

Chapter 1

What Is Organizational Behaviour?

CHAPTER OVERVIEW

Organizational behaviour is a field of study devoted to understanding and explaining the attitudes and behaviours of individuals and groups in organizations. The two primary outcomes of organizational behaviour are job performance and organizational commitment. This chapter explores the factors that affect these outcomes, and shows how scientific studies provide evidence that good organizational behaviour policies are linked to employee productivity, firm profitability, and even firm survival. This chapter also shows how we “know what we know” about organizational behaviour by describing the scientific research process.

LEARNING OUTCOMES

After reading this chapter, you should be able to answer the following questions:

- 1.1 What is the definition of “organizational behaviour” (OB)?
- 1.2 What are the two primary outcomes in studies of organizational behaviour?
- 1.3 What factors affect the two primary OB outcomes?
- 1.4 Why might firms that are good at OB tend to be more profitable?
- 1.5 What is the role of theory in the scientific method?
- 1.6 How are correlations interpreted?

CHAPTER OUTLINE

I. What Is Organizational Behaviour?

Try This!: *Open the very first class by asking them to picture their worst coworker ever and to list the things that person did to earn “worst coworker” status. Then have them do the same with the best coworker ever, listing the things that person did to earn “best coworker” status. Both of these lists should be written on the board, a process that will result in a table similar to Table 1-1. Then get them to understand the importance of explaining why the two people act so differently. That process of explanation is what OB is all about.*

A. Organizational Behaviour Defined

Organizational behaviour is a field of study devoted to understanding, explaining, and ultimately improving the attitudes and behaviours of individuals and groups in organizations

B. Role of Management Theory

Organizational behaviour is a field of study that has an important historical context, and has evolved from several historical movements and landmark studies – including Scientific Management and the Human Relations movement

II. An Integrative Model of Organizational Behaviour

A. Provides a roadmap for the field of organizational behaviour, and shows how different chapters in the text are related

B. Individual Outcomes – These are the two primary goals of organizational behaviour

1. Job performance (Chapter 2) – how well employees do on the job
2. Organizational commitment (Chapter 3) – how likely employees are to remain with an organization. Employee retention is a huge issue for many Canadian firms.

C. Individual Mechanisms - These directly affect job performance and organizational commitment

1. Job satisfaction (Chapter 4) – what employees feel about their work
2. Stress (Chapter 5) – psychological responses to job demands that tax or exceed an employee's capabilities
3. Motivation (Chapter 6) – energetic forces that drive an employee's work
4. Trust, justice, and ethics (Chapter 7) – degree to which employees feel that their company does business with fairness, honesty, and integrity
5. Learning and decision making (Chapter 8) – how employees gain job knowledge and use that knowledge to make decisions

D. Individual Characteristics and Group Mechanisms – These affect individual mechanisms mentioned above

1. Personality, cultural values, and abilities (Chapter 9) – describe various individual traits and characteristics that say what we are like and what we can do.

2. Teams, diversity, and communication (Chapter 10) – the qualities that teams possess, including norms, roles, and the way team members depend on each other. Also how teams behave with regard to communication, cooperation, and conflict.
 3. Power, influence, and negotiation (Chapter 11) – the process by which individuals gain authority over other individuals
 4. Leader styles and behaviours (Chapter 12) – describes the specific actions leaders take to influence others at work
- E. Organizational Mechanisms – Also affect individual mechanisms, because they influence the environment in which work is done
1. Organizational structure (Chapter 13) – shows how various units within an organization communicate
 2. Organization culture and change (Chapter 14) – describes the shared rules, norms, and values that shape behaviour for organizational employees, and how to change or manage cultures.

OB Internationally. *This feature is a valuable tool to help students understand how the relationships among OB concepts, and their applications, varies across cultures. A good way to begin discussing international issues in Chapter 1 is to ask students to describe their international experiences. How many students are international students? How many were born or raised in another country prior to moving to Canada? How many have lived or worked abroad? How many have gone abroad on study trips or vacations? Once you've gotten a feel for the experience levels of the class, ask students if they believe that the importance of the concepts in the integrative model of OB will vary across cultures, or whether their importance will be universal. If they believe the importance varies, should multinational corporations design their OB policies to function differently at different branches? What are the pluses and minuses of such a strategy?*

III. Does Organizational Behaviour Matter?

A. Building a Conceptual Argument

1. Resource-based view of organizations – looks at what makes resources capable of creating long-term profits for a firm
2. Resources are considered to be more valuable when they are:
 - a. Rare – “good people are hard to find”
 - b. Inimitable – people are difficult to imitate for three reasons:
 - i. History – people have a collective pool of experience, wisdom, and knowledge that benefits the organization

- ii. Numerous Small Decisions – big decisions are easy to copy – it is the small decisions that people make day-in and day-out that are significant for an organization

Try This! *Ask students to think of all the times when one company copied a big decision made by another. For example, consider the recent move by Microsoft to open retail stores in Canada that mimic the look and feel of Apple Stores. What are some examples of times where that copying has proven successful? What are some examples of times when that copying seem to be successful? What explains those differences in copying success?*

- iii. Socially Complex Resources – resources like culture, teamwork, trust and reputation come from the social dynamics of a given firm in a given time

B. Research Evidence

1. Study 1

- a. Survey of executives from 968 publicly held firms with 100 or more employees
- b. High performance work practices were related to decreased turnover, increased sales, increased market value, and increased profitability

2. Study 2

- a. The prospectuses of 136 companies undergoing IPOs in 1988 were examined for evidence that the company valued OB issues
- b. Firms which valued OB had a 19% higher survival rate than those that did not

3. Study 3

- a. “Best Companies to Work For” lists (e.g., Top 100 employers). Many of these companies demonstrate exceptional OB practices, and are very profitable – even in difficult economic times.

Try This! *If the students have on-line access, have them work in small groups and look up some of the Canadian companies that have made the “Best Companies” or “Top Employers” lists (going beyond the companies listed in Table 1-3). Ask them to consider how these lists could be used to scientifically test whether being*

good at OB improves profitability. Usually students can guess many of the details of the study described in the book.

C. So What's So Hard?

1. Many organizations do a bad job of managing OB issues because they don't view OB issues in a comprehensive fashion
 - a. No single OB practice can increase profitability by itself
 - b. Rule of One-Eighth
 - i. Half the organizations don't believe there is a connection between people and profits
 - ii. Half of those who see the connection try to make a single change, rather than attempting to make comprehensive changes
 - iii. Half of the firms that make comprehensive changes persist long enough for those changes to make a difference
 - iv. $\frac{1}{2} \times \frac{1}{2} \times \frac{1}{2} = \frac{1}{8}$

OB on Screen: Office Space. *If you have access to this movie, please play it for your students during class. This scene depicts Peter Gibbons, a computer programmer at Initech, as he struggles to get through his work day. Eventually he seeks the advice of a therapist, which inadvertently causes him to embrace the role of an "office slacker." The scenes provide a case study of an employee with low job performance and low organizational commitment. Ask the students why Peter seems to be struggling. What concepts from Figure 1-1 seem most relevant? Students who have seen the entire movie will be able to point to a number of different concepts that explain Peter's current ineffectiveness.*

Try This! *Use the Office Space clip for a different chapter. The clip provides a good demonstration of counterproductive behaviour from Chapter 2 on Job Performance. Ask the students which specific types of counterproductive behaviour Peter has engaged in. It also provides a good demonstration of withdrawal behaviour from Chapter 3 on Organizational Commitment. Again, ask the students which specific behaviours are evident in the clip.*

IV. How Do We "Know" What We Know About Organizational Behaviour?

- A. According to philosophers, there are four ways of knowing things:

1. Method of experience – believing something because it is consistent with your experience
2. Method of intuition – believing something because it seems obvious or self-evident
3. Method of authority – believing something because a respected source has said it is so
4. Method of science – believing something because scientific studies have replicated that result using a series of samples, settings, and methods

Try This! Ask students how they know the factors that improve health. What kinds of dietary philosophies do they know to be healthy? What kinds of exercise practices do they know to be healthy? Once the “knowledge in the room” has been summarized, explore where that knowledge came from. How much of it was just experience or intuition? How much of it comes from authorities (e.g., doctors, trainers, books). How much of it comes from science, either directly (news reports, magazine reports) or indirectly (through relevant authorities). Does any of the “knowledge in the room” conflict with each other (for example, some students think a low fat diet is more critical; others think a low carbohydrate diet is more critical)? Which method of knowing would be most valuable for reconciling such conflict?

B. Scientific Method

1. Theory – collection of assertions that specify how and why variables are related
2. Hypotheses – written predictions that specify relationships among variables
3. Data – collection and observation of behaviours and outcomes related to the hypotheses
4. Verification – use of statistical methods to determine whether or not a hypothesis can be disconfirmed

- a. Example of verification process is correlation

Try This! Ask ten students to volunteer their height in inches and their weight in pounds. Ask them to write the numbers down on a sheet of scrap paper. Then input them into an Excel spreadsheet, placing them in columns A and B. Ask students to eyeball the two columns of numbers and guess the correlation. Then calculate it using this formula: =correl(a1:a10,b1:b10). Did the resulting correlation differ from the population value (.44, as given in Table 1-4). Ask the students why the class number might differ from the population value, using that to explain why multiple studies (and high sample sizes) are needed when performing OB research.

Then ask the students whether the correlation between job satisfaction and job performance should be higher or lower than the correlation between height and weight. Use that frame of reference to get them to understand that correlations of .30 are actually moderate in size, and correlations of .50 are actually strong in size.

- b. Correlations are not enough to prove causation. Making causal inferences requires ruling out alternative explanations. Experimental methods are often used for that purpose, as they are able to control external factors that could create misleading correlations.
- c. A meta-analysis takes all of the correlations found in a set of studies and calculates a weighted average of those correlations to help understand the overall relationships between variables. Meta-analyses can also be a helpful guide for evidence-based management, where management education and practice relies on scientific findings (as in medicine).

V. Summary: Moving Forward in this Book

OB Assessments: Introspection. *This brief survey can be used to give students a feel for the types of data that are often collected in organizational behaviour studies. Introspection, specifically, is relevant in an OB course because introspective students can use the content in the chapters to better understand their current and past work experiences, and their strengths and talents as employees. Use a show of hands to see how many students fell above and below the average level, and see if students will volunteer any extremely high or low scores. Challenge students who score low on the assessment to actively try to apply course content to their own experiences and characteristics.*

DISCUSSION QUESTIONS

- 1.1 Can you think of other service businesses that, such as those listed in Table 1-3, seem to do an effective job with customer service? Which organizational behaviour topics would be most important to maintaining that high level of service?

The business examples will vary, as will the list of topics most relevant to OB. The point that should emerge is that all of these topics potentially lead to desired outcomes. A big part of successful customer-focused organizations, such as RBC and WestJet, is the hiring of people who are committed to the organization, and then making sure that they stay motivated under stressful conditions. Leadership is important, but

perhaps more important are personality, ability, team processes and organizational culture.

- 1.2 Think again about the worst coworker you've ever had—the one who did some of the things listed in Table 1-1. Think about what that coworker's boss did (or didn't do) to try to improve his or her behaviour. What did the boss do well or poorly? What would you have done differently, and which organizational behaviour topics would have been most relevant?

One boss, when faced with a “bad” employee, got more and more authoritarian – finding fault with everything the employee did and penalizing the employee for every fault. As a result, the employee was more and more demotivated. An alternative approach would be to discuss the employee's strengths and weaknesses with him, determining the cause of the poor performance, and seeking more helpful solutions for dealing with it. For example, discussing the employee's individual characteristics might yield knowledge about how to place that person for maximum effectiveness and job satisfaction. An analysis of group mechanisms could help to determine whether or not the employee had the proper support to do his work. And an analysis of organizational mechanisms might provide information on changes that need to be made to the environment for the employee to improve.

- 1.3 Which of the Individual Mechanisms in Figure 1-1 (job satisfaction, stress, motivation, trust, justice, and ethics, learning and decision-making) seems to drive your performance and commitment the most? Do you think you're unique in that regard or do you think most people would answer that way?

Answers to this question will vary, but the important point to make when discussing the question is that everyone is different, and that when trying to motivate employees, those differences must be taken into account.

- 1.4 Think of something that you “know” to be true based on the Method of Experience, the Method of Intuition, or the Method of Authority. Could you test your knowledge using the Method of Science? How would you do it?

It is often fun to work with adages (i.e., short but memorable sayings which are considered true by many people). Examples might be “too many cooks spoil the soup”, “when it rains, it pours,” “don't judge a book by its cover”, or “two heads are better than one.” Students will come up with others. Have students think of ways these could be test, scientifically. Answers will vary.

CASE: LEADING THE WAY (PART 2)

Questions:

- 1.1 Most of would agree that it is easy to get along and work with people who share similar values, interests, perspectives, and experiences. Is it possible to be different yet feel similar? Explain.

The case illustrates what one “admired” organization is doing to promote a diverse workforce. This question was designed to help students discover a potential dilemma with this strategy. On the one hand diversity (i.e., having group members who are different with respect to ethnicity, expertise, personality, abilities, interests and values) provides for a larger pool of resources and perspectives from which the group, team or organization can draw upon to carry out its work. On the other hand, and as implied in the question, people who are fundamentally different may encounter more trouble communicating and coordinating their respective activities. So does diversity help or harm a group, team or organization? To make sense of this, students should recognize that diversity occurs on different levels (see Chapter 10): surface-level diversity (observable differences, such as physical characteristics, style of dress, or language).versus deep-level diversity (differences in values, interests and attitudes that are inferred from behaviour). Yes, it is possible to be different on the surface, yet similar in attitudes and core values which, in turn, should enhance communication within the team. Diversity becomes a problem when surface-level differences extend to deep-level attributes that are important for job performance.

- 1.2 In the case we heard reactions from two participants in RBC’s reciprocal mentoring program. Why do you think that they call is reciprocal? What effects, if any, do you think participation has on the mentors? Explain.

The notion of reciprocal mentoring is when people who are being mentored agree to mentor others. It’s a very powerful way to establish supportive internal social networks, and facilitates the communication and exchange of tacit knowledge (see Chapter 8) so critical for one’s career advancement. In the case, establishing internal mentoring relations is one of the initiatives that RBC uses to promote diversity conversations and dialogue – and understanding! The effect of this program is twofold. Mentors benefit because they have a chance to hear, first hand, what some of the challenges and issues are when it comes to diversity. These concerns can then inform subsequent strategy and implementation decisions. Of course, mentees benefit because they feel their concerns are being heard and that the organization cares about and supports them. As we will see in Chapter 3, these feelings are important for fostering both affective and normative commitment, which pay-off in terms of staying and higher performance.

- 1.3 According to a recent census by Statistics Canada, 51% of Canadians were women, 3.8% were aboriginal peoples, and 16.2% were visible minorities. There were no statistics for people with disabilities. According to Statistics Canada, we also know that more and more people will be leaving the labour force as members of the baby-boom generation approach retirement age. What are the implications of these external realities for RBC and its approach to diversity management? Explain.

The information in the case states that RBC workforce demographics are as follows: 69% are women, 1.6% aboriginal peoples, 3.7% are persons with disabilities, and 27.3% are visible minorities. Students should see that when compared with national statistics, females and visible minorities are over-represented whereas the proportion of aboriginal peoples is slightly under-represented. Is this a problem? Student opinions will vary. One of the major implications of mass baby-boom retirement is that many experienced and skilled individuals will be leaving organizations across the country. On the one hand, this should create promotion opportunities for incumbents who desire a chance to develop their careers. On the other hand, the risk is that demand for skilled workers will increase in an ever-increasing competitive labour market. One way to address the anticipated labour shortage is to make the bank more attractive to under-represented groups – in this case, male applicants. Another way to address this issue would be to make the bank more attractive to older workers, who may have retired from their formal duties but are willing to come back part-time or on a contract basis. It is noteworthy that some of the fastest growing segments in our population are the aboriginal communities. Finding ways to tap into this labour pool would be positive. The fact the bank has established (and successful) diversity programs in place would make this organization attractive for aboriginal workers.

BONUS CASE: STARBUCKS

Wherever you are as you read this book, chances are good that a Starbucks isn't too far away. By the start of 2006 there were about 10,000 Starbucks locations worldwide, including a mall, campus, airport, or exit near you. Although some people may worry about the fate of their local, independent coffee shops or the high price of Starbucks coffee, consider the answers to these questions. When was the last time your Starbucks was messy? When was the last time you were treated rudely by the person across the counter? When was the last time your order of choice tasted wrong (or even just a bit different)?

One reason for Starbucks's success is that such occurrences are quite rare, especially in reference to other service, retail, or dining venues. Who receives much of the credit for the consistency in Starbucks service? The rank and file employees who run the stores and interact directly with the customer. Somehow Starbucks has been able to find employees who are conscientious and

intelligent, who seem motivated and satisfied with their jobs, who remain committed to their stores for a longer-than-normal period of time, and who perform their job duties reliably and enthusiastically. Put simply, Starbucks seems to be doing a good job managing organizational behaviour.

Some support for that claim comes from *Fortune* magazine's list of the *100 Best Companies to Work For* in 2007, where Starbucks placed 16th. Generous benefits and health care coverage—even for part-time workers or for spouses and partners—seem to have instilled a sense of commitment, as Starbucks's voluntary turnover rate is 120% lower than the average quick service restaurant business. Guiding principles like “provide a great work environment” and “treat each other with respect and dignity” seem to have fostered a sense of satisfaction with the culture of the organization. Indeed, a recent survey showed that 82% of employees were either “satisfied” or “very satisfied” with the company. In addition, the social activism of the company—Starbucks contributed \$15 million to local nonprofits in 2004—seems to have built a sense of trust and ethics among the rank and file. Taken together, such policies and practices are increasing the likelihood that your next Starbucks visit will be a pleasant one.

Sources: Gold, E. Commentary: With roughly 9000 stores, Starbucks serves it up by design. *St. Louis Daily Record*, May 13, 2005. Levering, R., & Moskowitz, M. In good company. *Fortune*, January 22, 2007. Weber, G. Preserving the counter culture. *Workforce Management*, February 1, 2005.

Questions:

- 1.1 Do you believe that Starbucks' corporate culture has given the organization a competitive advantage in the industry? Explain.

Starbucks has gained a competitive advantage in the industry simply by creating a culture which encourages employees to stay with the company. Since turnover rates at fast food restaurants are 120% higher than Starbucks's turnover rates, Starbucks has an advantage not only because they have to find fewer employees than other companies in their industry, but also because of decreased training costs and improved customer service.

- 1.2 What makes Starbucks more desirable to work for than other coffee shops? Would you prefer to work at Starbucks? Why or why not?

Working for Starbucks has a number of benefits, not the least of which is their benefits package. In addition, the Starbucks practices of “providing a great work environment” and “treating employees with respect and dignity” give people reason to choose Starbucks as an employer. When discussing this question, you may want to find out if any of your students

currently work at Starbucks, and if so, whether their experiences match the ones described in this case.

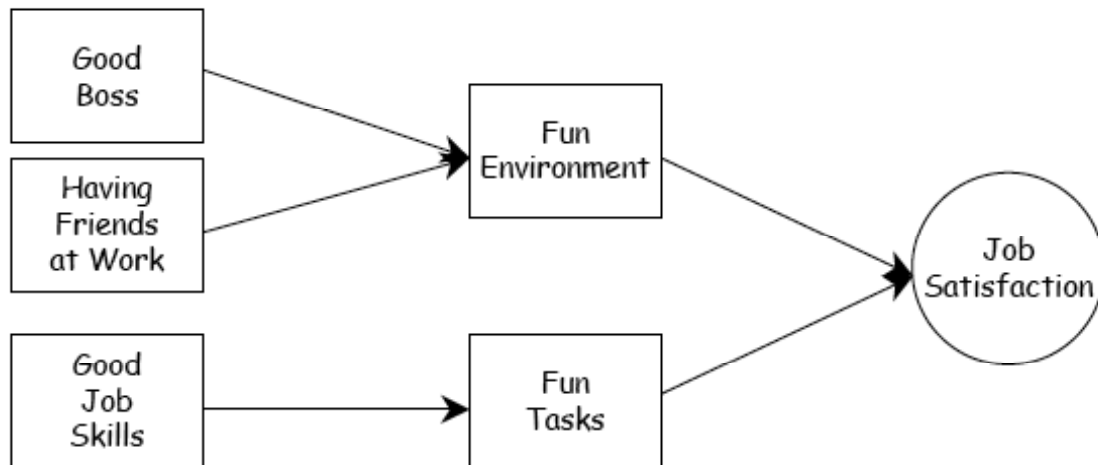
EXERCISE: IS OB COMMON SENSE?

Instructions:

Many students complain that OB is “just common sense.” They typically say this after hearing some intuitive research finding such as “perceptions of task variety are positively related to job satisfaction.” However, virtually anything seems intuitive once you’ve heard it—the trick is to come up with the important concepts yourself before being told about them. This exercise shows how difficult it can be to do that, thereby demonstrating that OB isn’t just common sense. This exercise should take around 15 minutes. Begin by going over the sample theory diagram (for movie box office receipts) so that they understand what a theory diagram is. Then put them into groups and have them pick from among the four potential topics (job satisfaction, strain, motivation, trust in supervisor). Have them create a diagram of their own using their chosen topic as a dependent variable.

Sample Theories:

Here’s an example of what students might come up with for Job Satisfaction. Their models will typically have some things that have been supported by academic research, though usually they won’t use academic terms. For example, the “fun tasks” box reflects a concept similar to “satisfaction with the work itself.” However, the models will often include things that have not been as supported, such as the relationship between having good job skills and viewing job tasks as fun. Most often, however, the models will omit importance concepts. Have slides ready of Figure 4-7 on job satisfaction, Figure 5-3 on strain, Figure 6-6 on motivation, and Figure 7-7 on trust in supervisor. Then compare the students’ diagrams to those diagrams. For example, if the figure below is compared to Figure 4-7, a number of omissions are evident.



Questions:

If OB was just common sense, students wouldn't include variables in their model that don't actually impact the outcome in question. Nor would they omit variables from the model that do impact the outcome in question. Either kind of mistake shows that students don't automatically know what OB concepts are relevant to key OB outcomes.