

CHAPTER 1

What Is Organizational Behavior?

(click on title when connected to the Internet for online video teaching notes)

LEARNING OBJECTIVES

After studying this chapter, students should be able to (ppt1-1):

1. Demonstrate the importance of interpersonal skills in the workplace.
2. 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 there are few absolutes in 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.

INSTRUCTOR RESOURCES

Instructors may wish to use the following resources when presenting this chapter:

Text Exercises

Myth Or Science? "Preconceived Notions Versus Substantive Evidence"
An Ethical Choice: Statistics Can Lie
International OB: Transfer Pricing and International Corporate Deviance
Point/CounterPoint: In Search of the Quick Fix
Questions for Review
Experiential Exercise: Workforce Diversity
Ethical Dilemma: Lying in Business

Text Cases

Case Incident 1: 'Data Will Set You Free'
Case Incident 2: The Global Recession and Workplace Malfeasance

INSTRUCTOR'S CHOICE - Companies Dealing with OB Issues

This section presents an exercise that is NOT found in the student's textbook. *Instructor's Choice* reinforces the text's emphasis through various activities. Some *Instructor's Choice* activities are centered on debates, group exercises, Internet research, and student experiences. Some can be used in class in their entirety, while others require some additional work on the student's part. The course instructor may choose to use these at anytime throughout the

class—some may be more effective as icebreakers, while some may be used to pull together various concepts covered in the chapter.



WEB EXERCISES

At the end of each chapter of this Instructor's Manual, you will find suggested exercises and ideas for researching the WWW on OB topics. The exercises "Exploring OB Topics on the Web" are set up so that you can simply photocopy the pages, distribute them to your class, and make assignments accordingly. You may want to assign the exercises as an out-of-class activity or as lab activities with your class.

SUMMARY AND IMPLICATIONS FOR MANAGERS

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.

Some generalizations provide valid insights into human behavior, but many are erroneous. Organizational behavior uses systematic study to improve predictions of behavior over intuition alone. But because people are different, we need to look at OB in a contingency framework, using situational variables to explain cause-and-effect relationships.

Organizational behavior offers specific insights to improve a manager's people skills. It helps managers to see the value of workforce diversity and practices that may need to be changed in different countries. It can improve quality and employee productivity by showing managers how to empower their people, design and implement change programs, improve customer service, and help employees balance work-life conflicts. It provides suggestions for helping managers meet chronic labor shortages. It can help managers cope in a world of temporariness and learn how to stimulate innovation. Finally, OB can guide managers in creating an ethically healthy work climate.

This chapter begins with a vignette entitled, "The Psychic Is In." It describes the current situation where people are seeking answers to questions during this turbulent environment. Online and telephone psychics, such as Tori Hartman, have seen tremendous increases in the number of people accessing their advice. Rhonda Byrne and James Arthur Ray, self-help consultants, are also seeing demand for their skills increase. It seems that during tough economic times, people want to cover all bases to help them make decisions about the future.

BRIEF CHAPTER OUTLINE

- I. The Importance of Interpersonal Skills (ppt1-2)
 - A. Understanding OB helps determine manager effectiveness.
 - B. Technical and quantitative skills are important early in careers.
 - C. Leadership and communication skills are critical as person progresses in career.
 - D. Lower turnover of quality employees
 - E. Higher quality applications for recruitment
 - F. Better financial performance
- II. What Managers Do (ppt1-3)
 - A. Definitions
 1. Manager: Someone who gets things done through other people. They make decisions, allocate resources, and direct the activities of others to attain goals.
 2. 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.
 - B. Management Functions (ppt1-4)
 1. French industrialist Henri Fayol wrote that all managers perform five management functions: plan, organize, command, coordinate, and control. Modern management scholars have condensed these functions to four: planning, organizing, leading, and controlling.
 - C. Management Roles (ppt1-5)
 1. Introduction
 - a. In the late 1960s, Henry Mintzberg studied five executives to determine what managers did on their jobs. He concluded that managers perform ten different, highly interrelated roles or sets of behaviors attributable to their jobs.
 2. The ten roles can be grouped as being primarily concerned with interpersonal relationships, the transfer of information, and decision making. (Exhibit 1-1)
 - a. Interpersonal Roles: Figurehead, Leader, Liaison (ppt1-6)
 - b. Informational Roles: Monitor, Disseminator—a conduit to transmit information to organizational members, represent the organization to outsiders (ppt 1-7)
 - c. Decisional Roles: Entrepreneur, Disturbance handlers, Resource allocator, Negotiator role (ppt1-8)
 - D. Management Skills (ppt1-9)
 1. Technical Skills—The ability to apply specialized knowledge or expertise. All jobs require some specialized expertise, and many people develop their technical skills on the job.
 2. Human Skills—Ability to work with, understand, and motivate other people, both individually and in groups, describes human skills.
 3. Conceptual Skills—The mental ability to analyze and diagnose complex situations
 - E. Effective Versus Successful Managerial Activities (ppt1-11)
 1. Luthans and his associates studied more than 450 managers. They found that all managers engage in four managerial activities. (ppt1-10)
 - a. Traditional management
 - b. Communication
 - c. Human resource management
 - d. Networking
 - e. Successful managers are defined as those who were promoted the fastest. (Exhibit 1-2)
 - F. A Review of the Manager's Job
 1. One common thread runs through the functions, roles, skills, and activities approaches to management: managers need to develop their people skills if they are going to be effective and successful.

III. Enter Organizational Behavior (ppt1-12)

A. Introduction

1. Organizational Behavior: OB is 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.
2. OB studies three determinants of behavior in organizations: individuals, groups, and structure.

IV. Complementing Intuition with Systematic Study (ppt1-13)

A. Introduction

1. Each of us is a student of behavior.

B. The systematic approach used in this book will uncover important facts and relationships and will provide a base from which more accurate predictions of behavior can be made.

1. Systematic Study of Behavior

- a. Behavior generally is predictable if we know how the person perceived the situation and what is important to him or her.

C. Evidence-Based Management (EBM) (ppt1-14)

1. Complements systematic study
2. Argues for managers to make decisions on evidence

D. Intuition

1. Systematic study and EBM add to intuition, or those "gut feelings" about "why I do what I do" and "what makes others tick."
2. If we make *all* decisions with intuition or gut instinct, we're likely working with incomplete information.

E. Use a combination (ppt1-15)

V. Disciplines that Contribute to the OB Field (ppt1-16)

A. Introduction

1. Organizational behavior is an applied behavioral science that is built upon contributions from a number of behavioral disciplines.
2. The predominant areas are psychology, sociology, social psychology, anthropology, and political science.
3. Exhibit 1-3 overviews the major contributions to the study of organizational behavior.

B. Psychology (ppt1-17)

1. Psychology is the science that seeks to measure, explain, and sometimes change the behavior of humans and other animals.

C. Social Psychology (ppt1-18)

1. Social psychology blends the concepts of psychology and sociology.

D. Sociology (ppt1-19)

1. Sociologists study the social system in which individuals fill their roles; that is, sociology studies people in relation to their fellow human beings.

E. Anthropology (ppt1-20)

1. Anthropology is the study of societies to learn about human beings and their activities.

VI. There Are Few Absolutes in OB (ppt1-21)

A. Introduction

1. There are few, if any, simple and universal principles that explain organizational behavior.
2. Contingency variables—situational factors are variables that moderate the relationship between the independent and dependent variables.

VII. Challenges and Opportunities for OB (ppt1-22)

- A. Introduction
 - 1. There are many challenges and opportunities today for managers to use OB concepts.
- B. Responding to Economic Pressure (ppt1-23)
 - 1. In economic tough times, effective management is an asset.
 - 2. 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.
- C. Responding to Globalization (ppt1-24)
 - 1. Increased Foreign Assignments
 - 2. Working with People from Different Cultures
- D. Overseeing Movement of Jobs to Countries with Low-Cost Labor
- E. Managing Workforce Diversity (ppt1-25)
 - 1. 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.
- F. Improving Customer Service
 - 1. Today the majority of employees in developed countries work in service jobs.
 - 2. Employee attitudes and behavior are associated with customer satisfaction.
- G. Improving People Skills
 - 1. People skills are essential to managerial effectiveness.
- H. Stimulating Innovation and Change
 - 1. Successful organizations must foster innovation and master the art of change.
 - 2. Managers must stimulate employees' creativity and tolerance for change.
- I. Coping with "Temporariness"
 - 1. OB provides help in understanding a work world of continual change, how to overcome resistance to change, and how to create an organizational culture that thrives on change.
- J. Working in Networked Organizations
 - 1. Networked organizations are becoming more pronounced.
 - 2. Manager's job is fundamentally different in networked organizations. Challenges of motivating and leading "online" require different techniques.
- K. Helping Employees Balance Work-Life Conflicts
 - 1. The creation of the global workforce means work no longer sleeps. Workers are on-call 24-hours a day or working nontraditional shifts.
 - 2. Balancing work and life demands now surpasses job security as an employee priority.
- L. Creating a Positive Work Environment
 - 1. Organizations like General Electric have realized creating a positive work environment can be a competitive advantage.
- M. Improving Ethical Behavior
 - 1. Ethical dilemmas are situations in which an individual is required to define right and wrong conduct.

VIII. Coming Attractions: Developing an OB Model

- A. An Overview (ppt1-26)
 - 1. There are three levels of analysis in OB: individual, group, and organizational systems level. (ppt1-27)
 - 2. Group concepts grow out of the foundation laid in the individual section; we overlay structural constraints on the individual and group in order to arrive at organizational behavior.
- B. The Dependent Variables (ppt1-28)

1. Primary dependent variables in OB: productivity, absenteeism, turnover, job satisfaction, deviant workplace behavior, and organizational citizenship behavior.
2. Productivity
 - a. It is achieving goals by transferring inputs to outputs at the lowest cost. This must be done both effectively and efficiently.
 - b. Popular measures of efficiency include: ROI, profit per dollar of sales, and output per hour of labor.
 - c. Productivity is a major concern of OB: We want to know what factors influence the effectiveness and efficiency of individuals, groups, and the company.
3. Absenteeism
 - a. Absenteeism is the failure to report to work.
4. Turnover
 - a. Turnover is the voluntary and involuntary permanent withdrawal from an organization.
5. Deviant Workplace Behavior
 - a. Deviance can range from someone playing his music too loud to violence.
6. Organizational Citizenship Behavior (ppt1-29)
 - a. Organizational citizenship behavior (OCB) is discretionary behavior that is not part of an employee's formal job requirements, but that nevertheless promotes the effective functioning of the organization.
7. Job Satisfaction (ppt1-29)
 - a. Job satisfaction is "the difference between the amount of rewards workers receive and the amount they believe they should receive."
- C. The Independent Variables (ppt1-30)
 1. Introduction
 - a. Organizational behavior is best understood when viewed essentially as a set of increasingly complex building blocks: Individual, group, and organizational system.
 - b. The base, or first level, of our model lies in understanding individual behavior.
 2. Individual-Level Variables
 - a. The more obvious of these are personal or biographical characteristics such as age, gender, and marital status; personality characteristics; an inherent emotional framework; values and attitudes; and basic ability levels.
 - b. Four other individual-level variables are: perception, individual decision making, learning, and motivation.
 3. Group-Level Variables
 - a. The behavior of people in groups is more than the sum total of all the individuals acting in their own way.
 - b. People in groups are influenced by:
 - i. Acceptable standards of behavior by the group
 - ii. Degree of attractiveness to each other
 - iii. Communication patterns
 - iv. Leadership and power
 - v. Levels of conflict
 - c. Organization Systems Level Variables
 - d. The top level of our model lies in understanding organizations system level variables.
- D. Toward a Contingency OB Model (Exhibit 1-7) (ppt1-31)
 1. The model does not explicitly identify the vast number of contingency variables because of the tremendous complexity that would be involved in such a diagram.
 2. The concepts of change and stress are included in Exhibit 1-7, acknowledging the dynamics of behavior and the fact that work stress is an individual, group, and organizational issue.

IX. Global Implications

- A. In every chapter that follows, a section titled “Global Implications” discusses how some of the things we know about OB are affected by cultural differences within and between countries.
- X. Summary and Implications for Managers (ppt1-32)
 - A. Managers need to develop their interpersonal skills.
 - B. OB is a field that investigates the impact of individuals, groups, and structure on an organization.
 - C. OB focuses on improving productivity, reducing absenteeism and turnover, and increasing employee citizenship and job satisfaction.

EXPANDED CHAPTER OUTLINE

- I. The Importance of Interpersonal Skills
 - A. Understanding OB helps determine manager effectiveness.
 - B. Technical and quantitative skills are important early in careers.
 - C. Leadership and communication skills are critical as person progresses in career.
 - D. Lower turnover of quality employees
 - E. Higher quality applications for recruitment
 - F. Better financial performance
 - G. Companies with reputations as a good place to work—such as Starbucks, Adobe Systems, Cisco, Whole Foods, Google, American Express, Amgen, Pfizer, and Marriott—have a big advantage when attracting high performing employees.
 - H. A recent national study of the U.S. workforce found that:
 - 1. Wages and fringe benefits are not the reason people like their jobs or stay with an employer.
 - 2. More important to workers is the job quality and the supportiveness of the work environments.
 - 3. Managers' good interpersonal skills are likely to make the workplace more pleasant, which in turn makes it easier to hire and retain high performing employees. In fact, creating a more pleasant work environment makes good economic sense.
- II. What Managers Do
 - A. Definitions
 - 1. Manager: Someone who gets things done through other people. They make decisions, allocate resources, and direct the activities of others to attain goals.
 - 2. 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.
 - B. Management Functions
 - 1. French industrialist Henri Fayol wrote that all managers perform five management functions: plan, organize, command, coordinate, and control. Modern management scholars have condensed these functions to four: planning, organizing, leading, and controlling.
 - 2. Planning requires a manager to:
 - a. Define goals (organizational, departmental, and worker levels).
 - b. Establish an overall strategy for achieving those goals.
 - c. Develop a comprehensive hierarchy of plans to integrate and coordinate activities.
 - 3. Organizing requires a manager to determine:
 - a. what tasks are to be done
 - b. who is to be assigned the tasks
 - c. how the tasks are to be grouped
 - d. who reports to whom
 - e. where decisions are to be made (centralized/ decentralized)
 - 4. Leading requires a manager to:
 - a. Motivate employee.
 - b. Direct the activities of others.
 - c. Select the most effective communication channels.
 - d. Resolve conflicts among members.
 - 5. Controlling requires a manager to:
 - a. Monitor the organization's performance.
 - b. Compare actual performance with the previously set goals.
 - c. Correct significant deviations.
 - C. Management Roles
 - 1. Introduction

- a. In the late 1960s, Henry Mintzberg studied five executives to determine what managers did on their jobs. He concluded that managers perform ten different, highly interrelated roles or sets of behaviors attributable to their jobs.
 - b. The ten roles can be grouped as being primarily concerned with interpersonal relationships, the transfer of information, and decision making. (Exhibit 1-1)
- 2. Interpersonal Roles
 - a. Figurehead—duties that are ceremonial and symbolic in nature
 - b. Leader—hire, train, motivate, and discipline employees
 - c. Liaison—contact outsiders who provide the manager with information. These may be individuals or groups inside or outside the organization.
- 3. Informational Roles
 - a. Monitor—collect information from organizations and institutions outside their own
 - b. Disseminator—a conduit to transmit information to organizational members
 - c. Spokesperson—represent the organization to outsiders
- 4. Decisional Roles
 - a. Entrepreneur—managers initiate and oversee new projects that will improve their organization's performance
 - b. Disturbance handlers—take corrective action in response to unforeseen problems
 - c. Resource allocators—responsible for allocating human, physical, and monetary resources
 - d. Negotiator role—discuss issues and bargain with other units to gain advantages for their own unit
- D. Management Skills
 - 1. Introduction
 - a. Robert Katz has identified three essential management skills: technical, human, and conceptual.
 - 2. Technical Skills
 - a. The ability to apply specialized knowledge or expertise. All jobs require some specialized expertise, and many people develop their technical skills on the job.
 - 3. Human Skills
 - a. Ability to work with, understand, and motivate other people, both individually and in groups, describes human skills.
 - b. Many people are technically proficient but interpersonally incompetent.
 - 4. Conceptual Skills
 - a. The mental ability to analyze and diagnose complex situations
 - b. Decision making, for example, requires managers to spot problems, identify alternatives that can correct them, evaluate those alternatives, and select the best one.
- E. Effective Versus Successful Managerial Activities
 - 1. Fred Luthans and his associates asked: Do managers who move up most quickly in an organization do the same activities and with the same emphasis as managers who do the best job? Surprisingly, those managers who were the most effective were not necessarily promoted the fastest.
 - 2. Luthans and his associates studied more than 450 managers. They found that all managers engage in four managerial activities.
 - a. Traditional management. Decision making, planning, and controlling. The average manager spent 32 percent of his or her time performing this activity.
 - b. Communication. Exchanging routine information and processing paperwork. The average manager spent 29 percent of his or her time performing this activity.
 - c. Human resource management. Motivating, disciplining, managing conflict, staffing, and training. The average manager spent 20 percent of his or her time performing this activity.

- d. Networking. Socializing, politicking, and interacting with outsiders. The average manager spent 19 percent of his or her time performing this activity.
- 3. Successful managers are defined as those who were promoted the fastest: (Exhibit 1-2)
 - a. Networking made the largest relative contribution to success.
 - b. Human resource management activities made the least relative contribution.
 - c. Effective managers—defined as quality and quantity of performance, as well as commitment to employees.
 - d. Communication made the largest relative contribution.
 - e. Networking made the least relative contribution.
 - f. Successful managers do not give the same emphasis to each of those activities as do effective managers—it is almost the opposite of effective managers.
 - g. This finding challenges the historical assumption that promotions are based on performance, vividly illustrating the importance that social and political skills play in getting ahead in organizations.
- F. A Review of the Manager's Job
 - 1. One common thread runs through the functions, roles, skills, and activities approaches to management: managers need to develop their people skills if they are going to be effective and successful.

III. Enter Organizational Behavior

A. Introduction

- 1. Organizational Behavior: OB is 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.

B. Organizational behavior is a field of study.

- 1. OB studies three determinants of behavior in organizations: individuals, groups, and structure.
- 2. OB applies the knowledge gained about individuals, groups, and the effect of structure on behavior in order to make organizations work more effectively.
- 3. OB is concerned with the study of what people do in an organization and how that behavior affects the performance of the organization.
- 4. There is increasing agreement as to the components of OB, but there is still considerable debate as to the relative importance of each: motivation, leader behavior and power, interpersonal communication, group structure and processes, learning, attitude development and perception, change processes, conflict, work design, and work stress.

IV. Complementing Intuition with Systematic Study

A. Introduction

- 1. Each of us is a student of behavior.
- 2. A casual or common sense approach to reading others can often lead to erroneous predictions.

B. You can improve your predictive ability by replacing your intuitive opinions with a more systematic approach.

C. The systematic approach used in this book will uncover important facts and relationships and will provide a base from which more accurate predictions of behavior can be made.

D. Systematic Study of Behavior

- 1. Behavior generally is predictable if we know how the person perceived the situation and what is important to him or her.
- 2. Looks at relationships
- 3. Attempts to attribute causes
- 4. Bases our conclusions on scientific evidence

- E. Evidence-Based Management (EBM)
 - 1. Complements systematic study
 - 2. Argues for managers to make decisions on evidence.
 - 3. But a vast majority of management decisions are made “on the fly.”
- F. Intuition
 - 1. Systematic study and EBM add to intuition, or those “gut feelings” about “why I do what I do” and “what makes others tick.”
 - 2. If we make all decisions with intuition or gut instinct, we’re likely working with incomplete information.
 - 3. Relying on intuition is made worse because we tend to overestimate the accuracy of what we think we know.
 - 4. We find a similar problem in chasing the business and popular media for management wisdom.
 - 5. We’re not advising that you throw your intuition, or all the business press, out the window.
 - 6. What we are advising is to use evidence as much as possible to inform your intuition and experience.
- V. Disciplines That Contribute to the OB Field
 - A. Introduction
 - 1. Organizational behavior is an applied behavioral science that is built upon contributions from a number of behavioral disciplines.
 - 2. The predominant areas are psychology, sociology, social psychology, anthropology, and political science.
 - 3. Exhibit 1-3 overviews the major contributions to the study of organizational behavior.
 - B. Psychology
 - 1. Psychology is the science that seeks to measure, explain, and sometimes change the behavior of humans and other animals.
 - 2. Early industrial/organizational psychologists concerned themselves with problems of fatigue, boredom, and other factors relevant to working conditions that could impede efficient work performance.
 - 3. More recently, their contributions have been 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.
 - C. Social Psychology
 - 1. Social psychology blends the concepts of psychology and sociology.
 - 2. It focuses on the influence of people on one another.
 - 3. Major area—how to implement it and how to reduce barriers to its acceptance.
 - D. Sociology
 - 1. Sociologists study the social system in which individuals fill their roles; that is, sociology studies people in relation to their fellow human beings.
 - 2. Their greatest contribution to OB is through their study of groups in organizations, particularly formal and complex organizations.
 - E. Anthropology
 - 1. Anthropology is the study of societies to learn about human beings and their activities.
 - 2. Anthropologists work on cultures and environments; for instance, they have helped us understand differences in fundamental values, attitudes, and behavior among people in different countries and within different organizations.

VI. There Are Few Absolutes in OB

A. Introduction

1. There are few, if any, simple and universal principles that explain organizational behavior.
 2. Human beings are complex. Because they are not alike, our ability to make simple, accurate, and sweeping generalizations is limited.
 3. That does not mean, of course, that we cannot offer reasonably accurate explanations of human behavior or make valid predictions. It does mean, however, that OB concepts must reflect situational, or contingency, conditions.
- B. Contingency variables—situational factors are variables that moderate the relationship between the independent and dependent variables.
- C. Using general concepts and then altering their application to the particular situation developed the science of OB.
- D. Organizational behavior theories mirror the subject matter with which they deal.

VII. Challenges and Opportunities for OB

- A. Introduction
1. There are many challenges and opportunities today for managers to use OB concepts.
- B. Responding to Economic Pressure
1. Deep and prolonged recession in 2008 that spread worldwide
 2. In economic tough times, effective management is an asset.
 3. During these times, the difference between good and bad management can be the difference between profit and loss.
 4. 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.
- C. Responding to Globalization
1. Increased Foreign Assignments
 - a. Organizations are no longer constrained by national borders.
 - b. Once there, you'll have to manage a workforce very differently in needs, aspirations, and attitudes from those you are used to back home.
 2. Working with People from Different Cultures
 - a. Even in your own country, you'll find yourself working with bosses, peers, and other employees born and raised in different cultures.
 - b. Management practices need to be modified to reflect the values of the different countries in which an organization operates.
 3. Overseeing Movement of Jobs to Countries with Low-Cost Labor
 - a. Managers are under pressure to keep costs down to maintain competitiveness.
 - b. Moving jobs to low-labor cost places requires managers to deal with difficulties in balancing the interests of their organization with responsibilities to the communities in which they operate.
- D. Managing Workforce Diversity
1. Workforce diversity is one of the most important and broad-based challenges currently facing organizations.
 - a. While globalization focuses on differences between people from different countries, workforce diversity addresses differences among people within given countries.
 - b. 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.
 2. Managing this diversity is a global concern.
 - a. 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.
- E. Improving Customer Service
1. Today the majority of employees in developed countries work in service jobs.
 - a. Eighty percent of the U.S. labor force is in the service industry.

- b. Examples include technical support reps, fast food counter workers, waiters, nurses, financial planners, and flight attendants.
- 2. Employee attitudes and behavior are associated with customer satisfaction.
- F. Improving People Skills
 - 1. People skills are essential to managerial effectiveness.
 - 2. OB provides the concepts and theories that allow managers to predict employee behavior in given situations.
- G. Stimulating Innovation and Change
 - 1. Successful organizations must foster innovation and master the art of change.
 - 2. Employees can be the impetus for innovation and change or a major stumbling block.
 - 3. Managers must stimulate employees' creativity and tolerance for change.
- H. Coping with "Temporariness"
 - 1. Organizations must be flexible and fast in order to survive. Evidence of temporariness includes:
 - a. Jobs must be continually redesigned.
 - b. Tasks being done by flexible work teams rather than individuals
 - c. Company reliance on temporary workers
 - d. Workers need to update knowledge and skills.
 - e. Work groups are also in a continuing state of flux.
 - f. Organizations are in a constant state of flux.
 - 2. Managers and employees must learn to cope with temporariness.
 - 3. Learning to live with flexibility, spontaneity, and unpredictability
 - 4. OB provides help in understanding a work world of continual change, how to overcome resistance to change, and how to create an organizational culture that thrives on change.
- I. Working in Networked Organizations
 - 1. Networked organizations are becoming more pronounced.
 - 2. Manager's job is fundamentally different in networked organizations. Challenges of motivating and leading "online" require different techniques.
- J. Helping Employees Balance Work-Life Conflicts
 - 1. The creation of the global workforce means work no longer sleeps. Workers are on-call 24-hours a day or working nontraditional shifts.
 - 2. Communication technology has provided a vehicle for working at any time or any place.
 - 3. Employees are working longer hours per week—from 43 to 47 hours per week since 1977.
 - 4. The lifestyles of families have changed—creating conflict: more dual-career couples and single parents find it hard to fulfill commitments to home, children, spouse, parents, and friends.
 - 5. Balancing work and life demands now surpasses job security as an employee priority.
- K. Creating a Positive Work Environment
 - 1. Organizations like General Electric have realized creating a positive work environment can be a competitive advantage.
 - 2. Positive organizational scholarship or behavior studies what is 'good' about organizations.
 - 3. This field of study focuses on employees' strengths versus their limitations as employees share situations in which they performed at their personal best.
- L. Improving Ethical Behavior
 - 1. Ethical dilemmas are situations in which an individual is required to define right and wrong conduct.
 - 2. Good ethical behavior is not so easily defined.
 - 3. Organizations are distributing codes of ethics to guide employees through ethical dilemmas.

4. Managers need to create an ethically healthy climate.

VIII. Coming Attractions: Developing an OB Model

A. An Overview

1. A model is an abstraction of reality, a simplified representation of some real-world phenomenon. (Exhibit 1-6 The OB Model)
2. There are three levels of analysis in OB: individual, group, and organizational systems level.
3. The three basic levels are analogous to building blocks; each level is constructed upon the previous level.
4. Group concepts grow out of the foundation laid in the individual section; we overlay structural constraints on the individual and group in order to arrive at organizational behavior.

B. The Dependent Variables

1. Dependent variables are the key factors that you want to explain or predict and that are affected by some other factor.
2. Primary dependent variables in OB: productivity, absenteeism, turnover, job satisfaction, deviant workplace behavior, and organizational citizenship behavior.

a. Productivity

- i. It is achieving goals by transferring inputs to outputs at the lowest cost. This must be done both effectively and efficiently.
- ii. An organization is effective when it successfully meets the needs of its clientele or customers.
- iii. Example: When sales or market share goals are met, productivity also depends on achieving those goals efficiently.
- iv. An organization is efficient when it can do so at a low cost.
- v. Popular measures of efficiency include: ROI, profit per dollar of sales, and output per hour of labor.
- vi. Productivity is a major concern of OB: We want to know what factors influence the effectiveness and efficiency of individuals, groups, and the company.

b. Absenteeism

- i. Absenteeism is the failure to report to work.
- ii. Estimated annual cost per employee: \$789 in the United States, \$694 in the United Kingdom. Neither includes costs associated with lost productivity, additional costs of overtime, replacements, etc.
- iii. All absences are not bad. For instance, in jobs in which an employee needs to be alert—consider surgeons and airline pilots, for example—it may well be better for the organization if an ill or fatigued employee does not report to work.

c. Turnover

- i. Turnover is the voluntary and involuntary permanent withdrawal from an organization.
- ii. A high turnover rate results in increased recruiting, selection, and training costs; costs estimated at about \$34,100 for a programmer and \$10,445 for a lost sales clerk.
- iii. Average turnover in the United States is 15 percent.
- iv. All organizations have some turnover and the “right” people leaving—marginal and sub-marginal employees can be positive.
- v. Turnover often involves the loss of people the organization does not want to lose.

d. Deviant Workplace Behavior

- i. Deviance can range from someone playing his music too loud to violence.
- ii. This represents voluntary behavior that violates significant organizational norms.

- iii. Workplace violence represents 42 billion dollars a year.
- iv. Ultimately deviant workplace behavior is a function of dissatisfied workers.
- e. Organizational Citizenship Behavior
 - i. Organizational citizenship behavior (OCB) is discretionary behavior that is not part of an employee's formal job requirements, but that nevertheless promotes the effective functioning of the organization.
 - ii. Desired citizenship behaviors include:
 - (a) Helping others on their team
 - (b) Volunteering for extra job activities
 - (c) Avoiding unnecessary conflicts
 - (d) Respecting rules and regulations
 - (e) Tolerating occasional work-related impositions
- f. Job Satisfaction
 - i. Job satisfaction is "the difference between the amount of rewards workers receive and the amount they believe they should receive."
 - ii. Unlike the previous variables, job satisfaction represents an attitude rather than a behavior.
 - iii. It became a primary dependent variable for two reasons:
 - (a) Demonstrated relationship to performance factors
 - (b) The value preferences held by many OB researchers
 - iv. Managers have believed for years that satisfied employees are more productive; however, much evidence questions that assumed causal relationship.
 - v. It can be argued that advanced societies should be concerned, not just with the quantity of life, but also with the quality of life.
 - vi. Ethically, organizations have a responsibility to provide employees with jobs that are challenging and intrinsically rewarding.
- C. The Independent Variables
 - 1. Introduction
 - a. Organizational behavior is best understood when viewed essentially as a set of increasingly complex building blocks: individual, group, and organizational system.
 - b. The base, or first level, of our model lies in understanding individual behavior.
 - 2. Individual-Level Variables
 - a. People enter organizations with certain characteristics that will influence their behavior at work.
 - b. The more obvious of these are personal or biographical characteristics such as age, gender, and marital status; personality characteristics; an inherent emotional framework; values and attitudes; and basic ability levels.
 - c. There is little management can do to alter them; yet they have a very real impact on employee behavior.
 - d. Four other individual-level variables are: perception, individual decision making, learning, and motivation.
 - 3. Group-Level Variables
 - a. The behavior of people in groups is more than the sum total of all the individuals acting in their own way.
 - b. People behave differently in groups than they do when alone.
 - c. People in groups are influenced by:
 - i. Acceptable standards of behavior by the group
 - ii. Degree of attractiveness to each other
 - iii. Communication patterns
 - iv. Leadership and power
 - v. Levels of conflict
 - 4. Organization Systems Level Variables

- a. The top level of our model lies in understanding organizations system level variables.
 - b. Organizational behavior reaches its highest level of sophistication when we add formal structure.
 - c. The design of the formal organization; the organization's internal culture; and the organization's human resource policies and practices (that is, selection processes, training and development programs, performance evaluation methods) all have an impact on the dependent variables.
- D. Toward a Contingency OB Model (Exhibit 1-7)
- 1. The model does not explicitly identify the vast number of contingency variables because of the tremendous complexity that would be involved in such a diagram.
 - 2. We will introduce important contingency variables that will improve the explanatory linkage between the independent and dependent variables in our OB model.
 - 3. The concepts of change and stress are included in Exhibit 1-7, acknowledging the dynamics of behavior and the fact that work stress is an individual, group, and organizational issue.

IX. Global Implications

- A. In every chapter that follows, a section titled "Global Implications" discusses how some of the things we know about OB are affected by cultural differences within and between countries.
- B. Most OB research has been conducted in Western cultures (especially the United States).
- C. You'll find that some OB principles don't vary much across cultures, and others vary a great deal.

X. Summary and Implications for Managers

- A. Managers need to develop their interpersonal skills.
- B. OB is a field that investigates the impact of individuals, groups, and structure on an organization.
- C. OB focuses on improving productivity, reducing absenteeism and turnover, and increasing employee citizenship and job satisfaction.

Myth or Science?

Preconceived Notions Versus Substantive Evidence

Assume you signed up to take an introductory college course in finance. On the first day of class, your instructor asks you to answer this question: “What is the net present value at a discount rate of 12 percent per year of an investment made by spending \$1,000,000 this year on a portfolio of stocks, with an initial dividend next year of \$100,000 and an expected rate of dividend growth thereafter of 4 percent per year?” It’s unlikely you’d be able to answer without some instruction in finance.

Now, change the scenario. You’re in an introductory course in organizational behavior. On the first day of class your instructor asks you to write the answer to the following question: “What’s the most effective way to motivate employees at work?” After a little thought you’d likely have no problem coming up with suggestions on motivation.

That’s one of the main challenges of teaching, or taking, a course in OB. We enter with a lot of preconceived notions we accept as facts. In contrast to many other disciplines, OB not only introduces a comprehensive set of concepts and theories; it also has to deal with commonly accepted “facts” about human behavior and organizations we’ve all acquired over the years, like “You can’t teach an old dog new tricks,” “Leaders are born, not made,” and “Two heads are better than one.” But these “facts” aren’t necessarily true. So one of the objectives of a course in organizational behavior is to replace them with science-based conclusions.

A you’ll see in this book, the field of OB is built on decades of research. In boxes titled “Myth or Science?” we call your attention to some of the most popular notions or myths about organizational behavior and show how OB research has disproved or, in some cases, proved them. They’ll help remind you that the study of human behavior at work is a science and that you need to be vigilant about “seat-of-the-pants” explanations of work-related behaviors.

CLASS EXERCISE

Place students in groups of three to five. Have them brainstorm a list of at least three popular “facts” or myths that they have heard about colleges, college students, and faculty. Example—college students are rebels; college “boys” (or girls) do not want to get their hands dirty on the job; those who can, do, those who can’t, teach; etc.

Record ideas on the board. Go round-robin; take one idea at a time from each group in turn until groups contribute all their ideas.

Now have students brainstorm about what objective data exists or could be collected to counter each of these myths. Collect the information the same way, posting it on the board.

Close with a discussion of the importance of these misperceptions to students and faculty and why the parallel misperceptions about organizational behavior are important.

An Ethical Choice

Statistics Can Lie

Although a major theme of this chapter—and this book—is that evidence can help you be a better manager, evidence is not perfect. For example, people can manipulate numbers to suit their purpose or confirm their bias.

Sometimes statistics lie because the information is purposely manipulated or distorted. We might show that Republicans report more satisfaction with their sex lives than Democrats, or that a majority of white-collar criminals come from New York and California. While both statistics are true, they are misleading because the real cause of the difference is not what is implied (men are more likely to report high satisfaction with sex and are also more likely to be Republican).

Sometimes the problem is interpretation. One report tells us workplace crime is up; another says it's down. A close look reveals that while incidents of workplace violence like murder and assault are down, theft is up.

So what should you do?

1. Use evidence, but be an active consumer. Evidence is crucial to making effective management decisions. But realize that evidence is created, and it often is not independent of its creator. Ask questions not only about the data but also about how it was gathered. Consider other sources. The questioning mind has a way of getting to the bottom of things.
2. Be fair and balanced yourself. You will often be in the position of compiling and producing evidence yourself. Try your best to be fair and unbiased. If there are two sides to an argument, present evidence for both. For example, people in favor of tax increases on the wealthy point out that income inequality (the gap between the rich and the poor) is rising. Those on the side of tax cuts like to counter that the richest 1 percent to 5 percent pay a higher percentage of the total federal income taxes collected than they ever have. Both are right.
3. Don't give up. Because numbers can lie (or mislead), we are often tempted to throw in the towel and go back to wholesale reliance on intuition and experience. Remember, evidence is very valuable, which is also the reason it's so often manipulated.

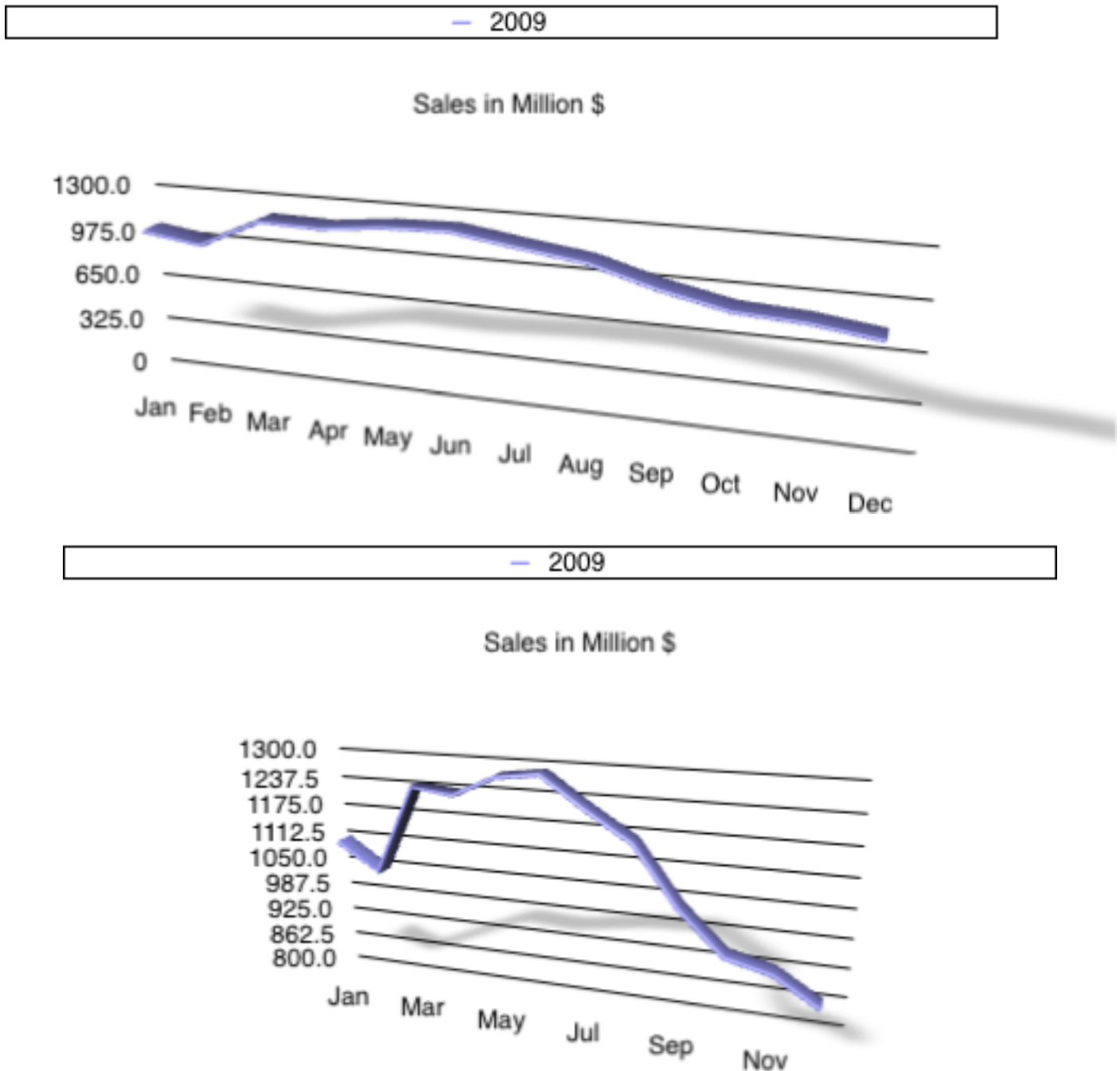
Source: Based on B. Gewen, "What Are the Odds a Handy, Quotable Statistic Is Lying? Better Than Even," New York Times (February 3, 2009), p. C6.

Have students divide into teams of three. Request they produce a chart to present last year's sales to a staff meeting.

Sales in Millions \$

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2009	1125	1067	1256	1245	1287	1298	1235	1178	1056	968	945	888

The presentation will be made before the sales group as well as company officials. The sales manager has a reputation for being a tough manager who tends to quick temper. He has been known to treat bearers of bad news severely. The team fears what he may do if they report bad



news. After creating the chart, the team should confirm that sales have been decreasing during the past few months. Can they find a way to present the information in different ways to alter the perception about the facts? Is such an approach to presenting the information ethical? These are charts produced from the data. The charts use different Y- and X-axis parameters to plot the same data. One chart appears to illustrate much more dynamic and decreasing sales than the other chart. Some people would tend to present the top chart in the face of potential fear of a manager. The message would be that sales are falling, but not at a severe rate. The lower chart probably represents a better illustration of the firm's situation, with a significant and worrisome decrease in sales. As you can see, different interpretations of the firm's position can be accurately presented with statistics. The way it's used is a matter of the individual's objective influenced by his or her ethic.

International OB

Transfer Pricing and International Corporate Deviance

Workplace deviance isn't limited to the harmful behaviors of employees within one location. It can extend across country borders. Consider transfer pricing, which governs the price one part of a company charges another for a product or service. What happens if parts of the company are in different countries?

Tax rates on company profits differ— sometimes greatly—from country to country. Transfer pricing, when used to shift income from high-tax to low-tax countries, can be a deviant corporate policy if abused. One way to increase overall profit—that is, the combined profit of the multinational's headquarters and its subsidiaries—is to take profits in the country with the lower taxes.

Consider a multinational firm whose headquarters sold toothbrushes to a subsidiary for \$5,000—each. The subsidiary, with the higher tax of the two, claimed a loss (after all, it paid \$5,000 per toothbrush). The multinational firm, with the lower tax, took the profit and paid the tax on it. Because the two firms were part of the same organization, they combined the results of the transaction, and the company made a staggering profit.

Transfer pricing, according to a survey by the international auditing firm Ernst & Young, has become a heated issue among multinational companies. Why? The U.S. Multistate Tax Commission estimated that states were losing almost one-third of their corporate tax income because of the tax-sheltering practices of multinational companies—transfer pricing among them. The U.S. Internal Revenue Service is keeping a watchful eye on international transactions.

Source: Based on "Case of the U.S. \$5000 Toothbrush," Finance Week, April 27, 2005, pp. 45–46.

Class Exercise:

- Have students form groups of five.
- Have students read the International Transfer Pricing article at http://wps.aw.com/aw_carltonper_modernio_4/21/5566/1425037.cw/content/index.html
- Have the groups discuss the issue of International Transfer Pricing to determine a consensus of the students' feelings and beliefs about the concept regarding its legal and ethical considerations.
- Have a representative from each group present the group's position before the class.
- Have the students note how the groups differed or were similar in their final positions.

Point/CounterPoint

In Search of a Quick Fix

Point

Walk into your nearest major bookstore. You'll undoubtedly find a large section of books devoted to management and managing human behavior. A close look at the titles will reveal that there is certainly no shortage of popular books on topics related to organizational behavior. Consider the following popular book titles that are currently available on the topic of leadership:

- The Verbal Judo Way of Leadership (Looseleaf, 2007)
- If Harry Potter Ran General Electric: Leadership Wisdom from the World of Wizards (Currency/Doubleday, 2006)
- High Altitude Leadership: What the World's Most Forbidding Peaks Teach Us About Success (Jossey-Bass, 2008)
- Killing Cockroaches: And Other Scattered Musings on Leadership (B&H Publishing, 2009)
- The Leadership Secrets of Santa Claus (Performance Systems, 2004)
- Leadership Lessons from a Chef: Finding Time to Be Great (Wiley, 2008)
- Leadership Wisdom from the Monk Who Sold His Ferrari (Hay House, 2003)
- Leadership 101 for White Men: How to Work Successfully with Black Colleagues and Customers (Morgan James, 2008)
- A Pirate Captain's Guide to Leadership (Lighthouse, 2008)

Organizations 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 the subject of leadership. Books like these can provide people with the secrets to leadership that others know about. Moreover, isn't it better to learn about management and leadership 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.

CounterPoint

Beware of the quick fix! We all want to find quick and simplistic solutions to our complex problems. But here's the bad news. On problems related to organizational behavior, the quick and simple solutions are often wrong because they fail to consider the diversity among organizations, situations, and individuals. As Einstein said, "everything should be made as simple as possible, but not simpler."

When it comes to trying to understand people at work, there is no shortage of simplistic ideas and the books and consultants to promote them. And these books aren't just on leadership. Consider three recent bestsellers, *Who Moved My Cheese?* is a metaphor about two mice that is meant to convey the benefits of accepting change. *Fish!* tells how a fish market in Seattle made its job motivating. And *Whale Done!* proposes that managers can learn a lot about motivating people from techniques used by whale trainers at Sea World in San Diego. Are the "insights" from these books generalizable to people working in hundreds of different countries, in a thousand different organizations, and doing a million different jobs? It's very unlikely.

Popular books on organizational behavior often have cute titles and are fun to read. But they can be dangerous. They make the job of managing people seem much simpler than it really is. They are also often based on the author's opinions rather than substantive research.

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

Class Exercise:

Choose two teams of three to five students; the remainder of the class can act as the jury. Select one or two of the titles listed in the exercise. Have one team defend the "lessons" taken from the selected reading; the other team will prepare an argument as to why the lessons from the readings may not be appropriate from an OB perspective. Give each team adequate time to present their case to the remainder of the class. After each team has presented their arguments, the remainder of the class should ask probing questions based on their understanding of the OB concepts covered in this first chapter. The class acting as jury can then vote on which team provided the most compelling arguments.

Questions for Review

1. What is the importance of interpersonal skills?
Answer: Understanding human behavior is critical for managerial effectiveness today. To attract and retain high-performing employees, managers must possess interpersonal skills in order to relate to the employees and create a positive and supportive work environment where people want to work. People skills in addition to technical skills are imperative for managers to succeed in the modern demanding workplace.
2. What do managers do in terms of functions, roles, and skills?
Answer: One common thread runs through the functions, roles, and skills of managers: the need to develop people skills if they are going to be effective and successful. Managers get things done through other people. Managers do their work in an organization.

Management functions involve managing the organization, planning and controlling and managing people within the organization, organizing and leading.
Management roles (see Exhibit 1-1) are the “parts” managers play within an organization and involve their interaction with people.
Management skills, as identified by Robert Katz, boil down to three essential management skills: technical, human, and conceptual. These use OB to manage processes and people to problem solve.
3. What is *organizational behavior (OB)*?
Answer: Organizational behavior (abbreviated OB) is 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. As managers accomplish their work through others, OB provides the tools for guiding the productivity of others, predicting human behavior at work, and the perspectives needed to manage individuals from diverse backgrounds.
4. Why is it important to complement intuition with systematic study?
Answer: Behavior according to systematic study is not random. There are fundamental consistencies underlying the behavior of all individuals that can be identified as well as individual differences. The consistencies allow predictability and reasonably accurate predictions regarding behavior and relationships. Systematic study basing conclusions on scientific evidence is complemented by the Evidence-based management (EBM) approach that involves basing managerial decisions on the best available scientific evidence. Intuition, in contrast, is based on one’s “gut feel.” Although unscientific and unsystematic, it is not necessarily incorrect. The use of all three often results in better decisions, but according to Jack Welch, “the trick is to know when to go with your gut.”
5. What are the major behavioral science disciplines that contribute to OB?
Answer: OB is a field of study that investigates the impact that individuals, groups, and structure have on behavior within organizations. Both psychology and sociology are concerned with behavior. Psychology is the science of behavior that studies individual behavior, whereas sociology studies people in relation to their fellow human beings.

Psychological study in the field of OB has contributed knowledge on a number of topics including learning, perception, personality, emotions, training, leadership, motivation, job satisfaction, decision making, etc. Social psychology blends concepts from both psychology and sociology and focuses on people's influence on one another. Sociological study has contributed knowledge on topics such as group dynamics, teams, organizational culture, organizational theory and structure, communications, and power and conflict. Anthropology is the study of societies in order to learn about human beings and their activities within different cultures and environments.

6. Why are there few absolutes in OB?

Answer: Human beings are complex and there are few universal principles that explain organizational behavior. There are many theories about how people behave in organizations but most are not pure cause-and-effect relationships. People are not alike and therefore it is difficult to make many generalizations. Variables such as people's wants, needs, values, and goals can differ tremendously.

7. What are the challenges and opportunities for managers in using OB concepts?

Answer: This field of study offers managers specific insights and opportunities to improve managerial and people skills. Recognizing the value of and embracing diversity in a global marketplace can improve productivity. Learning to empower your people, designing and implementing change programs, focusing on customer service, supporting employees' work-life balance, etc., can all lead to improved productivity, quality, and profitability. Challenges can also be found in the critical labor shortages, the fast pace of change in a world of temporariness, and the need for continuous innovation. Finally, providing a positive workplace with an ethical compass can create a healthy work climate.

8. What are the three levels of analysis in our OB model?

Answer: The three levels of analysis are: individual, group, and organization. The three basic levels are analogous to building blocks—each level is constructed upon the previous level. Group concepts grow out of the foundation laid in the individual section; we overlay structural constraints on the individual and group in order to arrive at organizational behavior.

Experiential Exercise

WORKFORCE DIVERSITY

Purpose

To learn about the different needs of a diverse workforce.

Time required

Approximately 40 minutes

Participants and roles

Divide the class into six groups of approximately equal size. Each group member is assigned one of the following roles:

- *Nancy* is 28 years old. She is a divorced mother of three children, ages 3, 5, and 7. She is the department head. She earns \$40,000 a year on her job and receives another \$3,600 a year in child support from her ex-husband.
- *Ethel* is a 72-year-old widow. She works 25 hours a week to supplement her \$8,000 annual pension. Including her hourly wage of \$8.50, she earns \$19,000 a year.
- *John* is a 34-year-old black male born in Trinidad who is now a U.S. resident. He is married and the father of two small children. John attends college at night and is within a year of earning his bachelor's degree. His salary is \$27,000 a year. His wife is an attorney and earns approximately \$50,000 a year.
- *Lu* is a 26-year-old physically impaired male Asian American. He is single and has a master's degree in education. Lu is paralyzed and confined to a wheelchair as a result of an auto accident. He earns \$32,000 a year.
- *Maria* is a single, 22-year-old Hispanic woman. Born and raised in Mexico, she came to the United States only three months ago. Maria's English needs considerable improvement. She earns \$20,000 a year.
- *Mike* is a 16-year-old white male high school sophomore who works 15 hours a week after school and during vacations. He earns \$7.20 an hour, or approximately \$5,600 a year.

The members of each group are to assume the character consistent with their assigned role.

Background

Our six participants work for a company that has recently installed a flexible benefits program. Instead of the traditional "one benefit package fits all," the company is allocating an additional 25 percent of each employee's annual pay to be used for discretionary benefits. Those benefits and their annual cost are listed below.

- * Supplementary health care for employee:
 - Plan A (no deductible and pays 90%) = \$3,000
 - Plan B (\$200 deductible and pays 80%) = \$2,000
 - Plan C (\$1,000 deductible and pays 70%) = \$500
- * Supplementary health care for dependents (same deductibles and percentages as above):
 - Plan A = \$2,000
 - Plan B = \$1,500
 - Plan C = \$500
- * Supplementary dental plan = \$500

- * Life insurance:
 - Plan A (\$25,000 coverage) = \$500
 - Plan B (\$50,000 coverage) = \$1,000
 - Plan C (\$100,000 coverage) = \$2,000
 - Plan D (\$250,000 coverage) = \$3,000
- * Mental health plan = \$500
- * Prepaid legal assistance = \$300
- * Vacation = 2 percent of annual pay for each week, up to 6 weeks a year
- * Pension at retirement equal to approximately 50 percent of final annual earnings = \$1,500
- * Four-day workweek during the three summer months (available only to full-time employees) = 4 percent of annual pay
- * Day-care services (after company contribution) = \$2,000 for all of an employee's children, regardless of number
- * Company-provided transportation to and from work = \$750
- * College tuition reimbursement = \$1,000
- * Language class tuition reimbursement = \$500

The Task

1. Each group has 15 minutes (consider increasing this to 25 minutes) to develop a flexible benefits package that consumes 25 percent (and no more!) of their character's pay.
2. After completing step 1, each group appoints a spokesperson who describes to the entire class the benefits package they have arrived at for their character.
3. The entire class then discusses the results. How did the needs, concerns, and problems of each participant influence the group's decision? What do the results suggest for trying to motivate a diverse workforce?

Special thanks to Professor Penny Wright (San Diego State University) for her suggestions during the development of this exercise.

Teaching Note:

With these types of exercises, students will press for the "right answer." Emphasize that how they reached their decisions and awareness of other's perspectives is key here, much more so than the final decision. The allocation of resources may take several forms and be correct. Students should look at how well the needs were met by their decision.

Questions

1. What needs were identified?
2. How did each element of the benefit plan meet the identified need?
3. How diverse were the needs, and why were they so diverse?

Consider having students research this benefit Web site (<http://www.benefitslink.com/>) in order to make more informed decisions.

Ethical Dilemma

LYING IN BUSINESS

Do you think it's ever OK to lie? If one was negotiating for the release of hostages, most people would probably agree that if lying would lead to their safety, it's OK. What about in business, where the stakes are rarely life or death? Business executives like Martha Stewart have gone to jail for lying (submitting a false statement to federal investigators). Is misrepresentation or omitting factors okay as long as there is no outright lie?

Consider the negotiation process. A good negotiator never shows all his cards, right? And so omitting certain information is just part of the process. Well, it may surprise you to learn that the law will hold you liable for omitting information if partial disclosure is misleading, or if one side has superior information not accessible to the other.

In one case (*Jordan v. Duff and Phelps*), the company (Duff and Phelps) withheld information from an employee—Jordan—about the impending sale of their company. The problem: Jordan was leaving the organization and therefore sold his shares in the company. Ten days later, those shares became worth much more once the sale of the company became public. Jordan sued his former employer on the argument that they should have disclosed this information. Duff and Phelps countered that it never lied to Jordan. The Court of Appeals argued that in such situations one party cannot take “opportunistic advantage” of the other. In the eyes of the law, sometimes omitting relevant facts can be as bad as lying.

Teaching Note:

These questions can be used as a group Q & A in class, or in conjunction with students' selection of articles on OB topics from the popular press (*Newsweek*, *BusinessWeek*, *Forbes*, etc.). Another idea would be to assign the questions as a journal entry or short homework assignment. There will be many different points of view here. The idea is to use these questions to explore the “values” of students in your class.

Questions

1. In a business context, is it ever OK to lie? If yes, what are those situations? Why is it okay to lie in these situations?

Answer: No, honesty is still the best policy and integrity is a top quality in leaders. “White” lies told to spare someone’s feelings are very different from intentionally concealing pertinent information in business. Like Enron, many companies have failed and gone bankrupt due to conception, lies, and omissions. Negotiations should also include dialogue that ends in a “win-win” scenario for both parties.

2. A recent survey revealed that 24 percent of managers said they fired someone for lying. Do you think it's fair to fire an employee who lies, no matter what the nature of the lie? Explain.

Answer: Yes, it is fair to fire someone for lying. The best and most ethical companies thrive on honest communication and ethical companies in general are more profitable. People who cannot be trusted are not valuable employees. Strong relationships are built on a foundation of trust. And respect and trust are key components for effective management. Top performers in organizations are part of the competitive advantage for companies, and

organizations need to retain those employees with a good moral and ethical record of accomplishment.

3. In business, is withholding information for one's advantage the same as lying? Why or why not?

Answer: Often it is the same. Lying and omission of details are similar. The debate would focus on the information withheld and the reasons for non-divulgence. It is a rare scenario that cannot be resolved through clear communication.

4. In a business context, if someone has something to gain by lying, what percent of the people do you think would lie?

Answer: Most research post-Enron has confirmed the fact that many people, including senior management do lie, especially under pressure. This question speaks to the character of the person and his/her motivation. Unfortunately, ethical behavior has decreased, ultimately resulting in the downfall of many corporations.

Sources: Based on "Brain Scans Detect More Activity in Those Who Lie," Reuters, November 29, 2004; <http://www.msnbc.msn.com/id/6609019>; P. Ekman and E. L. Rosenberg, *What the Face Reveals: Basic and Applied Studies of Spontaneous Expression Using the Facial Action Coding System (CAPS)*, New York: Oxford University Press. Second expanded edition 2004.

Case Incident 1

“DATA WILL SET YOU FREE”

Ford CEO Alan Mulally is known for starting meetings by saying “Data will set you free” and for trying to change Ford’s culture to one that is based on increased accountability, more information sharing, and hard metrics. “You can’t manage a secret,” he is also fond of saying. Although it’s not clear whether Mulally’s approach will work at Ford, which is known for its self-contained fiefdoms where little information is shared, some companies have found that managing people according to hard metrics has paid off. Consider Freescale Semiconductor, a computer chip manufacturer based in Austin, Texas.

Freescale has discovered that in order to have the right people at the right time to do the right job, it needs an extensive and elaborate set of metrics to manage its 24,000 employees in 30 countries. Of particular concern to Freescale is retention. “There’s no greater cost than human capital, especially in the technology industry,” says Jignasha Patel, Freescale’s director of global talent sourcing and inclusion. “When you’ve got a tenured employee that decides to walk out the door, it’s not just one person leaving, it’s that person’s knowledge and network and skills.”

To manage talent and prevent turnover, Freescale holds line managers accountable for recruiting, hiring, and retaining employees. To do that, managers need to project their talent needs into the future and reconcile those with projected availabilities. Patel provides line managers with census data that helps them make their projections, but at the end of the day, the responsibility is theirs. “What we have done is taken all of our inclusion data, all our metrics, and we’ve moved the accountability over to the business unit,” Patel says.

Patel also provides Freescale managers with benchmark data so they can compare their effectiveness with that of other units. The benchmark data include the number of people hired, turnovers, and promotions—and breakdowns by demographic categories. “There’s [a return on investment] for everything we do,” says Patel.

Questions

1. Why do you think Freescale focuses on metrics? Why don’t more organizations follow its approach?

Answer: Metrics allow for accountability and accurate record keeping. Freescale focuses on metrics for employee retention, which can be very expensive for a company to replace human capital when an experienced employee leaves the company. Some organizations do not share information and do not communicate; therefore they are more likely to lose good employees as well as customers.

2. As a manager, would you want to be accountable for the acquisition and retention of employees you supervise? Why or why not?

Answer: Yes. Building your own team can be paramount to success. Acquiring and retaining employees is crucial to the performance of your organization and the best managers do this proficiently. Reducing turnover and retaining quality talent are two important keys to productivity for managers.

3. In general, what do you think are the advantages and limitations of such metrics?

Answer: The advantages are that quantitative data and metrics bring clarity to many decisions. Strategic planning for human resources and talent management can be facilitated through information systems and the use of knowledge management systems or computers since these programs can include data from many sources including Census data and the Bureau of Labor Statistics. One limitation is when these systems are relied on solely without the use of common sense and even intuition to make certain decisions, particularly about individuals. In addition, some firms spend too much time planning and get involved in “analysis paralysis,” whereby they plan but do not execute the strategy.

4. Freescale focused on metrics for the acquisition and retention of employees. Do you think metrics can be applied to other areas of management, such as employee attitudes, employee performance, or skill development? How might those metrics be measured and managed?

Answer: Yes, metrics can be applied in every area of organizations. There are many skills inventories, leadership surveys, personality tests, etc. Many of these tests offer important results for hiring purposes, team building, cross-cultural development, and many other areas. Each senior to middle manager should be responsible for the measurement and management of these tools in order to provide an environment for the employees to succeed and prosper. The only caveat is that these instruments should be used in conjunction with other methodologies as well to ensure equity for all employees.

Source: Based on R. R. Hastings, “Metrics Drive Winning Culture,” *SHRM Online*, April 9, 2007, www.shrm.org.

Case Incident 2

The Global Recession and Workplace Malfeasance

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 been asked to accept reduced work hours or pay cuts. In some cases—say, the U.S. auto industry—job losses have been predictable but no less painful. However, in other cases, they have come as a surprise. Norm Elrod had earned an MBA while employed at an online marketing firm. His degree didn't save his job—Elrod was laid off in October 2008 and, as of April 2009, he was unemployed and still looking for work. “There's a lot of frustration out there,” Elrod said.

The financial and psychological pain caused by the recession may lead you to wonder whether employees attempt to get even. Is there evidence the recession has led to increased incidents of workplace violence, sabotage, or theft? As it turns out, this is a very difficult question to answer with any confidence. The difficulty illustrates how OB can teach you how to think critically about problems and analyze them carefully.

During any recession, there is no lack of reports on the calamitous effects of the downturn. The Times of London reported that U.S. job losses were directly linked to 58 fatalities in eight incidents during one month in 2009. Among them was a Vietnamese man fired from his factory job who killed 13 people at an immigration center in Binghamton, New York.

It's not just displaced-worker violence that is getting headlines. Among nearly 400 employees asked in late 2008 whether the recession had caused a recent rise in thefts of money among employees, 18 percent said yes, 41 percent said no, and 41 percent were unsure. Though this poll suggests only a small minority of employers thought the recession had led to an increase in employee theft, the media reported the opposite result. The *Wall Street Journal* ran the headline “Businesses Say Theft by Their Workers Is Up.” *MSN Money*, under the headline “Businesses See Rise in Employee Theft,” reported the poll results as follows: “When asked if they had noticed a recent rise in monetary theft among employees, such as fraudulent transactions or missing cash, 18% said yes, 41% were unsure and the rest said they hadn't.” You'll notice that, put another way, 18 percent agree that theft is up, and 82 percent either disagree or are unsure. But that makes for a less sexy headline.

Another mischief factor is companies that exist to provide services, software, and technology to deter workplace theft. While they might provide a valuable service to the organizations they serve, it is in their interest for employers and the general public to believe incidences of workplace violence and theft are increasing. These companies often produce press releases, which then work their way into the media and presumably generate potential clients for the organizations. One such company, for example, publicizes a study of workplace theft, reporting it has increased each and every year since 2003.

We are not arguing that all business press articles—or all studies done by organizations—are inaccurate. But these examples do illustrate one of the benefits of learning OB: Put on your investigator hat, ask questions, analyze the situation, and consider the source!

Questions

1. Does this case prove economic downturns and company layoffs fail to lead to workplace malfeasance? Why or why not?

Answer: Students should recognize that the statistics from the study would indicate little effect of the economic downturn on bad behavior among employees or ex-employees. Reading about incidents of major violence or internal sabotage by released employees shows that they occur during times of economic well-being. The determinant seems to be personal flaws rather than economic ones.

2. Does the case prove we can learn nothing from the business press?

Answer: No, it doesn't. What it means is that each person needs to be a more aware consumer of information to place it into context for meaning without falling victim to the direction of the information source. This is true of not only press reports but any source of information important to the person.

3. Does this chapter provide any clues for how you can be an informed consumer of business news on OB issues?

Answer: The chapter discussions on Systematic Study, Evidence-based Management and Intuition provide clues useful to anyone about approaching situations with greater ability to effectively evaluate them for meaning and interpretation.

4. Some companies install surveillance equipment (cameras, computer software) to monitor their employees. Valenti Management, which owns and runs 117 Wendy's and 17 Chili's restaurants, has installed fingerprint scanners on all its cash registers. Do you think these measures infringe too much on individual privacy? Can a company take prevention too far? How do you strike a balance between prevention and intrusion?

Answer: The answers to this question will depend on the student's ethical position. Most students will likely perceive these steps to be intrusive. But ask them to look at these tools from the viewpoint of the business owner/operator. Does this protect the business from poor behavior by some employees? Sometimes intrusion is necessary on all to prevent bad behavior by the few. Yes, the intrusion can be taken too far to destroy employee trust. The balance can be established by communication between employer and employee about what is being done and why.

Sources: Based on J. Bone, "Gunman Kills 13 and Takes 40 Hostage in Upstate New York Town," *The Times* (April 4, 2009), http://www.timesonline.co.uk/tol/news/world/us_and_americas/article6031421.ece; S. E. Needleman, "Businesses Say Theft by Their Workers Is Up," *Wall Street Journal* (December 11, 2008), p. B8; M. Conlin, "To Catch a Corporate Thief," *Business Week* (February 16, 2009), p. 52; P. McGeehan, "Well Educated, and Now Collecting Unemployment," *New York Times* (April 5, 2009), p. Y23; and "Businesses See Rise in Employee Theft," *MSN Money* (December 12, 2008), articles.moneycentral.msn.com/Investing/Extra/businesses-see-risein-employee-theft.aspx.

Instructor's Choice

Companies Dealing with OB Issues

The assignment is to find an organization that is facing two or more of the four challenges discussed in the chapter. It is recommended that students use one of the recognized search engines to conduct research. Remind students that they may have to read between the lines to discover the effects and response to challenges. One example that can be used to start the discussion (make the connection) is to go to the Nike Web site (www.nike.com) and review the company's statements about having their products manufactured offshore. For the past several years Nike has come under increasing criticism for its manufacturing practices in Vietnam. Have students see how the company explains its current practices and relationships with foreign contractors.



EXPLORING OB TOPICS ON THE WORLD WIDE WEB

Search Engines are our navigational tool to explore the WWW. Some commonly used search engines are:

www.excite.com
www.google.com

www.yahoo.com
www.lycos.com

www.hotbot.com
www.bing.com

Using the World Wide Web (WWW) to locate information can be a useful tool to the student (or manager) interested in exploring topics in OB. For this first exercise, go to www.searchenginewatch.com to learn more about what Search Engines and Metacrawlers do and how they differ. Once you are on the searchenginewatch home page, click on Search Engine Listings, then on Major Search Engines. This page presents an overview of the major engines and how best to use them. Do not forget to look at other topics on this Web site that are interesting to you.

Now perform a search on "Organizational Behavior" using three different search engines. Do the results differ or are they the same? If they differ, why do you think they are different? Write a paragraph or two answering these questions based on what you learned from researching Search Engines. Also, include another paragraph providing examples and/or reasons of when you would use choose one Search Engine over another.

1. The text tells us that OB replaces intuition with systematic study. Where do scholars prepare for a career researching OB topics? Additionally, what if you decide at some point to pursue graduate study in OB? Where would you go? Perform a search to identify two to three graduate programs in OB and print out the home page with the descriptions of these programs and bring them to class. Note that different schools have programs in different departments and disciplines which show the diversity thinking about OB in these programs. If you need ideas as to where to start, try:
 - a. Harvard— <http://www.hbs.edu/units/ob/index.html>
 - b. Official Web site of the Organizational Behavior Division of the Academy of Management— <http://www.obweb.org/>

If time allows, we will discuss as a class the information you found on the general areas of study and the types of courses required in graduate work in OB.

2. One of the challenges facing managers is the fact that organizations are no longer constrained by national borders.
 - a. Go to the SHRM homepage (www.shrm.org) and identify OB topics that relate to globalization. Try to find as many as possible. Compare your list with a classmate and note the ones you missed.
 - b. Choose one of the topics and on a separate paper write three questions you have on the topic. Click on the topics or Web links on the SHRM homepage and try to find the answers. If you find what you are looking for, write the answers next to your original questions. If you are unsuccessful in finding the answers, write a short paragraph describing what your strategy would be to find the answers you want.
3. Many organizations look for ways to promote diversity through family-friendly policies. Look for three companies who are incorporating family-friendly policies into their HRM strategy. On a separate paper answer the following questions:
 - a. Who are the companies? (Be sure to list their Web address, too.)
 - b. What are their policies?
 - c. How do these policies attract and keep people?
 - d. Do these policies interest you? Why?
 - e. How might they make their policies more attractive to workers?
 - f. If they make the changes you suggest, what results would you expect? (Is there evidence to back up your opinion? If it is just your opinion, say so, but later we will look for studies that back up or refute your opinion today.)
4. Find an organization that directly addresses the cost of absenteeism or turnover on its Web site. What, if anything, is that organization doing to reduce those costs? What did your search tell you in terms of the importance or unimportance of these costs to organizations? In class we will meet in small groups to discuss the strategies organizations are using. Once you have found an organization, check with me to make certain that we do not have too many in the class researching the same company. Be prepared to talk about your organization's strategy to the group and possibly the class. Below are some Web sites to get you started, but do not hesitate to perform your own search:
 - a. www.shrm.org
 - b. <http://www.jointventure.org/initiatives/health/96direct/effect.html>
 - c. <http://eafinc.org/jobsrvy.htm>