

What Is Organizational Behavior?

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GOT YOUR DEGREE? GREAT, GO FLIP BURGERS

lison Parker has all the right stuff: a recent college degree and a strong résumé that includes prestigious internships with a member of Congress and with the National Park Service. With this solid start, Alison should have enjoyed a great career launch, but instead she's working a part-time, temporary job and living with her parents.

Why? Despite her best efforts, Alison has received no job offers, at least not the kind she wants. "I didn't anticipate that a year out I would be barely making any money at all," she says.

Melissa Jenkins, shown in the photo with her mom Diana Jenkins, had to move back in with her parents after graduating without a job in hand.

Alison and Melissa are not alone. According to a study by the Center for College Affordability and Productivity, almost half—48 percent—of U.S. degree holders are in positions classified as requiring less than a four-year college education. Many of these graduates are in service industries, working as retail salespeople, cashiers, wait staff, taxi drivers, and, yes, fast-food burger flippers.

There's no denying this is a big problem. Student loans have topped 51 trillion, and recent college grads are feeling the heat of their first payments on balances averaging \$25,250. As a result, seniors like Jianna Lieberman have downgraded their aspirations even before testing the job market. "I can't imagine settling down, traveling, pretty much anything but working until I get rid of this burden," she says, knowing that she will be lucky band that first "real" job after graduation.

Chances are that Jianna will have to join Melissa Jenkins as a member of the "boomerang generation" of 53 percent of 18- to 24-year-olds who move back home. And with 41 percent of the decline in U.S. full-time jobs hitting under-25-year-olds, Jianna may have to settle for part-time work like Alison's. If she is lucky enough to land a full-time position, her usable income may be lower next year, because weekly earnings after inflation fell 6 percent among 18-to-24-year-olds from 2007 to 2011.

At first glance, then, the situation is dismal. Some blame the economy. Some, like student A. J. Fofanah, blame their own choices. "I feel like I didn't to as much research as I should have," he says. But as is the case with many involving people, a deeper look suggests we need a broader perspective. Overall, a college degree puts you in a better position for higher pay and lower unemployment. In fact, the difference is significantly in your favor: the jobless rate is currently 3.9 percent for workers who have a college degree or higher, versus 8 percent for people with only a high school certificate, and the earnings differential for those with a degree reveals even greater



LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- Demonstrate the importance of interpersonal skills in the workplace.
- Describe the manager's functions, roles, and skills.
- 3 Define organizational behavior (OB).
- 4 Show the value to OB of systematic study.
- 5 Identify the major behavioral science disciplines that contribute to OB.
- 6 Demonstrate why few absolutes apply to OB.
- 7 Identify the challenges and opportunities managers have in applying OB concepts.
- 8 Compare the three levels of analysis in this book's OB model.

advantages. Also, as we will explore in this chapter, there is a worldwide shortage of skilled workers. Microsoft, for instance, reports more than 6,000 open jobs in the United States, a 15 percent increase over the year before.

Understanding yourself, your aspirations, your labor market prospects, and the organizations you might call home has never been more complicated. Because of this, individuals who excel at analyzing themselves, their environments, and their organizations are primed to excel at work as never before. Jean Pierre Salendres, a junior at Columbia, is majoring in international diplomacy for this reason. "Maybe something more practical lands you a job," he says.

Statistics tell a story, and we will employ data to better understand the challenges people face in the work world. We will also use statistics and research to help you see the paths toward excelling—in any environment. For instance, there are many things you can do to differentiate yourself from other candidates for employment—attend a business boot camp, work on your "soft" skills like interpersonal communication and good habits of personal responsibility, and understand who counts in the organization structure. For now, the moral of this story is, don't believe everything you read. Or, to put it another way, don't believe anything you read, but do believe everything you read, taken as a whole.

Sources: P. Coy, "The Solutions Are Out There," Bloomberg Businessweek (September 10–September 16, 2012), pp. 62–69; M. Dorning, "The Young and the Wageless," Bloomberg Businessweek (June 25–July 1, 2012), pp. 2730; M. Korn, "The Business of Boot Camps," The Wall Street Journal (March 7, 2013), p. B7; B. Smith, "How to Reduce America's Talent Deficit," The Wall Street Journal (October 19, 2012), p. A13; J. S. Lublin, "How to Prove You're a Keeper to a New CEO," The Wall Street Journal (March 6, 2013), p. B8; M. V. Rafter, "Benefits of the Boomerang," The Wall Street Journal (October 22, 2012), p. R6; and M. Trumbull, "Have Degree, Driving Cab: Nearly Half of College Grads Are Overqualified," The Christian Science Monitor (January 28, 2013), www.csmonitor.com/Business/2013/0128/Have-degree-driving-cab-Nearly-half-of-college-grads-are-overqualified.

The details of the chapter-opening story might be disheartening to read, but they accurately reflect some of the problems faced by the contemporary workforce. The story also highlights several issues of interest to organizational behavior researchers, including motivation, emotions, personality, and communication. Through the course of this book, you'll learn how all these elements can be studied systematically.

You've probably made many observations about people's behavior in your life. In a way, you are already proficient at seeing some of the major themes in organizational behavior. At the same time, you probably have not had the tools to make these observations systematically. This is where organizational behavior comes into play. And, as we'll learn, it is much more than common sense, intuition, and soothsaying.

To see how far common sense gets you, try the following from the Self-Assessment Library.



How Much Do I Know About Organizational Behavior?

In the Self-Assessment Library (available in MyManagementLab), take assessment IV.G.1 (How Much Do I Know About OB?) and answer the following questions:

- 1. How did you score? Are you surprised by your score?
- 2. How much of effective management do you think is common sense? Did your score on the test change your answer to this question?

The Importance of Interpersonal Skills

Demonstrate the importance of interpersonal skills in the workplace. Until the late 1980s, business school curricula emphasized the technical aspects of management, focusing on economics, accounting, finance, and quantitative techniques. Course work in human behavior and people skills received relatively less attention. Over the past three decades, however, business school faculty have come to realize the significant role understanding human behavior plays in determining a manager's effectiveness; required courses on people skills have been added to many curricula. As the director of leadership at MIT's Sloan School of Management put it, "M.B.A. students may get by on their technical and quantitative skills the first couple of years out of school. But soon, leadership and communication skills come to the fore in distinguishing the managers whose careers really take off."

Developing managers' interpersonal skills also helps organizations attract and keep high-performing employees. Regardless of labor market conditions, outstanding employees are always in short supply. Companies known as good places to work—such as Starbucks, Adobe Systems, Cisco, Whole Foods, Google, American Express, Amgen, Pfizer, and Marriott—have a big advantage. A recent survey of hundreds of workplaces, and more than 200,000 respondents, showed the social relationships among co-workers and supervisors were strongly related to overall job satisfaction. Positive social relationships also were associated with lower stress at work and lower intentions to quit.² Having managers with good interpersonal skills is likely to make the workplace more pleasant, and research indicates that employees who know how to relate to their managers well with supportive dialogue and proactivity will find their ideas are endorsed more often, further improving workplace satisfaction.³ Creating a pleasant workplace also appears to make good economic sense. Companies with reputations as good places to work (such as Forbes' "100 Best Companies to Work For in America") have been found to generate superior financial performance.4 Partially for these reasons, universities have begun to incorporate social entrepreneurship education into their curriculum in order to train future leaders to address social issues within their organizations with interpersonal skills.⁵ This is especially important because there is a growing awareness of the need for understanding the means and outcomes of corporate social responsibility.⁶

We have come to understand that in today's competitive and demanding workplace, managers can't succeed on their technical skills alone. They also have to have good people skills. This book has been written to help both managers and potential managers develop those people skills.

Photo 1-1 IBM Chief Executive Virginia Rometty has the interpersonal skills required to succeed in management. Communication and leadership skills distinguish managers, such as Rometty, who rise to the top of their profession. Shown here at a meeting in Beijing, she is an innovative leader capable of driving IBM's entrepreneurial culture.



What Managers Do

Describe the manager's functions, roles, and skills.

manager An individual who achieves goals through other

organization A consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

planning A process that includes defining goals, establishing strategy, and developing plans to coordinate activities.

Let's begin by briefly defining the terms manager and organization—the place where managers work. Then let's look at the manager's job; specifically, what do managers do?

Managers get things done through other people. They make decisions, allocate resources, and direct the activities of others to attain goals. Managers do their work in an organization, which is a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals. By this definition, manufacturing and service firms are organizations, and so are schools. hospitals. churches, military units, retail stores, police departments, and local, state. and federal government agencies. The people who oversee the activities of others and who are responsible for attaining goals in these organizations are managers (sometimes called administrators, especially in not-for-profit organizations).

Management Functions

In the early part of the twentieth century, French industrialist Henri Fayol wrote that all managers perform five management functions: planning, organizing, commanding, coordinating, and controlling. Today, we have condensed these to four: planning, organizing, leading, and controlling.

Because organizations exist to achieve goals, someone has to define those goals and the means for achieving them; management is that someone. The planning function encompasses defining an organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive set of organizing Determining what tasks are to be done, who is to do them, now the tasks are to be grouped, who reports to whom, and where decisions are to be made.

leading A function that includes motivating employees, directing others, selecting the most effective communication channels, and resolving conflicts.

controlling Monitoring activities to ensure they are being accomplished as planned and correcting any significant deviations. plans to integrate and coordinate activities. Evidence indicates this function increases the most as managers move from lower-level to mid-level management.⁸

Managers are also responsible for designing an organization's structure. We call this function **organizing**. It includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

Every organization contains people, and it is management's job to direct and coordinate those people. This is the **leading** function. When managers motivate employees, direct their activities, select the most effective communication channels, or resolve conflicts among members, they're engaging in leading.

To ensure things are going as they should, management must monitor the organization's performance and compare it with previously set goals. If there are any significant deviations, it is management's job to get the organization back on track. This monitoring, comparing, and potential correcting is the **controlling** function.

So, using the functional approach, the answer to the question "What do managers do?" is that they plan, organize, lead, and control.

Management Roles

In the late 1960s, Henry Mintzberg, then a graduate student at MIT, undertook a careful study of five executives to determine what they did on their jobs. On the basis of his observations, Mintzberg concluded that managers perform ten different, highly interrelated roles—or sets of behaviors. As shown in Exhibit 1-1, these ten roles are primarily (1) interpersonal, (2) informational, or (3) decisional.

Exhibit 1-1	Ainztberg's Managerial Roles
Role	Description
Interpersonal	
Figurehead	Symbolic head; required to perform a number of routine duties of a legal or social nature
Leader	Responsible for the motivation and direction of employees
Liaison	Maintains a network of outside contacts who provide favors and information
Informational	
Monitor	Receives a wide variety of information; serves as nerve center of internal and external information of the organization
Disseminator	Transmits information received from outsiders or from other employees to members of the organization
Spokesperson	Transmits information to outsiders on organization's plans, policies, actions, and results; serves as expert on organization's industry
Decisional	
Entrepreneur	Searches organization and its environment for opportunities and initiates projects to bring about change
Disturbance handler	Responsible for corrective action when organization faces important, unexpected disturbances
Resource allocator	Makes or approves significant organizational decisions
Neg o tiator	Responsible for representing the organization at major negotiations

Source: Adapted from *The Noture of Manageriol Work* by H. Mintzberg. Copyright © 1973 by H. Mintzberg. MINTZBERG, HENRY, THE NATURE OF MANAGERIAL WORK, 1st Edition, © 1980, pp. 92–93. Reprinted with permission of Pearsan Education, Inc., Upper Saddle River, NJ.

Introduction

Informational Roles All managers, to some degree, collect information from outside organizations and institutions, typically by scanning the news media (including the Internet) and talking with other people to learn of changes in the public's tastes, what competitors may be planning, and the like. Mintzberg called this the *monitor* role. Managers also act as a conduit to transmit information to organizational members. This is the disseminator role. In addition, managers perform a *spokesperson* role when they represent the organization to outsiders.

Decisional Roles Mintzberg identified four roles that require making choices. In the entrepreneur role, managers initiate and oversee new projects that will improve their organization's performance. As disturbance handlers, managers take corrective action in response to unforeseen problems. As resource allocators, managers are responsible for allocating human, physical, and monetary resources. Finally, managers perform a negotiator role, in which they discuss issues and bargain with other units to gain advantages for their own unit.

Management Skills

Still another way of considering what managers do is to look at the skills or competencies they need to achieve their goals. Researchers have identified a number of skills that differentiate effective from ineffective managers. 10

Technical Skills Technical skills encompass the ability to apply specialized knowledge or expertise. When you think of the skills of professionals such as civil engineers or oral surgeons, you typically focus on the technical skills they have learned through extensive formal education. Of course, professionals don't have a monopoly on technical skills, and not all technical skills have to be learned in schools or other formal training programs. All jobs require some specialized expertise, and many people develop their technical skills on the job.

Human Skills The ability to understand, communicate with, motivate, and support other people, both individually and in groups, defines human skills. Many people are technically proficient but poor listeners, unable to understand the needs of others, or weak at managing conflicts. Because managers get things done through other people, they must have good human skills.

Conceptual Skills Managers must have the mental ability to analyze and diagnose complex situations. These tasks require conceptual skills. Decision making, for instance, requires managers to identify problems, develop alternative solutions to correct those problems, evaluate those alternative solutions, and select the best one. After they have selected a course of action, managers must be able to organize a plan of action and then execute it. The ability to integrate new ideas with existing processes and innovate on the job are also crucial conceptual skills for today's managers.

technical skills The ability to apply specialized knowledge or expertise.

human skills The ability to work with, understand, and motivate other people, both individually and in groups.

conceptual skills The mental ability to analyze and diagnose complex situations.

Effective versus Successful Managerial Activities

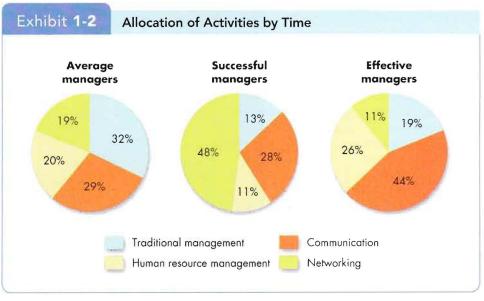
Fred Luthans and his associates looked at what managers do from a somewhat different perspective.¹¹ They asked, "Do managers who move up the quickest in an organization do the same activities and with the same emphasis as managers who do the best job?" You might think the answer is yes, but that's not always the case.

Luthans and his associates studied more than 450 managers. All engaged in four managerial activities:

- 1. Traditional management. Decision making, planning, and controlling.
- **2. Communication.** Exchanging routine information and processing paperwork.
- 3. Human resource management. Motivating, disciplining, managing conflict, staffing, and training.
- 4. Networking. Socializing, politicking, and interacting with outsiders.

The "average" manager spent 32 percent of his or her time in traditional management activities, 29 percent communicating, 20 percent in human resource management activities, and 19 percent networking. However, the time and effort different individual managers spent on those activities varied a great deal. As shown in Exhibit 1-2, among managers who were successful (defined in terms of speed of promotion within their organization), networking made the largest relative contribution to success, and human resource management activities made the least relative contribution. Among effective managers (defined in terms of quantity and quality of their performance and the satisfaction and commitment of employees), communication made the largest relative contribution and networking the least. More recent studies in Australia, Israel, Italy, Japan, and the United States confirm the link between networking and social relationships and success within an organization. 12 And the connection between communication and effective managers is also clear. A study of 410 U.S. managers indicates those who seek information from colleagues and employees—even if it's negative—and who explain their decisions are the most effective. 13

This research offers important insights. Successful managers give almost the opposite emphases to traditional management, communication, human



Source: Based on F. Luthans, R. M. Hodgetts, and S. A. Rosenkrontz, Real Managers (Combridge, MA: Ballinger, 1988).

When you see this icon, Global OB issues are being discussed in the paragraph.



Introduction

resource management, and networking as do effective managers. This finding challenges the historical assumption that promotions are based on performance, and it illustrates the importance of networking and political skills in getting ahead in organizations.

A Review of the Manager's Job

One common thread runs through the functions, roles, skills, activities, and approaches to management: Each recognizes the paramount importance of managing people, whether it is called "the leading function," "interpersonal roles," "human skills," or "human resource management, communication, and networking activities." It's clear managers must develop their people skills to be effective and successful.

Enter Organizational Behavior

Define organizational behavior (OB).

organizational behavior (OB) A field of study that investigates the impact that individuals, groups, and structure have on behavior within organizations, for the purpose of applying such knowledge toward improving an organization's effectiveness.

We've made the case for the importance of people skills. But neither this book nor the discipline on which it is based is called "people skills." The term that is widely used to describe the discipline is organizational behavior.

Organizational behavior (often abbreviated OB) is a field of study that investigates the impact individuals, groups, and structure have on behavior within organizations, for the purpose of applying such knowledge toward improving an organization's effectiveness. That's a mouthful, so let's break it down.

Organizational behavior is a field of study, meaning that it is a distinct area of expertise with a common body of knowledge. What does it study? It studies three determinants of behavior in organizations: individuals, groups, and structure. In addition, OB applies the knowledge gained about individuals, groups,





and the effect of structure on behavior in order to make organizations work more effectively.

To sum up our definition, OB is the study of what people do in an organization and how their behavior affects the organization's performance. And because OB is concerned specifically with employment-related situations, it emphasizes behavior as related to concerns such as jobs, work, absenteeism, employment turnover, productivity, human performance, and management. Although debate exists about the relative importance of each, OB includes the core topics:

- Motivation
- Leader behavior and power
- Interpersonal communication
- Group structure and processes
- Attitude development and perception
- Change processes
- Conflict and negotiation
- Work design¹⁴

Complementing Intuition with Systematic Study

4 Show the value to OB of systematic study.

Each of us is a student of behavior. Whether you've explicitly thought about it before, you've been "reading" people almost all your life, watching their actions and trying to interpret what you see or predict what people might do under different conditions. Unfortunately, the casual or commonsense approach to reading others can often lead to erroneous predictions. However, you can improve your predictive ability by supplementing intuition with a more systematic approach.

The systematic approach in this book will uncover important facts and relationships and provide a base from which to make more accurate predictions of behavior. Underlying this systematic approach is the belief that behavior is not random. Rather, we can identify fundamental consistencies underlying the behavior of all individuals and modify them to reflect individual differences.

These fundamental consistencies are very important. Why? Because they allow predictability. Behavior is generally predictable, and the *systematic study* of behavior is a means to making reasonably accurate predictions. When we use the term **systematic study**, we mean looking at relationships, attempting to attribute causes and effects, and basing our conclusions on scientific evidence—that is, on data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner. (See Appendix A for a basic review of research methods used in studies of organizational behavior.)

Evidence-based management (EBM) complements systematic study by basing managerial decisions on the best available scientific evidence. For example, we want doctors to make decisions about patient care based on the latest available evidence, and EBM argues that managers should do the same, becoming more scientific in how they think about management problems. A manager might pose a managerial question, search for the best available evidence, and apply the relevant information to the question or case at hand. You might think it difficult to argue against this (what manager would say decisions shouldn't be based on evidence?), but the vast majority of management

systematic study Looking at relaconships, attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

evidence-based management (EBM) The basing of managerial secisions on the best available scientific evidence.

"Management by Walking Around Is the Most Effective Management"

his is mostly false, but with a caveat. Management by walking around (MBWA) is an organizational principle made famous with the 1982 publication of In Search of Excellence and based upon a 1970s initiative by Hewlett-Packard-in other words, it's a dinosaur. But the idea of requiring managers at all levels of the organization to wander around their departments to observe, converse, and hear from employees continues as a common business practice. Many companies expecting managers and executives to do regular "floor time" have claimed benefits from employee engagement to deeper management understanding of company issues. While MBWA sounds helpful, though, it is not a panacea or cure-all. The limitations of MBWA are threefold: available hours, focus, and application.

 Available hours. Managers are tasked with planning, organizing, coordinating, and controlling, yet even CEOs—the managers who should be the most in control of their time—report 53 percent of their average 55-hour workweek is

- spent in meetings. We've yet to see a meeting conducted while touring the plant!
- 2. Focus. MBWA turns management's focus toward the concerns of employees. This is good, but only to a degree. As noted by Jeff Weiner, CEO of LinkedIn, this is a problem. "Part of the key to time management is carving out time to think, as opposed to constantly reacting. And during that thinking time, you're not only thinking strategically, thinking proactively, thinking longer-term, but you're literally thinking about what is urgent versus important." Weiner and other CEOs argue that meetings distract them from their purpose, especially internal company interactions.
- 3. Application. The principle behind MBWA is that the more managers know their employees, the more effective those managers will be. This is not always (or even often) true. As we'll learn in Chapter 6, knowing something (or thinking you know) should not always lead us to acting on only that information. For example, a 30-minute test to determine

personality traits and reactions to scenarios recently resulted in a 20 percent reduction in attrition for a Xerox call center, even though managers had previously been diligent in seeking information on candidates through interviews. There is no substitute for good, objective data.

Based on the need for managers to dedicate their efforts to administering and growing businesses, and given the proven effectiveness of objective performance measures, it seems the time for MBWA is gone. Yet there is one caveat. We certainly don't argue that managers should refrain from knowing their employees, or that a stroll through on the work floor is a bad idea. Rather, we find the regular, intentional interactions of MBWA do not, in themselves, make an effective management tool.

Sources: H. Mintzberg, "The Manager's Job," Harvard Business Review (March-April 1990), pp. 1–13; R. E. Silverman, "Where's the Boss? Trapped in a Meeting," The Wall Street Journal (February 14, 2012), p. B1, B9; and J. Walker, "Meet the New Boss: Big Data," The Wall Street Journal (September 20, 2012), p. B1.

intuition A gut feeling not necessarily supported by research.

decisions are still made "on the fly," with little or systematic study of available evidence. ¹⁵

Systematic study and EBM add to **intuition**, or those "gut feelings" about what makes others (and ourselves) "tick." Of course, the things you have come to believe in an unsystematic way are not necessarily incorrect. Jack Welch (former CEO of GE) noted, "The trick, of course, is to know when to go with your gut." But if we make *all* decisions with intuition or gut instinct, we're likely working with incomplete information—like making an investment decision with only half the data about the potential for risk and reward.

Relying on intuition is made worse because we tend to overestimate the accuracy of what we think we know. Surveys of human resource managers have also shown many managers hold "commonsense" opinions regarding effective management that have been flatly refuted by empirical evidence.

We find a similar problem in chasing the business and popular media for management wisdom. The business press tends to be dominated by fads. As a writer for *The New Yorker* put it, "Every few years, new companies succeed, and

they are scrutinized for the underlying truths they might reveal. But often there is no underlying truth; the companies just happened to be in the right place at the right time." Although we try to avoid it, we might also fall into this trap. It's not that the business press stories are all wrong; it's that without a systematic approach, it's hard to separate the wheat from the chaff.

Big Data

It is good news for the future of business that researchers, the media, and company leaders have identified the potential of data-driven management and decision-making. While "big data"—the extensive use of statistical compilation and analysis—has been applied to many areas of business, increasingly it is applied to making effective decisions (which we cover in Chapter 6) and managing human resources (covered in Chapter 17). Online retailers may have been the first to notice and act upon information on customer preferences newly available through the internet shopping experience, information far superior to data gathered in simple store transactions. This enabled online retailers to create more targeted marketing strategies than ever before. The bookselling industry is a case in point: Before online selling, brick-and-mortar bookstores could collect data about book sales only to make their projections about consumer interests and trends. With the advent of Amazon, suddenly a vast array of information about consumer preferences became available for tracking: what customers bought, what they looked at, how they navigated the site, and what they were influenced by (such as promotions, reviews, and page presentation). The challenge for Amazon then was to identify which statistics were *persistent*, giving relatively constant outcomes over time, and *predictive*, showing steady causality between certain inputs and outcomes. The company used these statistics to develop algorithms that let it forecast which books customers would like to read next. Amazon then could base its wholesale purchase decisions on the feedback customers provided, both through these passive methods and through solicited recommendations for upcoming titles, by which Amazon could continuously perfect its algorithms.

The success of Amazon has revolutionized bookselling—and even retail industries—and has served as a model for innovative online retailers. It also illustrates what big data can do for other businesses that can capitalize on the wealth of data available through virtually any internet connection, from Facebook posts to sensor readings to GPS signals from cell phones. Savvy businesses use big data to manage people as well as technology. A recent study of 330 companies found that the data-driven companies were 5 percent more productive and 6 percent more profitable than their competitors. These may seem like small percentage gains, but they represent a big impact on economic strength and measurable increases in stock market evaluations for these companies, which are in the top third of their industries. Another study of 8,000 firms in 20 countries confirms that constant measuring against targets for productivity and other criteria is a hallmark of well-run companies.

The use of big data for managerial practices is a relatively new area but one that holds convincing promise. In dealing with people, leaders often rely on hunches and estimate the influence of information that they've heard most recently, that has been frequently repeated, or that is of personal relevance. Obviously, this is not always the best evidence because all managers (all people) have natural biases. A manager who uses data to define objectives, develop theories of causality, and test those theories can find which employee activities are relevant to the objectives. ¹⁹

We're not advising that you throw your intuition, or all the business press, out the window. Nor are we arguing that research is always right. Researchers make mistakes, too. What we are advising is to use evidence as much as possible to inform your intuition and experience. That is the promise of OB.

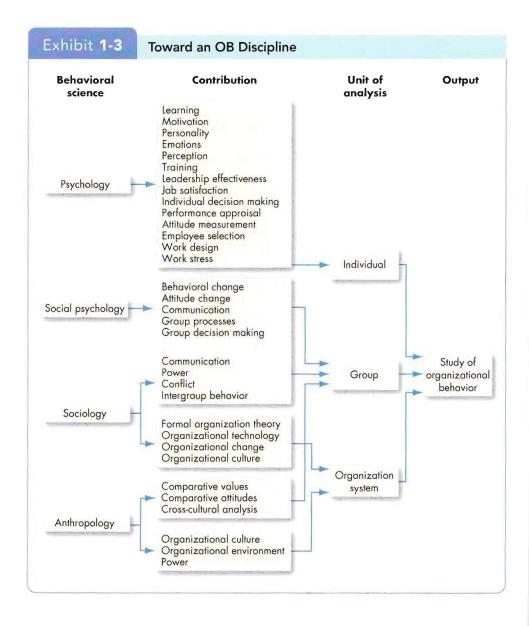
Disciplines That Contribute to the OB Field

Identify the major behavioral science disciplines that contribute to OB.

psychology The science that seeks to measure, explain, and sometimes change the behavior of humans and other animals. Organizational behavior is an applied behavioral science built on contributions from a number of behavioral disciplines, mainly psychology and social psychology, sociology, and anthropology. Psychology's contributions have been mainly at the individual or micro level of analysis, while the other disciplines have contributed to our understanding of macro concepts such as group processes and organization. Exhibit 1-3 is an overview of the major contributions to the study of organizational behavior.

Psychology

Psychology seeks to measure, explain, and sometimes change the behavior of humans and other animals. Those who have contributed and continue to add



to the knowledge of OB are learning theorists, personality theorists, counseling psychologists, and, most important, industrial and organizational psychologists.

Early industrial/organizational psychologists studied the problems of fatigue, boredom, and other working conditions that could impede efficient work performance. More recently, their contributions have expanded to include learning, perception, personality, emotions, training, leadership effectiveness, needs and motivational forces, job satisfaction, decision-making processes, performance appraisals, attitude measurement, employee-selection techniques, work design, and job stress.

Social Psychology

Social psychology, generally considered a branch of psychology, blends concepts from both psychology and sociology to focus on peoples' influence on one another. One major study area is *change*—how to implement it and how to reduce barriers to its acceptance. Social psychologists also contribute to measuring, understanding, and changing attitudes; identifying communication patterns; and building trust. Finally, they have made important contributions to our study of group behavior, power, and conflict.

Sociology

While psychology focuses on the individual, **sociology** studies people in relation to their social environment or culture. Sociologists have contributed to OB through their study of group behavior in organizations, particularly formal and complex organizations. Perhaps most important, sociologists have studied organizational culture, formal organization theory and structure, organizational technology, communications, power, and conflict.

Anthropology

Anthropology is the study of societies to learn about human beings and their activities. Anthropologists' work on cultures and environments has helped us understand differences in fundamental values, attitudes, and behavior between people in different countries and within different organizations. Much of our current understanding of organizational culture, organizational environments, and differences among national cultures is a result of the work of anthropologists or those using their methods.

social psychology An area of psychology that blends concepts from psychology and sociology

and that focuses on the influence

of people on one another.

sociology The study of people in relation to their social environment or culture

anthropology The study of societies to learn about human beings and their activities.

There Are Few Absolutes in OB

Demonstrate why few absolutes apply to OB.

Laws in the physical sciences—chemistry, astronomy, physics—are consistent and apply in a wide range of situations. They allow scientists to generalize about the pull of gravity or to be confident about sending astronauts into space to repair satellites. But as a noted behavioral researcher observed, "God gave all the easy problems to the physicists." Human beings are complex, and few, if any, simple and universal principles explain organizational behavior. Because we are not alike, our ability to make simple, accurate, and sweeping generalizations is limited. Two people often act very differently in the same situation, and the same person's behavior changes in different situations. Not everyone is motivated by money, and people may behave differently at a religious service than they do at a party.

contingency variables Situational factors: variables that moderate the relationship between two or more variables.

That doesn't mean, of course, that we can't offer reasonably accurate explanations of human behavior or make valid predictions. It does mean that OB concepts must reflect situational, or contingency, conditions. We can say x leads to y, but only under conditions specified in z—the contingency variables. The science of OB was developed by applying general concepts to a particular situation, person, or group. For example, OB scholars would avoid stating that everyone likes complex and challenging work (the general concept). Why? Because not everyone wants a challenging job. Some people prefer routine over varied, or simple over complex. A job attractive to one person may not be to another; its appeal is contingent on the person who holds it.

As you proceed through this book, you'll encounter a wealth of researchbased theories about how people behave in organizations. But don't expect to find a lot of straightforward cause-and-effect relationships. There aren't many! Organizational behavior theories mirror the subject matter with which they deal, and people are complex and complicated.

Challenges and Opportunities for OB

Identify the challenges and opportunities managers have in applying OB concepts.

Understanding organizational behavior has never been more important for managers. Take a quick look at the dramatic changes in organizations. The typical employee is getting older; more women and people of color are in the workplace; corporate downsizing and the heavy use of temporary workers are severing the bonds of loyalty that tied many employees to their employers; and global competition requires employees to become more flexible and cope with rapid change. The global recession has brought to the forefront the challenges of working with and managing people during uncertain times.

As a result of these changes and others such as the rising use of technology, employment options have adapted to include new opportunities for workers. Exhibit 1-4 details some of the types of options individuals may find offered to them by organizations or for which they would like to negotiate. Under each heading in the exhibit, you will find a grouping of options from which to choose—or combine. For instance, at one point in your career you may find yourself employed full-time in an office in a localized, nonunion setting with a salary and bonus compensation package, while at another point you may wish to negotiate for a flex-time, virtual position and choose to work from overseas for a combination of salary and extra paid time off.

In short, today's challenges bring opportunities for managers to use OB concepts. In this section, we review some of the most critical issues confronting managers for which OB offers solutions—or at least meaningful insights toward solutions.

Responding to Economic Pressures

When the U.S. economy plunged into a deep and prolonged recession in 2008, virtually all other large economies around the world followed suit. Layoffs and job losses were widespread, and those who survived the ax were often asked to accept pay cuts. When times are bad, managers are on the front lines with employees who must be fired, who are asked to make do with less, and who worry about their futures. The difference between good and bad management can be the difference between profit and loss or, ultimately, between survival and failure.

Managing employees well when times are tough is just as hard as when times are good—if not harder. But the OB approaches sometimes differ. In good times, understanding how to reward, satisfy, and retain employees is at a premium. In bad times, issues like stress, decision making, and coping come to the fore.

Exhibit 1-4

Employment Options

Categories of Employment

Employed

Underemployed/
underutilized

Re-employed

Unemployed/jobless

Entrepreneur

Retired

Job seeking

Furloughed

Laid off

Types of Employment

Full-time

Part-time

Flex-time

Job share

Contingent
Independent contractor

Temporary

Reduced hours
Intern

Places of Employment

Anchored (office/cubicle)

Floating (shared space)

Virtual

Flexible

Work from home

Conditions of Employment

Local

Expatriate

Short-term assignee

Flexpatriate

International business traveler

Visa employee

Union/nonunion employee

Compensation for Employment

Salary

Hourly

Overtime

Bonus

Contract

Time off

Benefits

Employed—working for a for-profit or nonprofit company, organization, or for an individual, either for money and/or benefits, with established expectations for performance and compensation. Underemployed/underutilized—working in a position or with responsibilities that are below one's educational or experience attainment level, or working less than full-time when one wants full-time employment

Re-employed – refers to either employees who were dismissed by a company and rehired by the same company, or to employees who left the workforce (were unemployed) and found new employment

Unemployed/jobless—currently not working; may be job seeking, either with or without government benefits/assistance, either with or without severance poy from previous job, either new to the workforce or terminated from previous employment, either short-term unemployed (months) or long-term/chronic unemployed (years)

Entrepreneur—one who runs his or her own business, either as a sole worker or as the founder of a company with employees

Retired—one who has ended his or her career in a profession, either voluntarily by choice or involuntarily by an employer's mandate

Job seeking—currently unemployed; octively looking for a job, either with an without government benefits from previous job or from disability/need, either with an without severance poy from previous job, either new to the workforce or terminated from previous employment

Furloughed—similar to a layoff; on employer-required work stoppage, temporary (weeks up to a month, usually); pay is often suspended during this time, though the person retains employment status with the company

Loid off—can be a temporary employer-required work stoppage, usually without pay, but is more often a permanent termination from the company in which the employee is recognized to be not of foult

Full-time—hours for full-time employment ore established by componies, generally more than 30 hours per week in a set schedule, sometimes with solary pay and sometimes with hourly pay, often with a benefit package greater than that for the part-time employment category

Part-time—hours for full-time employment are established by companies, generally less than 30 hours per week in a set schedule, often with hourly poy, often with a benefit package less than that for the full-time employment cotegory

Flex-time—an orrongement where the employee and employer create nonstandard working hours, which may be a temporary or permanent schedule; may be an expectation for a number of hours worked per week

Job shore—an orrangement where two or more employees fill one job, generally by splitting the hours of a full time position that do not overlap

Contingent—the workforce of outsourced workers (including professional service firms, specialized experts, and business consultants), these employees are paid hourly or by the job and do not generally receive any company benefits and are not considered as part of the company; contingent workers may be also temporary employees or independent contractors

Independent controctor—an entrepreneur in essence, but often a specialist professional who does not ospire to create a business but who provides services or goods to a company Temporary—individuals who may be employed directly by the organization or through an employment agency/temporary agency; their hours may be fixed per week or vary, they do not generally receive any company benefits, and are not considered as part of the company; they are employed either for a short duration or as a trial for an organization's position openings Reduced-hours—reduction in the normal employee's work schedule by the employer, sametimes as a measure to retain employees/reduce loyoffs in economic dawnturns as in Germony's Kurzorbeit program, which provides government subsidies to keep workers and the job at reduced hours; employees are anly poid for the time they work

Intern - shart-term employment, often with on established term, designed to provide practical training to a pre-professional, either with or without pay

Anchored—an employee with on assigned affice, cubicle, or desk space

Floating—on employee with a shared space workplace and no assigned working area

Virtual—on employee wha works through the Internet and is not cannected with any office location

Flexible—on employee who is connected with an affice lacation but may work from anywhere

Work from home—an employee who is set up by the company to work from on office at home

Lacol-employees who work in ane established location

Expatriate — employees who are on extended international work assignments with the expectation that they will return (repatriate) after on established term, usually a year or more; either sent by corporate request or out of self-initiated interest

Short-term assignee — employees on international assignments longer than business trips yet shorter than typical corporate expatriate assignments, usually 3 to 12 months

Flexpotriate – emplayees who trovel for brief assignments acrass cultural or national borders, usually 1 to 2 months

International business traveler—employees who take multiple short international business trips for 1 to 3 weeks

Exhibit 1-4

Employment Options (continued)

Visa employee—an employee warking outside of his or her country of residence who must have a work visa for employment in the current cauntry

Union/nonunion employee—an employee who is a member of a labor union, often by trade, and subject to its protections and provisions, which then negotiates with management on certain working condition issues, or an employee who works for a nonunian facility or who sometimes elects to stay out of membership in a unianized facility

Solary—employee compensation based on o full-time warkweek, where the hours are generally not kept on a time clack but where it is understand that the employee will work according to jab needs

Hourly—employee campensation for each haur warked, aften recorded on time sheets or by time clocks

Overtime – for hourly employees, compensation far hours worked that are greater than the standard workweek and paid at an haurly rate determined by law

Bonus—compensation in addition to standard pay, usually linked to individual or argonizational performance

Controct – prenegotioted compensation for project work, usually occording to a schedule os the work progresses

Time off — either paid or unpaid; negotiated time off according to the employment contract (including vacotion time, sick leave, and personal days) and/or given by management as compensation for time warked

Benefits—generally stated in the employment contract ar the Human Resources Employee Handbook; potentially include health insurance plans, savings plans, retirement plans, discounts, and other aptions available to employees at various types of employment

Sources: J. R. Anderson Jr., et al., "Action Items: 42 Trends Affecting Benefits, Compensation, Training, Staffing and Technology," HR Magazine (January 2013) p. 33; M. Dewhurst, B. Hancock, and D. Ellswarth, "Redesigning Knawledge Work," Harvard Business Review (January-February 2013), pp. 58–64; E. Frauenheim, "Creating a New Contingent Culture," Workforce Management (August 2012), pp. 34–39; N. Koeppen, "State Jab Aid Takes Pressure off Germany," The Wall Street Journal (February 1, 2013), p. A8; and M. A. Shaffer, M. L. Kraimer, Y.-P. Chen, and M. C. Bolino, "Choices, Challenges, and Career Cansequences of Global Work Experiences: A Review and Future Agendo," Journal of Monagement (July 2012), pp. 1282–1327.

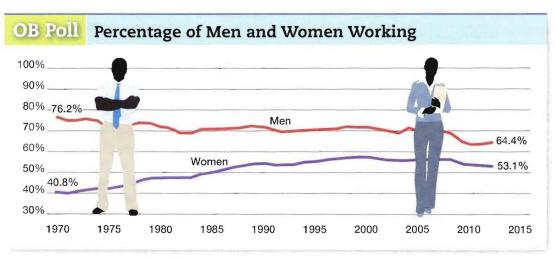
Responding to Globalization

Organizations are no longer constrained by national borders. Burger King is owned by a British firm, and McDonald's sells hamburgers in more than 100 companies in six continents. ExxonMobil, a so-called U.S. company, reported that less than 6 percent of their 2011 earnings were from gas and natural products sales in the United States. New employees at Finland-based phone maker Nokia are increasingly being recruited from India, China, and other developing countries—non-Finns now outnumber Finns at their renowned research center in Helsinki. And all major automobile makers now manufacture cars outside their borders; Honda builds cars in Ohio, Ford in Brazil, Volkswagen in Mexico, and both Mercedes and BMW in South Africa.



The world has become a global village. In the process, the manager's job has changed.

Increased Foreign Assignments If you're a manager, you are increasingly likely to find yourself in a foreign assignment—transferred to your employer's operating division or subsidiary in another country. Once there, you'll have to manage a workforce very different in needs, aspirations, and attitudes from those you are used to back home.



Sources: Based on U.S. Bureau of Lobor Statistics, "Household Doto Annual Averages" (2012), http://www.bls.gov/cps/cpsoat03.pdf; and U.S. Bureau of Labor Statistics, "Women in the Labor Farce: A Datebook," BLS Report 1040 (February 2013), Table 2, pp. 11–12.

Working with People from Different Cultures Even in your own country, you'll find yourself working with bosses, peers, and other employees born and raised in different cultures. What motivates you may not motivate them. Or your communication style may be straightforward and open, which others may find uncomfortable and threatening. To work effectively with people from different cultures, you need to understand how their culture, geography, and religion have shaped them and how to adapt your management style to their differences.



Managers at global companies such as IBM, Disney, and Coca-Cola have come to realize that economic values are not universally transferable. Management practices need to be modified to reflect the values of the different countries in which an organization operates.



Overseeing Movement of Jobs to Countries with Low-Cost Labor It is increasingly difficult for managers in advanced nations, where minimum wages are typically \$6 or more an hour, to compete against firms that rely on workers from China and other developing nations where labor is available for 30 cents an hour. It's not by chance that many in the United States wear clothes made in China, work on computers whose microchips came from Taiwan, and watch movies filmed in Canada. In a global economy, jobs tend to flow where lower costs give businesses a comparative advantage, though labor groups, politicians, and local community leaders see the exporting of jobs as undermining the job market at home. Managers face the difficult task of balancing the interests of their organizations with their responsibilities to the communities in which they operate.



Adapting to Differing Cultural and Regulatory Norms "Going global" for a business is not as simple as typing in an overseas e-mail address, shipping goods off to a foreign port, or building facilities in other countries. To be successful, managers need to know the cultural practices of the workforce in each country where they do business. For instance, in some countries a large percentage of the workforce enjoys long holidays. There will be country and local regulations to consider, too. Managers of subsidiaries abroad need to be aware of the unique financial and legal regulations applying to "guest companies" or else risk violating



Photo 1-3 Guy Woolaert, senior wite president and chief technical officer of The Coca-Cola Company, nas worked effectively with people from many cultures. He learned from his 20 years of assignments abroad in Europe, the Pacific, and other geographic regions how adapt his management style to reflect the values of different countries.

them, which can have economic and even political consequences. Such violations can have implications for their operations in that country and also for political relations between countries. As well, managers need to be cognizant of differences in regulations for their competitors in that country; many times, the laws will give national companies significant financial advantages over foreign subsidiaries.

Managing Workforce Diversity

One of the most important challenges for organizations is *workforce diversity*, the concept that organizations are becoming more heterogeneous in terms of gender, age, race, ethnicity, sexual orientation, and inclusion of other diverse groups. Whereas globalization focuses on differences among people *from* different countries, workforce diversity addresses differences among people *within* given countries.

Workforce diversity acknowledges a workforce of women and men, many racial and ethnic groups, individuals with a variety of physical or psychological abilities, and people who differ in age and sexual orientation. Managing this diversity is a global concern. For example, most European countries have experienced dramatic growth in immigration from the Middle East. Argentina and Venezuela host a significant number of migrants from other South American countries, and nations from India to Iraq to Indonesia find great cultural diversity within their borders.

The most significant change in the U.S. labor force during the last half of the twentieth century was the rapid increase in the number of female workers. In 1950, for instance, only 29.6 percent of the workforce was female. ²⁰ By 2010, it was 46.7 percent. The first half of the twenty-first century will be notable for changes in racial and ethnic composition and an aging baby boom generation. By 2020, Hispanics will grow from 14.8 percent of the workforce in 2010 to 18.6 percent, blacks will increase from 11.6 to 12 percent, and Asians from 4.7 to 5.7 percent. Meanwhile, in the near term the labor force will be aging. The 55-and-older age group, 19.5 percent of the labor force in 2010, will increase to 25.2 percent by 2020. ²¹

Though we have more to say about workforce diversity in the next chapter, suffice it to say here that it presents great opportunities and poses challenging questions for managers and employees in all countries. How can we leverage differences within groups for competitive advantage? Should we treat all employees alike? Should we recognize individual and cultural differences? How can we foster cultural awareness in employees without lapsing into political correctness? What are the legal requirements in each country? Does diversity even matter?



Improving Customer Service

Service employees include technical support representatives, fast-food counter workers, sales clerks, nurses, automobile repair technicians, consultants, financial planners, and flight attendants. The shared characteristic of their jobs is substantial interaction with an organization's customers. OB can help managers increase the success of these interactions by showing how employee attitudes and behavior influence customer satisfaction.

Many an organization has failed because its employees failed to please customers. Management needs to create a customer-responsive culture. OB can provide considerable guidance in helping managers create such cultures—in which employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs, and willing to do what's necessary to please the customer.²²

Improving People Skills

As you proceed through the chapters of this book, we'll present relevant concepts and theories that can help you explain and predict the behavior of people



workforce diversity The concept that organizations are becoming more heterogeneous in terms of gender, age, race, ethnicity, sexual orientation, and inclusion of other diverse groups.

Photo 1-4 A Whole Foods Market customer learns how to grind flour with the help of the store's cooking coach, whose job is to provide information about cooking ingredients, methods, and techniques. The coaches embody the best of the retailer's customer-responsive culture of serving people with competency, efficiency, knowledge, and flair.



at work. You'll also gain insights into specific people skills that you can use on the job. For instance, you'll learn ways to design motivating jobs, techniques for improving your listening skills, and how to create more effective teams.

Working in Networked Organizations

Networked organizations allow people to communicate and work together even though they may be thousands of miles apart. Independent contractors can telecommute via computer to workplaces around the globe and change employers as the demand for their services changes. Software programmers, graphic designers, systems analysts, technical writers, photo researchers, book and media editors, and medical transcribers are just a few examples of people who can work from home or other nonoffice locations.

The manager's job is different in a networked organization. Motivating and leading people and making collaborative decisions online requires different techniques than when individuals are physically present in a single location. As more employees do their jobs by linking to others through networks, managers must develop new skills. OB can provide valuable insights to help with honing those skills.

Enhancing Employee Well-Being at Work

The typical employee in the 1960s or 1970s showed up at a specified workplace Monday through Friday and worked for clearly defined 8- or 9-hour chunks of time. That's no longer true for a large segment of today's workforce. Employees are increasingly complaining that the line between work and nonwork time has become blurred, creating personal conflicts and stress. At the same time, today's workplace presents opportunities for workers to create and structure their own roles. And even if employees work at home or from half a continent away, managers need to consider their well-being at work.

One of the biggest challenges to maintaining employee well-being is the new reality that many workers never get away from the virtual workplace. Communication technology allows many technical and professional employees to do their work at home, in their cars, or on the beach in Tahiti—but it also means many feel like they never really get a break. Another challenge is that organizations are asking employees to put in longer hours. According to a recent study,

Introduction

As a result of their increased responsibilities in and out of the workplace, employees want more time off. Recent studies suggest employees want jobs that give them flexibility in their work schedules so they can better manage work–life conflicts. ²⁴ In fact, 56 percent of men and women in a recent study reported that work–life balance was their definition of career success, more than money, recognition, and autonomy. ²⁵ Most college and university students say attaining a balance between personal life and work is a primary career goal; they want a life as well as a job. Organizations that don't help their people achieve work–life balance will find it increasingly difficult to attract and retain the most capable and motivated employees.

As you'll see in later chapters, the field of OB offers a number of suggestions to guide managers in designing workplaces and jobs that can help employees deal with work-life conflicts.

Creating a Positive Work Environment

Although competitive pressures on most organizations are stronger than ever, some organizations are trying to realize a competitive advantage by fostering a positive work environment. Sometimes they do this by creating pleasing physical environments with attractive modern workstations, workplace "perks" such as Google's free lunches, or a shared commitment to environmental sustainability initiatives such as recycling. ²⁶ But, more often, employees perceive a work environment as positive or negative in terms of their work experiences with other employees, rather than in the quality of its physical surroundings. Jeff Immelt and Jim McNerney, both disciples of Jack Welch, have tried to maintain high-performance expectations (a characteristic of GE's culture) while fostering a positive work environment in their organizations (GE and Boeing). "In



Photo 1-5 Dr. Orit Wimpfheimer performs her job by linking to others through networks. A radiologist who works from her home office near Jerusalem, Israel, she analyzes test results from hospitals in the United States. Networked organizations use e-mail, the Internet, and videoconferencing for communication and collaboration.

vurce: Emilio Morenotti/Associated Press.

positive organizational scholarship An area of OB research that concerns how organizations develop human strength, foster vitality and resilience, and unlock potential.

ethical dilemmas and ethical choices Situations in which individuals are required to define right and wrong conduct.

this time of turmoil and cynicism about business, you need to be passionate, positive leaders," Mr. Immelt recently told his top managers.

What Is Organizational Behavior?

A real growth area in OB research is **positive organizational scholarship** (also called positive organizational behavior), which studies how organizations develop human strengths, foster vitality and resilience, and unlock potential. Researchers in this area say too much of OB research and management practice has been targeted toward identifying what's wrong with organizations and their employees. In response, they try to study what's good about them.²⁷ Some key independent variables in positive OB research are engagement, hope, optimism, and resilience in the face of strain.

Positive organizational scholars have studied a concept called "reflected best-self"—asking employees to think about when they were at their "personal best" in order to understand how to exploit their strengths. The idea is that we all have things at which we are unusually good, yet too often we focus on addressing our limitations and too rarely think about how to exploit our strengths. 28

Although positive organizational scholarship does not deny the value of the negative (such as critical feedback), it does challenge researchers to look at OB through a new lens and pushes organizations to exploit employees' strengths rather than dwell on their limitations.

Improving Ethical Behavior

In an organizational world characterized by cutbacks, expectations of increasing productivity, and tough competition, it's not surprising many employees feel pressured to cut corners, break rules, and engage in other questionable practices.

Increasingly they face ethical dilemmas and ethical choices, in which they are required to identify right and wrong conduct. Should they "blow the whistle" if they uncover illegal activities in their company? Do they follow orders with which they don't personally agree? Should they give an inflated performance evaluation to an employee they like, knowing it could save that employee's job? Do they "play politics" to advance their career?

What constitutes good ethical behavior has never been clearly defined, and, in recent years, the line differentiating right from wrong has blurred. Employees see people all around them engaging in unethical practices—elected officials pad expense accounts or take bribes; corporate executives inflate profits so they can cash in lucrative stock options; and university administrators look the other way when winning coaches encourage scholarship athletes to take easy courses. When caught, these people give excuses such as "Everyone does it" or "You have to seize every advantage nowadays." Determining the ethically correct way to behave is especially difficult in a global economy because different cultures have different perspectives on certain ethical issues.²⁹ Fair treatment of employees in an economic downturn varies considerably across cultures, for instance. As we'll see in Chapter 2, perceptions of religious, ethnic, and gender diversity differ across countries. Is it any wonder employees are expressing decreased confidence in management and increasing uncertainty about what is appropriate ethical behavior in their organizations?³⁰

Managers and their organizations are responding to the problem of unethical behavior in a number of ways. 31 They're writing and distributing codes of ethics to guide employees through dilemmas. They're offering seminars, workshops, and other training programs to try to improve ethical behaviors. They're providing in-house advisors who can be contacted, in many cases anonymously, for assistance in dealing with issues, and they're creating protection mechanisms for employees who reveal internal unethical practices.

Today's manager must create an ethically healthy climate for his or her employees, where they can do their work productively with minimal ambiguity about right versus wrong behaviors. Companies that promote a strong ethical

Vacation Deficit Disorder

o you work to live, or live to work? Those of us who think it's a choice might be wrong. No matter what employee vacation accrual balance sheets indicate, in many cases workers will end this year with a week of unused time. Or more. Consider Ken Waltz, a director for Alexian Brothers Health System. He has 500 hours (approximately 3 months) in banked time off and no plans to spend it, choosing work over time with his two sons. "You're on call 24/7 and these days, you'd better step up or step out," he says, referring to today's leaner workforce, "It's not just me-it's upper management. . . . It's everybody."

Jane Himmel, a senior manager for Palmer House Hilton, agrees. She took 5 of her allotted 22 days off in 2012, but didn't consider even those days a break because she chose to monitor her e-mail constantly. "If I don't keep up with it, it's just insane when I get back," she says. Almost a full one-third of 1,000 respondents in a study by Kelton Research agreed, citing workload as a reason for not using allotted vacation days. In 2011, 65 percent of U.S. workers had unused vacation days, and experts believe the percentage is increasing. Much of the reason is attributable to the economy; one person is often doing the work of three, and many fear they may lose their jobs if they take vacation. But the cost of nonstop working can be high. There are ethical choices here, for the employer and for the employee.

It would be easy to assume employers prefer employees to work without breaks, but that's not always the case. Many states require employers to compensate departing employees financially for accrued vacation time, and most companies say they recognize the benefits of a refreshed workforce. As a result, they often encourage their employees to take their vacations through periodic "use it or lose it" e-mail reminders. Yet, employers are also expecting workers to do more with less, in the form of fewer co-workers to help get the job done, putting implicit

or explicit pressure on them to use all available resources—chiefly their time—to meet manager expectations.

Research indicates employees are more likely to respond to the direct pressure of management than to the indirect benevolence of corporate policy. Thus, policy or not, many employees do not take their allotted vacation time due to direct or indirect pressure from their manager. While it is easy to dismiss these pressures, in today's economy there is always a ready line of replacement, and many employees will do everything possible to keep in their manager's good graces, including foregoing vacation time.

The downside, of course, is the risk of burnout. Foregoing vacation time can wear you down emotionally, leading to exhaustion, negative feelings about your work, and a reduced feeling of accomplishment. You may find you are absent more often, contemplate leaving your job, and grow less likely to want to help anyone (including your managers). Here are some choices you can make to prevent a downward spiral:

- Recognize your feelings. According to a recent report by ComPsych Corp. on 2,000 employees, two in three identified high levels of stress, out-of-control feelings, and extreme fatigue. We solve few problems without first recognizing them.
- 2. Identify your tendency for burnout.

 Research on 2,089 employees found that burnout is especially acute for newcomers and job changers. If you have recently made a career change, it can help you to know any increase in symptoms should level off after 2 years. But keep in mind that each individual experiences stress differently.
- Talk about your stressors. Thomas
 Donohoe, a researcher on work-life
 balance, recommends talking with
 trusted friends or family. On the
 job, appropriately discussing your
 stress factors can help you reduce
 job overload.
- Build in high physical activity. Recent research found an increase in

job burnout (and depression) was strongest for employees who did not engage in regular physical activity, while it was almost negligible for employees who did engage in regular high physical activity. Physical activity distracts the mind from stressors, enhances feelings of mastery and self-efficacy, and builds physiological resilience to stress.

- 5. Take brief breaks throughout your day. For office employees, the current expert suggestion is to spend at least 1 to 2 minutes standing up every hour to combat the effects of all-day sitting. Donohoe also suggests snack breaks, walks, or small naps to recharge.
- 6. Take your vacation! Studies suggest that recovery from stress can happen only if employees are (a) physically away from work and (b) not occupied by work-related duties. That means log off your e-mail accounts, shut off your phone, and put down your pen for the duration of the vacation. As much as possible, remove yourself from the work environment physically and mentally.

With work only a thumb swipe away and performance demands high, it is not always easy to look beyond the next deadline. But to maximize your long-term productivity and avoid stress, burnout, and illness—all of which are ultimately harmful to employer aims and employee careers alike—you should not succumb to vacation deficit disorder. Educate your managers. Your employer should thank you for it.

Sources: B. B. Dunford, A. J. Shipp, R. W. Boss, I. Angermeier, and A. D. Boss, "Is Burnout Static or Dynamic? A Career Transition Perspective of Employee Burnout Trajectories," Journal of Applied Psychology 97, no. 3 (2012), pp. 637–650; E. J. Hirst, "Burnout on the Rise," Chicago Tribune (October 29, 2012), pp. 3-1, 3-4; B. M. Rubin, "Rough Economy Means No Vacation," Chicago Tribune (September 3, 2012), p. 4; and S. Toker and M. Biron, "Job Burnout and Depression: Unraveling Their Temporal Relationship and Considering the Role of Physical Activity," Journal of Applied Psychology 97, no. 3 (2012), pp. 699–710.

mission, encourage employees to behave with integrity, and provide strong leadership can influence employee decisions to behave ethically.³² In upcoming chapters, we'll discuss the actions managers can take to create an ethically healthy climate and help employees sort through ambiguous situations. We'll also present ethical-dilemma exercises at the end of each chapter that allow you to think through ethical issues and assess how you would handle them.

What Is Organizational Behavior?

Coming Attractions: Developing an OB Model

Compare the three levels of analysis in this book's OB model.

We conclude this chapter by presenting a general model that defines the field of OB, stakes out its parameters, and identifies inputs, processes, and outcomes. The result will be "coming attractions" of the topics in the remainder of this book.

model An abstraction of reality. A simplified representation of some real-world phenomenon.

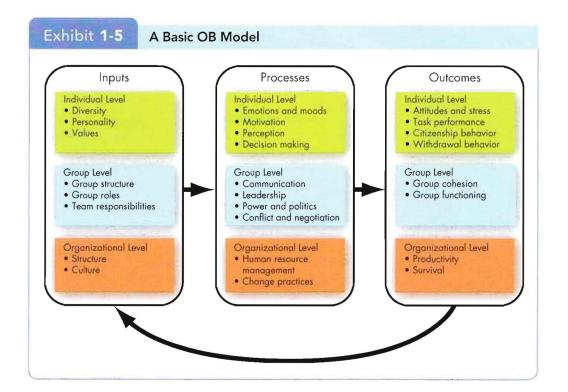
An Overview

A model is an abstraction of reality, a simplified representation of some realworld phenomenon. Exhibit I-5 presents the skeleton on which we will construct our OB model. It proposes three types of variables (inputs, processes, and outcomes) at three levels of analysis (individual, group, and organizational). The model proceeds from left to right, with inputs leading to processes and processes leading to outcomes. Notice that the model also shows that outcomes can influence inputs in the future.

Inputs

Inputs are the variables like personality, group structure, and organizational culture that lead to processes. These variables set the stage for what will occur in an organization later. Many are determined in advance of the employment relationship. For example, individual diversity characteristics, personality, and values

input Variables that lead to processes.



are shaped by a combination of an individual's genetic inheritance and childhood environment. Group structure, roles, and team responsibilities are typically assigned immediately before or after a group is formed. Finally, organizational structure and culture are usually the result of years of development and change as the organization adapts to its environment and builds up customs and norms.

Processes

If inputs are like the nouns in organizational behavior, processes are like verbs. Processes are actions that individuals, groups, and organizations engage in as a result of inputs and that lead to certain outcomes. At the individual level, processes include emotions and moods, motivation, perception, and decision making. At the group level, they include communication, leadership, power and politics, and conflict and negotiation. Finally, at the organizational level, processes include human resource management and change practices.

Outcomes

Outcomes are the key variables that you want to explain or predict, and that are affected by some other variables. What are the primary outcomes in OB? Scholars have emphasized individual-level outcomes like attitudes and satisfaction, task performance, citizenship behavior, and withdrawal behavior. At the group level, cohesion and functioning are the dependent variables. Finally, at the organizational level, we look at overall profitability and survival. Because these outcomes will be covered in all the chapters, we'll briefly discuss each here so you can understand what the "goal" of OB will be.

Attitudes and Stress Employee attitudes are the evaluations employees make, ranging from positive to negative, about objects, people, or events. For example, the statement, "I really think my job is great," is a positive job attitude, and "My job is boring and tedious" is a negative job attitude. Stress is an unpleasant psychological process that occurs in response to environmental pressures.

Some people might think that influencing employee attitudes and stress is purely soft stuff and not the business of serious managers, but as we will show, attitudes often have behavioral consequences that directly relate to organizational effectiveness. The belief that satisfied employees are more productive than dissatisfied employees has been a basic tenet among managers for years, though only now has research begun to support it. Ample evidence shows that employees who are more satisfied and treated fairly are more willing to engage in the above-andbeyond citizenship behavior so vital in the contemporary business environment.

Task Performance The combination of effectiveness and efficiency at doing your core job tasks is a reflection of your level of task performance. If we think about the job of a factory worker, task performance could be measured by the number and quality of products produced in an hour. The task performance of a teacher would be the level of education that students obtain. The task performance of a consultant might be measured by the timeliness and quality of the presentations they offer to the client firm. All these types of performance relate to the core duties and responsibilities of a job and are often directly related to the functions listed on a formal job description.

Obviously task performance is the most important human output contributing to organizational effectiveness, so in every chapter we devote considerable time to detailing how task performance is affected by the topic in question.

Citizenship Behavior The discretionary behavior that is not part of an employee's formal job requirements, and that contributes to the psychological and social environment of the workplace, is called citizenship behavior. Successful organizations need employees who will do more than their usual job

processes Actions that individuals, groups, and organizations engage in as a result of inputs and that lead to certain outcomes.

outcomes Key factors that are affected by some other variables.

attitudes Evaluations employees make about objects, people, or events.

stress An unpleasant psychological process that occurs in response to environmental pressures.

task performance The combination of effectiveness and efficiency at doing your core job tasks.

citizenship behavior Discretionary behavior that contributes to the psychological and social environment of the workplace.

CHAPTER 1

duties—who will provide performance *beyond* expectations. In today's dynamic workplace, where tasks are increasingly performed by teams and flexibility is critical, employees who engage in "good citizenship" behaviors help others on their team, volunteer for extra work, avoid unnecessary conflicts, respect the spirit as well as the letter of rules and regulations, and gracefully tolerate occasional work-related impositions and nuisances.

Organizations want and need employees who will do things that aren't in any job description. Evidence indicates organizations that have such employees outperform those that don't. As a result, OB is concerned with citizenship behavior as an outcome variable.

Withdrawal Behavior We've already mentioned behavior that goes above and beyond task requirements, but what about behavior that in some way is below task requirements? **Withdrawal behavior** is the set of actions that employees take to separate themselves from the organization. There are many forms of withdrawal, ranging from showing up late or failing to attend meetings to absenteeism and turnover.

Employee withdrawal can have a very negative effect on an organization. The cost of employee turnover alone has been estimated to run into the thousands of dollars, even for entry-level positions. Absenteeism also costs organizations significant amounts of money and time every year. For instance, a recent survey found the average direct cost to U.S. employers of unscheduled absences is 8.7 percent of payroll.³³ In Sweden, an average of 10 percent of the country's workforce is on sick leave at any given time.³⁴

It's obviously difficult for an organization to operate smoothly and attain its objectives if employees fail to report to their jobs. The workflow is disrupted, and important decisions may be delayed. In organizations that rely heavily on assembly-line production, absenteeism can be considerably more than a disruption; it can drastically reduce the quality of output or even shut down the facility. Levels of absenteeism beyond the normal range have a direct impact on any organization's effectiveness and efficiency. A high rate of turnover can also disrupt the efficient running of an organization when knowledgeable and



withdrawal behavior The set of actions employees take to separate themselves from the organization.



Photo 1-6 Task performance is one of the primary individual-level outcomes in organizational behavior and the most important human output contributing to organizational effectiveness. For these women who install wiring in car doors at a GM plant, task performance is measured by the number and quality of the work they produce.

re. AP Photo/Mark D.

experienced personnel leave and replacements must be found to assume positions of responsibility.

All organizations, of course, have some turnover. The U.S. national turnover rate averages about 3 percent per month, about a 36 percent turnover per year. This average varies a lot by occupation, of course; the monthly turnover rate for government jobs is less than 1 percent, versus 5 to 7 percent in the construction industry. If the "right" people are leaving the organization—the marginal and submarginal employees—turnover can actually be positive. It can create an opportunity to replace an underperforming individual with someone who has higher skills or motivation, open up increased opportunities for promotions, and bring new and fresh ideas to the organization. In today's changing world of work, reasonable levels of employee-initiated turnover improve organizational flexibility and employee independence, and they can lessen the need for management-initiated layoffs.

So why do employees withdraw from work? As we will show later in the book, reasons include negative job attitudes, emotions and moods, and negative interactions with co-workers and supervisors.

Group Cohesion Although many outcomes in our model can be conceptualized as individual level phenomena, some relate to how groups operate. **Group cohesion** is the extent to which members of a group support and validate one another at work. In other words, a cohesive group is one that sticks together. When employees trust one another, seek common goals, and work together to achieve these common ends, the group is cohesive; when employees are divided among themselves in terms of what they want to achieve and have little loyalty to one another, the group is not cohesive.

There is ample evidence showing that cohesive groups are more effective.³⁷ These results are found both for groups that are studied in highly controlled laboratory settings and also for work teams observed in field settings. This fits with our intuitive sense that people tend to work harder in groups that have a common purpose. Companies attempt to increase cohesion in a variety of ways ranging from brief icebreaker sessions to social events like picnics, parties, and outdoor adventure-team retreats. Throughout the book we will try to assess whether these specific efforts are likely to result in increases in group cohesiveness. We'll also consider ways that picking the right people to be on the team in the first place might be an effective way to enhance cohesion.

Group Functioning In the same way that positive job attitudes can be associated with higher levels of task performance, group cohesion should lead to positive group functioning. **Group functioning** refers to the quantity and quality of a group's work output. In the same way that the performance of a sports team is more than the sum of individual players' performance, group functioning in work organizations is more than the sum of individual task performances.

What does it mean to say that a group is functioning effectively? In some organizations, an effective group is one that stays focused on a core task and achieves its ends as specified. Other organizations look for teams that are able to work together collaboratively to provide excellent customer service. Still others put more of a premium on group creativity and the flexibility to adapt to changing situations. In each case, different types of activities will be required to get the most from the team.

Productivity The highest level of analysis in organizational behavior is the organization as a whole. An organization is productive if it achieves its goals by transforming inputs into outputs at the lowest cost. Thus **productivity** requires both **effectiveness** and **efficiency**.

A hospital is *effective* when it successfully meets the needs of its clientele. It is *efficient* when it can do so at a low cost. If a hospital manages to achieve higher

group cohesion The extent to which members of a group support and validate one another while at work.

group functioning The quantity and quality of a work group's output.

productivity The combination of the effectiveness and efficiency of an organization.

effectiveness The degree to which an organization meets the needs of its clientele or customers.

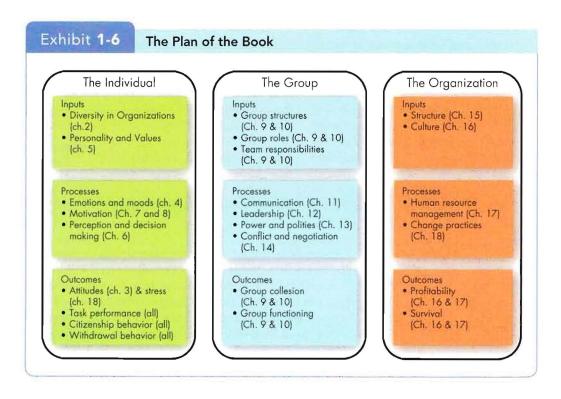
efficiency The degree to which an organization can achieve its ends at a low cost.

output from its present staff by reducing the average number of days a patient is confined to bed or increasing the number of staff-patient contacts per day, we say the hospital has gained productive efficiency. A business firm is effective when it attains its sales or market share goals, but its productivity also depends on achieving those goals efficiently. Popular measures of organizational efficiency include return on investment, profit per dollar of sales, and output per hour of labor.

Service organizations must include customer needs and requirements in assessing their effectiveness. Why? Because a clear chain of cause and effect runs from employee attitudes and behavior to customer attitudes and behavior to a service organization's productivity. Sears has carefully documented this chain. ³⁸ The company's management found that a 5 percent improvement in employee attitudes leads to a 1.3 percent increase in customer satisfaction, which in turn translates into a 0.5 percent improvement in revenue growth. By training employees to improve the employee–customer interaction, Sears was able to improve customer satisfaction by 4 percent over a 12-month period, generating an estimated \$200 million in additional revenues.

organizational survival The degree to which an organization is able to exist and grow over the long term. **Survival** The final outcome we will consider is **organizational survival**, which is simply evidence that the organization is able to exist and grow over the long term. The survival of an organization depends not just on how productive the organization is, but also on how well it fits with its environment. A company that is very productively making goods and services of little value to the market is unlikely to survive for long, so survival factors in things like perceiving the market successfully, making good decisions about how and when to pursue opportunities, and engaging in successful change management to adapt to new business conditions.

Having reviewed the input, process, and outcome model, we're going to change the figure up a little bit by grouping topics together based on whether we study them at the individual, group, or organizational level. As you can see in Exhibit 1-6, we will deal with inputs, processes, and outcomes at all three levels of



Suicide by Economic Crisis

he tragedy of Dimitris Christoulas is all too familiar in recent European history, and indeed in all industrialized nations affected by the ongoing global economic crisis. As the retired pharmacist wrote before he fatally shot himself in 2012, "[the] government has annihilated all traces for my survival, which was based on a very dignified pension that I alone paid for 35 years with no help from the state . . . I see no other solution than this dignified end to my life, so I don't find myself fishing through garbage cans for my sustenance." Christoulas took his life in public outside the Greek Parliament, but many others have silently slipped away, sharing his sentiment. European newspapers have dubbed these cases "death by economic crisis," and they are on the rise.

The World Health Organization, which records trends in mortality rates for Europe, has reported that the longterm decline in suicides reversed in 2007 and is now increasing dramatically. Though up-to-date data are not available due to the lag time in reporting, the hardest-hit groups appear to be men and small-business entrepreneurs, and the hardest-hit countries appear to be Greece, Ireland, and Italy. Greek government statistics indicate a 24 percent increase in suicides among men from 2007 to 2009, while Ireland reported a 16 percent increase among men in the same time period. Suicides attributed to economic hardship

motives in Italy increased 52 percent from 2005 to 2010.

The link between economic crises and suicide is well established in research built upon the work of several early prominent social scientists. While a link between economic conditions and suicide was hypothesized in as early as 1822, Durkheim's 1897 study was a foundational work proving strong social forces behind suicide motivation. Later in 1954, Henry and Short predicted that suicide rates will rise during periods of economic crisis as a result of frustration/aggression from status hierarchy changes. Soon after, in 1966, Ginsberg found that, whenever rewards fall short of aspirations as perceived by an individual in a society, suicides increase. Although the three schools of thought did not agree on all points, they definitively proved a link strong between economic turmoil and suicide rates.

Contemporary research in sociology and psychology has focused on the reasons that hard economic times appear to correlate with suicide. Early results suggest that countries that responded to economic downturns with austerity measures experienced the highest suicide rate increases, while countries that relied on stimulus initiatives did not experience an increase. This raises concerns about the United Kingdom, Spain, Portugal, and Cyprus, which are under austerity measures due to the economic downturn but have not yet reported increases in suicide rates.

For those countries with reported increases in suicide rates, efforts to heighten societal support have been found helpful. In some regions, communities and charities have provided assistance by setting up suicide prevention numbers and raising money for free mental health services, for instance. These may seem to be small measures, but the emerging research indicates that an individual's feeling of societal support has an even stronger affect upon suicidal intention than his or her hardship circumstances.

Troubling as it is, this body of research shows how important work is to individuals' identities—when work is lost, many individuals' self-worth appears to be lost with it.

Sources: A. E. Cha, "'Economic Suicides' Shake Europe as Financial Crisis Takes Toll on Mental Health," Washington Post (August 14, 2012), http://articles.washingtonpost .com/2012-08-14/business/35491624_1_ double-suicide-mental-health-financialcrisis; B. Y. Lester, "Learning from Durkheim and Beyond: The Economy and Suicide," Suicide and Life-Threatening ior (Spring 2001), pp. 15-31; M. McKee, M. Karanikolos, P. Belcher, and D. Stuckler, "Austerity: A Failed Experiment on the People of Europe," Clinical Medicine 12, no. 4 (2012), pp. 346-350; C. von Hoffman, "Suicide Rate Jumps amid European Financial Crisis," MoneyWatch (April 5, 2012), www.cbsnews.com/8301-505123 162-57409506/suicide-rate-jumps-amideuropean-financial-crisis/; and A. Yur'yev, A. Vaernik, P. Vaernik, et al., "Employment Status Influences Suicide Mortality in Europe," International Journal of Social Psychiatry (January 2012), pp. 62-68.

analysis, but we group the chapters as shown here to correspond with the typical ways that research has been done in these areas. It is easier to understand one unified presentation about how personality leads to motivation, which leads to performance, than to jump around levels of analysis. Because each level builds on the one that precedes it, after going through them in sequence you will have a good idea of how the human side of organizations functions.

Summary

Managers need to develop their interpersonal, or people, skills to be effective in their jobs. Organizational behavior (OB) investigates the impact that individuals, groups, and structure have on behavior within an organization, and it applies that knowledge to make organizations work more effectively. Specifically, OB focuses on how to improve productivity; reduce absenteeism, turnover, and deviant workplace behavior; and increase organizational citizenship behavior and job satisfaction.

Implications for Managers

- Resist the inclination to rely on generalizations; some provide valid insights into human behavior, but many are erroneous.
- Use metrics and situational variables rather than "hunches" to explain cause-and-effect relationships.
- Work on your interpersonal skills to increase your leadership potential.
- Improve your technical skills and conceptual skills through training and staying current with organizational behavior trends like big data.
- Organizational behavior can improve your employees' work quality and productivity by showing you how to empower your employees, design and implement change programs, improve customer service, and help your employees balance work-life conflicts.

Lost in Translation?

POINT

COUNTERPOINT

alk into your nearest major bookstore. You'll undoubtedly find a large selection of books devoted to management and managing. Consider the following recent titles:

- Hardcore Leadership: 11 Master Lessons from My Airborne Ranger Uncle's "Final Jump" (CreateSpace, 2013)
- Half-Naked Interview (Amazon Digital, 2013)
- Fu*k Jobs!: How to Create a Passive Income Stream and Never Work Again (CreateSpace, 2013)
- The Chimp Paradox: The Mind Management Program to Help You Achieve Success, Confidence, and Happiness (Tarcher,
- Four Dead Kings at Work (SlimBooks, 2013)
- Monopoly, Money, and You: How to Profit from the Game's Secrets of Success (McGraw-Hill, 2013)
- The Tao of Rice and Tigers: Taoist Leadership in the 21st Century (Publius Press, 2013)
- Nothing to Lose, Everything to Gain: How I Went from Gang Member to Multimillionaire Entrepreneur (Portfolio Trade, 2013)
- Ninja Innovation: The Ten Killer Strategies of the World's Most Successful Businesses (William Morrow, 2013)
- Giraffes of Technology: The Making of the Twenty-First-Century Leader (CreateSpace, 2013)

Popular books on organizational behavior often have cute titles and are fun to read, but they make the job of managing people seem much simpler than it is. Most are based on the author's opinions rather than substantive research, and it is doubtful that one person's experience translates into effective management practice for everyone. Why do we waste our time on "fluff" when, with a little effort, we can access knowledge produced from thousands of scientific studies on human behavior in organizations?

Organizational behavior is a complex subject. Few, if any, simple statements about human behavior are generalizable to all people in all situations. Should you really try to apply leadership insights you got from a book about Geronimo or Tony Soprano to managing software engineers in the twenty-first century?

rganizations are always looking for leaders, and managers and manager-wannabes are continually looking for ways to hone their leadership skills. Publishers respond to this demand by offering hundreds of titles that promise insights into managing people. Books like these can provide people with the secrets to management that others know about. Moreover, isn't it better to learn about management from people in the trenches, as opposed to the latest esoteric musings from the "Ivory Tower"? Many of the most important insights we gain from life aren't necessarily the product of careful empirical research studies.

It is true there are some bad books out there. But do they outnumber the esoteric research studies published every year? For example, a couple of recent management and organizational behavior studies were published in 2013 with the following titles:

- Market Segmentation, Service Quality, and Overall Satisfaction: Self-Organizing Map and Structural Equation Modeling Methods
- The Effects of Performance Rating, Leader-Member Exchange, Perceived Utility, and Organizational Justice on Performance Appraisal Satisfaction: Applying a Moral Judgment Perspective
- Nonlinear Moderating Effect of Tenure on Organizational Identification (OID) and the Subsequent Role of OID in Fostering Readiness for Change
- Examining the Influence of Modularity and Knowledge Management (KM) on Dynamic Capabilities

We don't mean to poke fun at these studies. Rather, our point is that you can't judge a book by its cover any more than you can a research study by its title.

There is no one right way to learn the science and art of managing people in organizations. The most enlightened managers are those who gather insights from multiple sources: their own experience, research findings, observations of others, and, yes, business press books, too. If great management were produced by carefully gleaning results from research studies, academicians would make the best managers. How often do we see that?

Research and academics have an important role to play in understanding effective management. But it isn't fair to condemn all business books by citing the worst (or, at least, the worse-sounding ones).

END-OF-CHAPTER REVIEW

MyManagementLab

Go to **mymanagementlab.com** to complete the problems marked with this icon.

QUESTIONS FOR REVIEW

- 1-1 What is the importance of interpersonal skills?
- 1-2 What do managers do in terms of functions, roles, and skills?
- 1-3 What is organizational behavior (OB)?
- 1-4 Why is it important to complement intuition with systematic study?
- 1-5 What are the major behavioral science disciplines that contribute to OB?

- 1-6 Why are there few absolutes in OB?
- 1-7 What are the challenges and opportunities for managers in using OB concepts?
- 1-8 What are the three levels of analysis in this book's OB model?

EXPERIENTIAL EXERCISE Intoxicated Workplaces

Purpose

Devising a substance abuse policy is one thing, but developing a plan to enforce it is another. This exercise will help students determine whether a policy is even needed and, if so, develop a statement and a system of implementation.

Time Required

Approximately 40 minutes.

Participants and Roles

Divide the class into groups of approximately four members each. These separate groups should each come up with (a) a one-to-two paragraph corporate statement and (b) a comprehensive plan for ensuring adherence to the policy.

Background

Substance abuse is pervasive and costs businesses more than \$100 billion annually in workers' compensation and medical costs, absenteeism, lost productivity, and employee turnover. According to the National Institute on Drug Abuse, "nearly 75 percent of all adult illicit drug users are employed, as are most binge and heavy alcohol users." Many companies have written substance abuse policies, but some may not be effective or may even pose a liability risk for the firm.

Research indicates the problem with adherence to substance abuse policies is not a lack of understanding the violations, but one of enforcement. Supervisors can play a key role, but research indicates that many times supervisors are ill equipped at identifying abuse, are afraid of invading employees' privacy, and would rather do nothing than do the wrong thing.

Each group will decide whether substance abuse policies are needed and, if so, create a policy statement and action plan.

The Task, Part A: The Plan

- 1-9. Identify the scope of the problem. Take a poll: Does everyone see this as a problem? To what extent? Are some types of impairment worse than others? Break down your answer in terms of each of the reported incident rates (drunk once per year, high once per year, etc.). Does the type of employment (manufacturing, lab work, office work) change the tolerance level?
- 1-10. Identify the risks. For each type of work listed in part 1, write down the risks to the worker and to the company of having impaired workers on the job in terms of (a) physical safety risks to the company and employees, (b) liability risks, and (c) damage to the company culture.
- 1-11. Consider the implications. Note the potential consequences of not developing a substance abuse policy for (a) the workers, (b) the managers, and (c) the company. What are the pros and cons of not formalizing a policy? Conversely, what are the pros and cons of creating a policy?

1-12. Decide. Will you develop a policy? If so, draft a one- to two-paragraph company statement. If not, list the reasons having a policy may be detrimental to the company.

The Task, Part B: The Implementation Plan

- **1-13.** Develop tolerance thresholds for noncompliance with the policy.
- 1-14. Decide whether data will be needed to measure compliance. Will you require regular drug and alcohol screenings, periodic screenings, on-request screenings for suspected violations, or no screenings for employees (which means supervisors act upon observations instead)? Identify the type of data that will satisfy your policy (onsite or offsite testing).
- 1-15. On what level of the organization should responsibility for enforcement be assigned? Does management need to observe and voice suspicions, and if so, can a manager accuse any employee, or just those who work for him or her? If employees can initiate inquiries about co-workers or managers, will they do so anonymously or in person?
- 1-16. How will you equip those assigned as enforcement agents to detect substance abuse? Record what your training methods will be, and include frequency and type of training for each level of the organization.
- 1-17. What proactive steps will you take to raise awareness of the substance abuse issue, your new policy, and your implementation plan?

Sources: National Institute on Drug Abuse website, http://www.drugabuse.gov/publications/drugfacts/workplace-resources, accessed July 31, 2013; and Nationwide Medical Review website, http://www.drugfreeworkplace.com/employers/drug-free-workplace.php#drugnworkplace, accessed July 31, 2013.

ETHICAL DILEMMA Jekyll and Hyde

Let's assume you have been offered a job by Jekyll Corporation, a company in the consumer products industry. The job is in your chosen career path.

Jekyll Corporation has offered you a position that would begin 2 weeks after you graduate. The job responsibilities are appealing to you, make good use of your training, and are intrinsically interesting. The company seems well positioned financially, and you have met the individual who would be your supervisor, who assures you that the future prospects for your position and career are bright. Several other graduates of your program work at Jekyll Corporation, and they speak quite positively of the company and promise to socialize and network with you once you start.

As a company, Jekyll Corporation promotes itself as a fair-trade and sustainable organization. Fair trade is a trading partnership—based on dialogue, transparency, and respect—that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, local producers and businesses. Fair-trade organizations are actively engaged in supporting producers and sustainable environmental farming practices, and fair-trade practices prohibit child or forced labor.

Yesterday, Gabriel Utterson—a human resources manager at Jekyll Corporation—called you to discuss initial terms of the offer, which seemed reasonable and standard for the industry. However, one aspect was not mentioned, your starting salary. Gabriel said Jekyll is an internally transparent organization—there are no secrets. While the

firm very much wants to hire you, there are limits to what it can afford to offer, and before it makes a formal offer, it was reasonable to ask what you would expect. Gabriel wanted you to think about this and call back tomorrow.

Before calling Gabriel, you thought long and hard about what it would take to accept Jekyll Corporation's offer. You have a number in mind, which may or may not be the same number you give Gabriel. What starting salary would it take for you to accept Jekyll Corporation's offer?

Questions

- 1-18. What starting salary will you give Gabriel? What salary represents the minimum offer you would accept? If these two numbers are different, why? Does giving Gabriel a different number than your "internal" number violate Jekyll Corporation's transparent culture? Why or why not?
- 1-19. Assume you've received another offer, this one from Hyde Associates. Like the Jekyll job, this position is on your chosen career path and in the consumer products industry. Assume, however, that you've read in the news that "Hyde Associates has been criticized for unsustainable manufacturing practices that may be harmful to the environment. It has further been criticized for unfair trade practices and for employing underage children. Would that change whether you'd be willing to take the job? Why or why not?
- **31-20.** These scenarios are based on studies of corporate social responsibility (CSR) practices that show

consumers generally charge a kind of rent to companies that do not practice CSR. In other words, they generally expect a substantial discount in order to buy a product from Hyde rather than from Jekyll. For example, if Jekyll and Hyde sold coffee,

people would pay a premium of \$1.40 to buy coffee from Jekyll and demand a discount of \$2.40 to buy Hyde coffee. Do you think this preference translates into job choice decisions? Why or why not?

CASE INCIDENT 1 Apple Goes Global

It wasn't long ago that products from Apple, perhaps the most recognizable name in electronics manufacturing around the world, were made entirely in America. This is not so anymore. Now, almost all of the approximately 70 million iPhones, 30 million iPads, and 59 million other Apple products sold yearly are manufactured overseas. This change represents more than 20,000 jobs directly lost by U.S. workers, not to mention more than 700,000 other jobs and business given to foreign companies in Asia, Europe, and elsewhere. The loss is not temporary. As the late Steven P. Jobs, Apple's iconic co-founder, told President Obama, "Those jobs aren't coming back."

At first glance, the transfer of jobs from one workforce to another would seem to hinge on a difference in wages, but Apple shows this is an oversimplification. In fact, paying U.S. wages would add only \$65 to each iPhone's expense, while Apple's profits average hundreds of dollars per phone. Rather, and of more concern, Apple's leaders believe the intrinsic characteristics of the labor force available to them in China—which they identify as flexibility, diligence, and industrial skills—are superior to those of the U.S. labor force. Apple executives tell stories of shorter lead times and faster manufacturing processes in China that are becoming the stuff of company legend. "The speed and flexibility is breathtaking," one executive said. There's no American plant that can match that." Another said, "We shouldn't be criticized for using Chinese workers. The U.S. has stopped producing people with the skills we need."

Because Apple is one of the most imitated companies in the world, this perception of an overseas advantage might suggest that the U.S. workforce needs to be better led, better trained, more effectively managed, and more motivated to be proactive and flexible. If U.S. (and western European) workers are less motivated and less adaptable, it's hard to imagine that does not spell trouble for the future of the American workforce. Perhaps, though, Apple's switch from "100% Made in the U.S.A." to "10% Made in the U.S.A." represents the natural growth pattern of a company going global. At this point, the iPhone is largely designed in the United States (where Apple has 43,000 employees); parts are made in South Korea, Taiwan, Singapore, Malaysia, Japan, Europe, and elsewhere; and products are assembled in China. The future of at least 247 suppliers worldwide depends on Apple's approximately \$30.1 billion in orders per quarter.

As maker of some of the most cutting-edge, revered products in the electronics marketplace, perhaps Apple serves not as a failure of one country to hold onto a company completely, but as one of the best examples of global ingenuity.

Questions

- **1-21.** What are the pros and cons for local and overseas labor forces of Apple's going global? What are the potential political implications for country relationships?
- 1-22. Do you think Apple is justified in drawing the observations and conclusions expressed in the case? Why or why not? Do you think it is good or harmful to the company that its executives have voiced these opinions?
 - **1-23.** How could managers use increased worker flexibility and diligence to increase the competitiveness of their manufacturing sites? What would you recommend?

Sources: C. Duhigg and K. Bradsher, "How U.S. Lost Out on iPhone Work," *The New York Times* (January 22, 2013), pp. Al, A22–A23; H. Gao, "How the Apple Confrontation Divides China," *The Atlantic* (April 8, 2013), www.theatlantic.com/china/archive/2013/04/how-the-apple-confrontation-divides-china/274764/; and A. Satariano, "Apple Slowdown Threatens \$30 Billion Global Supplier Web," *Bloomberg*, www.bloomberg.com/news/2013-04-18/apple-slowdown-threatens-30-billion-global-supplier-web-tech.html.

CASE INCIDENT 2 Era of the Disposable Worker?

The great global recession has claimed many victims. In many countries, unemployment is at near-historic highs, and even those who have managed to keep their jobs have often been asked to accept reduced work hours or pay cuts. Another consequence of the current business and economic environment is an increase in the number of individuals employed on a temporary or contingent basis.

The statistics on U.S. temporary workers are grim. Many, like single mother Tammy Smith, have no health insurance, no retirement benefits, no vacation, no severance, and no access to unemployment insurance. Increases in layoffs mean that many jobs formerly considered safe have become "temporary" in the sense that they could disappear at any time with little warning. Forecasts suggest that the next 5 to 10 years will be similar, with small pay increases, worse working conditions, and low levels of job security. As Peter Cappelli of the University of Pennsylvania's Wharton School notes, "Employers are trying to get rid of all fixed costs. First they did it with employment benefits. Now they're doing it with the jobs themselves. Everything is variable."

We might suppose these corporate actions are largely taking place in an era of diminishing profitability. However, data from the financial sector is not consistent with this explanation. Among *Fortune* 500 companies, 2009 saw the second-largest jump in corporate earnings in the list's 56-year history. Moreover, many of these gains do not appear to be the result of increases in revenue. Rather, they reflect dramatic decreases in labor costs. One equity market researcher noted, "The largest part of the gain came from lower payrolls rather than the sluggish rise in sales . . ." Wages also rose only slightly during this period of rapidly increasing corporate profitability.

Some observers suggest the very nature of corporate profit monitoring is to blame for the discrepancy between corporate profitability and outcomes for workers. Some have noted that teachers whose evaluations are based on standardized test scores tend to "teach to the test," to the detriment of other areas of learning. In the same way, when a company is judged primarily by the single metric of a stock price, executives naturally try their best to increase this number, possibly to the detriment of other concerns like employee well-being or corporate culture. On the other hand, others defend corporate actions that increase the degree to which they can treat labor flexibly, noting that in an increasingly competitive global market-place, it might be necessary to sacrifice some jobs to save the organization as a whole.

The issues of how executives make decisions about workforce allocation, how job security and corporate loyalty influence employee behavior, and how emotional reactions come to surround these issues are all core components of organizational behavior research.

Questions

- **1-24.** To what extent can individual business decisions (as opposed to economic forces) explain deterioration in working conditions for many workers?
- 1-25. Do business organizations have a responsibility to ensure that employees have secure jobs with good working conditions, or is their primary responsibility to shareholders?
- **1-26.** What alternative measures of organizational performance, besides share prices, do you think might change the focus of business leaders?

Sources: Based on P. Coy, M. Conlin, and M. Herbst, "The Disposable Worker," Bloomberg Businessweek (January 7, 2010), www.businessweek.com; S. Tully, "Fortune 500: Profits Bounce Back," Fortune (May 3, 2010), pp. 140–144; and D. Ariely, "You Are What You Measure," Harvard Business Review (June 2010), p. 38.

${\color{red}My}{\color{blue}Management} {\color{blue}Lab}$

Go to **mymanagementlab.com** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

- 1-27. Now that you've read the chapter and Case Incident 1, if you were an Apple manager whose employees were losing their jobs to overseas workers, what would you advise your teams to do in order to find re-employment in their professions? What types of training—basic, technical, interpersonal, problem-solving—would you recommend?
- 1-28. In relation to Case Incident 2, what do you think the likely impact of the growth of temporary employment relationships will be for employee attitudes and behaviors? How would you develop a measurement system to evaluate the impact of corporate downsizing and temporary job assignments on employees?
- 1-29. MyManagementLab Only—comprehensive writing assignment for this chapter.