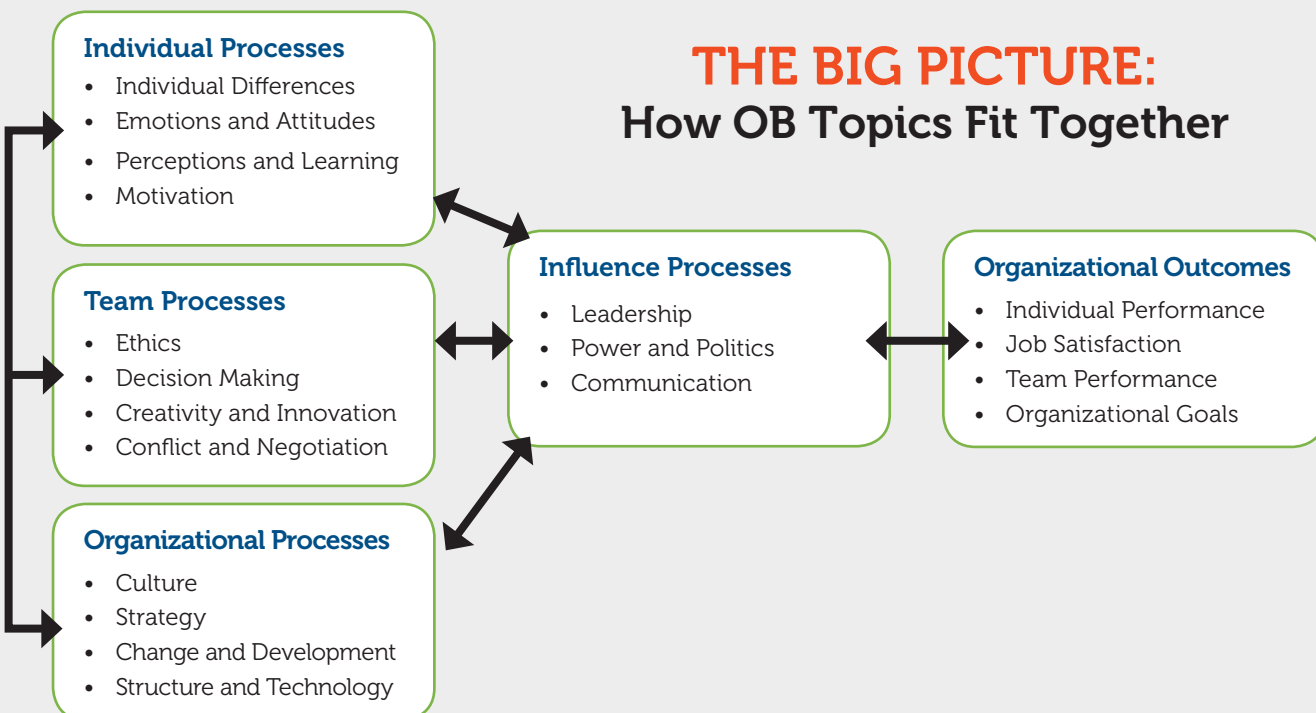
Human capital: People's skills, knowledge, experience, and general attributes

How do managers achieve the best outcomes for their organizations? A **strategic OB approach** is based on the idea that people are the key to productivity, competitive edge, and financial success. This means that managers must place a high value on **human capital**, which is the sum of people's skills, knowledge, experience, and general attributes.¹¹ Let's take a closer look at where human capital fits into organizations, and how it is managed.

THINKING CRITICALLY

1. OB helps managers explain, predict, and influence behavior in the workplace. Identify the types of behavior you are most interested in explaining, understanding, and predicting in the workplace.
2. Of the four main functions managers fulfill (planning, organizing, leading, and controlling), which do you think is most likely to be enhanced by an understanding of organizational behavior? Why?
3. Managers need technical, human, and conceptual skills in order to succeed. Which of these skills are least likely to be learned on the job? Explain your position.
4. Compare the book's argument that the success of an organization lies with its people with the argument that every employee is replaceable and expendable. Which argument do you consider more compelling? Why?

THE BIG PICTURE: How OB Topics Fit Together



Managing Human Capital

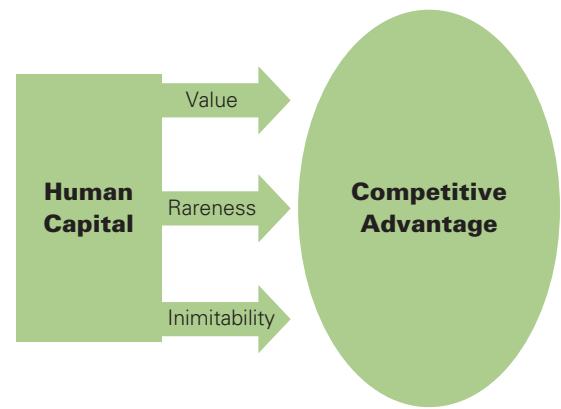
>> LO 1.2 Describe the key role of managing human capital in creating a sustainable competitive advantage for organizations

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

Human capital falls into the category of critical intangible resources. Today's managers focus on enriching their human capital by nurturing and enhancing their employees' knowledge and skills. The possibilities of building on human capital are endless—empowered, satisfied, knowledgeable employees can achieve so much for the organization and its customers. Human capital is essential for gaining **competitive advantage**, the edge that gives organizations a more beneficial position than their competitors and allows them to generate more profits and retain more customers.¹² (See Figure 1.2.) Southwest Airlines stands out among its competitors because of its commitment to nurturing its human capital. Three main aspects of human capital enhance true competitive advantage: value, rareness, and inimitability.¹³

FIGURE 1.2

How Human Capital Enhances Competitive Advantage



Value

Employees can add value in many different ways, but there is a difference between merely fulfilling the requirements of your job and working with an eye on company strategy. **Human capital value** accumulates when employees work toward the strategic goals of an organization to achieve competitive advantage. Although it is essential that employees have the skills and the abilities to execute a company strategy, they must also have a genuine willingness to contribute to the performance and success of an organization. Therefore, it is critical that managers make every effort to continuously nurture their high-performing employees, because regardless of labor market conditions, outstanding employees are always in short supply.

Competitive advantage: The edge that gives organizations a more beneficial position than their competitors and allows them to generate more profits and retain more customers

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

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

Rareness

Not everyone has the right skillset to further the progress of an organization. **Human capital rareness** is the level of exceptional skills and talents employees possess in an industry. For example, you may be an excellent computer programmer with an outstanding eye for detail, or you could have a gift for dealing with customer complaints and creating resolutions to resolve dilemmas. These are rare skills that employees may bring with them into an organization, but they can also be learned given the right training and encouragement. In our OB in the Real World feature, Dr. Karen Hardy, Director of the Risk Management Division and Deputy Chief Risk Officer at the US Department of Commerce, describes how managers can select the best talent.

OB IN THE REAL WORLD

Dr. Karen Hardy, Director of the Risk Management Division and Deputy Chief Risk Officer at the US Department of Commerce



Dr. Karen Hardy is currently the Director of the Risk Management Division and Deputy Chief Risk Officer at the US Department of Commerce. Her specialty is in Enterprise Risk Management where she is a recognized industry pioneer and influencer, and with three decades of experience on her hands, is nationally recognized for excellence in many facets of her work. Dr. Hardy has worked for both the private and public sectors. She served as senior advisor on risk management to the Controller of the United States while on assignment to the White House Office of Management and Budget, where she was credited with influencing federal policy for instituting risk management in government. Dr. Hardy is an accomplished national and international speaker, and award-winning and best-selling author, achieving high accolades in anything she sets her mind to.

Due to her time in both the public and private sectors, and with a long tenure at the Department of Commerce, Dr. Hardy has a keen sense of the difference between both sectors, as well as what their future holds. Dr. Hardy vowed to never go into the public sector early on in her career, but after spending time in consumer banking, she found that she was missing a mission in her day-to-day life and decided to try something new.

One recurring theme in her description of public versus private sector management work is that goals in the private sector are driven by the bottom line while public sector work is mission driven. While a business worries about what investments are immediately paying off quarter to quarter, Dr. Hardy can think about the long-term impacts of programs and services designed to improve the quality of life for constituents. It takes longer to see

the impact of her work because it is done on such a large scale. The public sector is a very complex environment, with systems inside of systems, and from time to time it is easy to feel like a cog in a machine, but Dr. Hardy says that this isn't unique to federal work. She states that the difference between the two industries is that in the public sector, at the end of the day, while you may be a small piece in a large machine, there is a purpose in the work you do to accomplish a mission. While this isn't necessarily in contrast to all private companies today, bottom lines can often get in the way of accomplishing missions for good.

The stereotype of public sector work has always been a comparison to bureaucratic red tape and this may have discouraged many prospective candidates from seeking federal work. Dr. Hardy says that while this is something they are always trying to improve, this isn't unique to government work. She states, "Bureaucracy is the result for any massive organization, both private and public, but it is becoming less and less tolerated." While in banking, she saw firsthand the amount of bureaucracy involved within a large for-profit institution and she stressed that this is how many large institutions order themselves.

So how can you, as a manager, ensure that you are attracting the best talent when the private sector will, in some cases, be able to pay more and offer benefit and bonus packages beyond what the public sector can provide? Dr. Hardy says that it may be getting easier as the next generation of leaders will seek out companies that have well-defined missions and purpose. Dr. Hardy says that while the public sector may be limited by salary thresholds, they can offer millennials what they are searching for—and that is purpose. Due to the profit-driven versus mission-driven dynamic, the next batch of employable students is more interested than ever. Increasingly millennials are caring more about what they are doing and how they are serving. They want a mission to accomplish and they may be willing to take a little less to do it, given the other trade-offs, such as telecommuting and a balanced work life. For this reason, Dr. Hardy says that they have always attracted a certain type of high-achieving applicant, but the outlook is even better now more than ever. Dr. Hardy believes that the new generation of public sector leaders are accustomed to functioning in sharing and transparent communities and that this adaptability is perfect for the management of key programs and services that benefit the American public. Dr. Hardy says "they will bring that behavior with them," and that "if we can make sure we continue to promote the service-oriented work found in government, I can't think of a better way to find a purpose-driven job than to serve in the federal sector."

As a manager, it is her duty to direct her workforce toward the identified mission of the Department of Commerce, and she sees it as her role to lead on principled strategy above all else. Dr. Karen Hardy looks fondly toward the next generation of federal workers and believes it will be a more capable workforce than ever. She finishes by saying that when she took her job she took an oath, one of the same oaths taken by Congress to serve the people of the United States and to serve with that oath in mind. She is forever loyal to that oath and sees it taken very seriously throughout her branch of government.

Critical-Thinking Questions

1. What differences are there between the public and the private sector regarding objectives?
2. What does the future hold for government employee recruitment according to Dr. Karen Hardy? ●

Source: Interview with Dr. Karen Hardy conducted on February 23, 2018.

Inimitability

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

Take a look at how Mountainside Fitness founder Tom Hatten managed human capital at his 13 fitness centers across the Phoenix Valley in the OB in the Real World feature.

Human capital inimitability:

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

THINKING CRITICALLY

1. Compare the relative importance of tangible and intangible resources. Can an organization succeed without adequate resourcing in both areas? Why or why not?
2. Explain in your own words how value, rareness, and inimitability in human capital contribute to an organization's competitive advantage.

Behavioral Science Disciplines That Contribute to OB

>> LO 1.3 Identify the major behavioral science disciplines that contribute to OB

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

OB IN THE REAL WORLD

Tom Hatten, Founder and CEO of Mountainside Fitness



In 1991, Tom Hatten opened a single fitness club in Arizona and built it into what is today Mountainside Fitness, a fitness chain with thirteen gym locations valued at 70 million dollars, employing over 1,200 people, and serving over 70,000 customers.

Tom started Mountainside Fitness after spending less than a semester at Arizona State University and with only \$2,000 to his name. He renovated the original Mountainside Fitness himself and he and his friends and family built much of the equipment on their own. He even washed the sweat towels when he was trying to get the business off the ground.

Tom believes that his OB skills played a huge part in his business success, especially when he was starting out.

"You can't be great at anything until you absolutely master the fundamentals [of OB]. Once you treat people well and foster a positive culture, then you can be a great manager."

And it seemed that Tom's positive attitude was contagious—not only was he able to enlist friends and family to help out, but customers too. In fact, in the early days of Mountainside Fitness, many of the new members willingly helped Tom with cleaning the towels and wiping down machines despite paying a membership fee every month. Tom had created the sort of environment which inspired them to help because they felt invested in Mountainside's success.

Tom firmly believes that a clear mission statement and vision go a long way to keep him and his employees on the right path to organizational success. When he first had the idea, Tom knew how he wanted the business to be—the friendliest gym in town—and he was determined to make this vision a reality.

"No matter how many directions you might be pulled in when you're running a business, you have to stay true to the business fundamentals reflected in your vision and mission statement. Without this, the business will not last because employees need more than just a paycheck to go the extra mile."

Tom also has a different attitude toward recruitment. His hiring strategy is based on finding people who are willing to learn.

"I want to hire someone that is outgoing and fun. I don't care what they look like on the outside or their experience in the industry because I need someone I can teach."

For that reason, Mountainside Fitness has one of the lowest employee turnovers in the entire industry, for the simple reason that people love working there. In fact, Tom credits over 40 percent of his employees for some of the more innovative ideas that have been implemented in many of his fitness centers. Also, Tom typically hires the managers of his fitness centers from within. Almost all of his current center managers started at lower levels within the company.

Despite turning \$2,000 into a \$70 million business, Tom doesn't see himself as some sort of business guru, but rather as an air-traffic controller, listening to and directing his employees. He does not perceive himself as the absolute source of ideas and output and that's how he likes it. Because of his management ethos, people believe in Tom, and buy into his mission to make Mountainside Fitness "the friendliest gym in town."

Critical-Thinking Questions

1. What types of human capital do Tom and his team value most?
2. Why do you think Tom and his team hire from within? ●

Source: Interview with Tom Hatten conducted on March 21st, 2017.

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

Psychology

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

Sociology

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

Social Psychology

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

Political Science

Political science studies the behavior of individuals and groups within a political environment. Political scientists focus particularly on how conflict is managed and structured, how power is distributed, and how power is abused or manipulated for the purposes of self-interest. Their studies have helped improve our understanding of how different interests, motivations, and preferences can lead to conflict and power struggles between individuals and groups.

Anthropology

Anthropology is the study of people and their activities in relation to societal, environmental, and cultural influences. In a global organizational environment, anthropological research has become even more significant because it increases our understanding of other cultures and the types of values and attitudes held by others from other countries and organizations.

FIGURE 1.3

Disciplines Contributing to the Field of Organizational Behavior



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

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

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

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

Anthropology: The study of people and their activities in relation to societal, environmental, and cultural influences

THINKING CRITICALLY

1. What factors are likely to have played a role in early management theory's emphasis on physical tasks and working conditions?
2. Of the five behavioral science disciplines listed, which one do you consider to be the most relevant to the field of management today? Explain your answer.

Critical thinking: The ability to use intelligence, knowledge, and skills to question and carefully explore situations and arrive at thoughtful conclusions based on evidence and reason

A Critical-Thinking Approach to OB

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

In the section “What Is Organizational Behavior and Why Is It Important?” we outlined the four main functions of management (planning, organizing, leading, and controlling) and the skills (technical, human, and conceptual) managers need to be effective in an organization. However, another skill is becoming increasingly important for managers in the workplace: critical thinking. **Critical thinking** is the use of your intelligence, knowledge, and skills to question and carefully explore situations and arrive at thoughtful conclusions based on evidence and reason.¹⁴ Increasingly used in business as a problem-solving tool, the critical-thinking approach is a powerful analytical method that helps managers consider intended and unintended consequences of individual behaviors on their teams and within their organizations and communities. Organizations need managers who think independently without judgment and bias, predict patterns of behaviors and processes, and ask the right questions—“How?” and “Why?” and not just “What?”—in order to make effective and thoughtful decisions.

At the moment, there is a skilled labor shortage in the United States, yet unemployment is still on the rise.¹⁵ How can this be? Surely, if there are enough people available for work, then companies should be able to fill their vacancies. However, as the business environment changes, so do the types of skills expected from employees. New and recent graduates may find that their educational backgrounds do not fulfill the requirements of organizations and may be forced to change, adapt, or learn new skillsets to secure a job. Furthermore, many organizations are becoming more selective; for some positions, a degree is not enough.

Your ability to think critically will differentiate you from other job applicants. In an interview situation, critical thinkers take the time to think carefully about the questions they are asked, base their responses on facts or experience rather than emotion or bias, consider different viewpoints or perspectives equally, and compare their responses with similar examples that have occurred in the past. Once hired, critical thinkers are more likely to succeed. After all, most companies do not employ graduates to simply go through the motions or to be a mere cog in the wheel. They expect their employees to play a pivotal role in helping the company achieve its organizational goals. And when a company does well, everyone benefits. You don't need to be an expert in critical thinking to get a job. Many of these skills can be learned in the workplace. However, employers look for candidates who have a questioning mind, a willingness to embrace change, and a keen desire to learn.

Indeed, as research shows, businesses are desperate to attract employees with critical-thinking skills.¹⁶ Why? Because organizations are undergoing such rapid change that they need their employees to consistently introduce new, fresh ideas to stay ahead of the competition. Consider the following: