

The background of the cover is a blurred photograph of several people in a meeting or conference room. They are wearing business attire, and the lighting is warm, with a strong orange and yellow glow. The people are out of focus, creating a sense of activity and movement.

Tenth Edition

# Organizational Behavior & Management

John M. Ivancevich  
Robert Konopaske  
Michael T. Matteson

# Organizational Behavior and Management

*Tenth Edition*

**John M. Ivancevich**

*Hugh Roy and Lillie Cranz Cullen Chair  
and Professor of Organizational Behavior  
and Management, C. T. Bauer College of  
Business, University of Houston*

**Robert Konopaske**

*Associate Professor of Management,  
McCoy College of Business  
Administration, Texas State University*

**Michael T. Matteson**

*Professor Emeritus Organizational  
Behavior and Management, C. T. Bauer  
College of Business, University of Houston*

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

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# About the Authors

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

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

Never one to miss a deadline, Jack submitted his last revisions for this textbook during the summer of 2009. A few months later, he passed away with quiet dignity surrounded by loved ones. On that day, the management discipline lost a passionate and award-winning educator, and an influential leader with an incomparable work ethic and sense of integrity. Jack led by example, and those of us who were fortunate enough to know him, were inspired to work harder and reach higher than we ever thought possible.

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

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

Jack was not only an accomplished educator and book author but also a prolific and highly respected researcher. Well known for his highly disciplined work ethic, Jack authored or co-authored some 160 research articles, which were published in such journals as *Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Journal of Applied Psychology, and Harvard Business Review*. His research was highly influential and explored a range of management and organizational behavior topics, including job stress, white-collar crime, diversity

management, global assignments, job loss, absenteeism, job satisfaction, goal setting, job performance, training method effectiveness, and organizational climate. The diversity of Jack's research reflected the complex and interrelated nature of management issues in organizations. In 2000, in recognition of publishing a substantial number of refereed articles in Academy of Management journals, Jack was inducted into the Academy of Management's *Journals Hall of Fame* as one of the first thirty-three Charter Members. This is an impressive achievement when considering that in 2000, the Academy of Management had approximately 13,500 members.

In addition to teaching, writing books and conducting research, Jack applied his knowledge of organizational behavior and management to the several leadership positions he held since joining the University of Houston faculty in 1974. In 1975, he was named Chair of the Department of Organizational Behavior and Management, and in the following year, Jack became the Associate Dean of Research for the College of Business Administration at UH. In 1979, Jack was awarded the *Hugh Roy and Lillie Cranz Cullen Chair of Organizational Behavior and Management*, among the most prestigious positions at the University of Houston. From 1988–1995, he served as Dean of the UH College of Business Administration. In 1995, Jack was named UH Executive Vice President for Academic Affairs and Provost, a position he held for two years. Through visionary, performance-driven, and principled leadership, Jack left a lasting and meaningful imprint on the entire University of Houston community, including internal constituents like fellow administrators, Deans, program directors, faculty, staff, and students, as well as external stakeholders like legislators, donors, alumni, and area company executives. His accomplishments were even more extraordinary, given the fact that Jack continued to teach classes, write books, and publish research articles while holding these myriad leadership positions.

Jack made innumerable contributions to all facets of higher education, all of which will be felt for years to come. Perhaps one of Jack's greatest and longest lasting legacies will be from the many individuals he mentored during his 45 years in higher education. As busy as he was throughout his entire career, Jack was extremely generous with his time and made it a priority to mentor a large number of individuals, including current and former students, junior faculty, colleagues from the publishing industry, and many others. He wanted people to succeed and would do everything he could to help them accomplish their goals. Jack would often invite younger faculty members to collaborate with him on research projects. As a member of 80 doctoral and master's committees, Jack relished his role as mentor and would spend hours with graduate students, helping and guiding them through the process of conducting original research for their theses or dissertations. Jack was always willing to make phone calls and write detailed letters of recommendation on behalf of his students to help them get hired or, later in their careers, get promoted or be awarded tenure. He invested heavily in these individuals and expected hard work and commitment to excellence in return. Many of these former graduate students are professors at universities and colleges throughout the United States and now find themselves mentoring and inspiring their own students.

On a personal note, Jack was my mentor, colleague, and friend. Words cannot capture how grateful and honored I feel to have worked so closely with him on several organizational behavior textbooks and research projects over the past 12 years. We became acquainted in 1999, after Jack agreed to be my dissertation chair at the University of Houston. Given Jack's stature and commanding presence, I was a little intimidated by him in the beginning but quickly realized he was a "gentle giant" who could switch rapidly between discussions of research, books, academic careers, teaching, and the importance of being a good family man and father, and achieving balance in

one's life. Jack was a great story teller and especially liked relating tales of his early years in the south side of Chicago. Like me, he was proud of the fact that he grew up in a multiethnic environment where one's parents, extended family, and family friends were always around to keep an eye on the kids in the neighborhood, while always ready to offer them a delicious home-cooked meal. Jack taught me many things; some lessons were passed along during thoughtful conversations, but most came by observing him in action. Jack taught me to take life "head on" with a strong, positive, and can-do attitude while never losing sight of the importance of being a loving and committed husband and father. He will be sorely missed by all of us who were fortunate to have been touched by his warm friendship and guided by his generous spirit.

Jack is survived by his wife of 37 years, Margaret (Pegi) Karsner Ivancevich; son Daniel and wife Susan; daughter Jill and husband David Zacha, Jr.; and grandchildren Kathryn Diane and Amanda Dana Ivancevich, and Hunter David Michael, Hailey Dana, and Hannah Marie Zacha. Jack was preceded in death by his beloved daughter Dana and by his first wife, Diane Frances Murphy Ivancevich.

*Robert Konopaske*  
December 28, 2009

**Robert Konopaske** is Associate Professor of Management at the McCoy College of Business Administration, Texas State University. He earned his Doctoral Degree in management from the University of Houston, a Master's Degree in international business studies from the University of South Carolina, and an undergraduate degree at Rutgers College, Rutgers University. His teaching and research interests focus on international management, organizational behavior, and human resource management issues.

The recipient of numerous teaching awards at four different universities, Rob is also the co-author of several textbooks, including: *Organizations: Behavior, Structure, Processes* (11th, 12th, 13th, and 14th editions), *Organizational Behavior and Management* (7th, 8th, 9th, and 10th editions), *Human Resource Management* (12th edition) and *Global Management and Organizational Behavior*. He has published numerous academic articles in *Journal of Applied Psychology*, *Academy of Management Executive*, *Journal of Management Education*, *Journal of Business Research*, *Work and Stress*, *Human Resource Management Review*, *Management International Review*, *Business Horizons*, *Human Resource Management*, and *International Journal of Human Resource Management*. He has served on the editorial boards of two international management journals, and has held multiple national leadership positions for the Academy of Management's Human Resource Division. Rob has worked in the private, nonprofit, and education sectors, and has conducted research-based consulting for such global companies as Credit Suisse, PricewaterhouseCoopers, and KPMG.

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

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# Preface

Revising and updating this textbook is always an exciting and challenging job. In completing this tenth edition of *Organizational Behavior and Management* we reviewed the most current theories, research, and organizational applications for possible inclusion. We retained the classic, influential, and long-standing work in organizational behavior. Chapter by chapter, we made a concerted effort to add several more company and other real-world examples to make the content more relevant and interesting for students. Our own teaching of organizational behavior and many excellent suggestions from the reviewers of the previous edition were factored into each phase of the revision.

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

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

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

1. Over a hundred domestic and global organizational examples have been added to help students relate theory and research to actual organizations and current events. Here is a sample of the real-world organizations and events that we added to this revision: Space-X, Tumblr, United Parcel Service, Zynga, Apple, Whole Foods Market, YouTube, Marriott International, Perfetti Van Melle (Italy), Foursquare, Starbucks, JPMorgan Chase, Singapore Airlines, Khan Academy, Kia Motors award winning Soul, Semco (Brazil), European economic crisis, Renren (China), IDEO, Harpo Productions, Facebook, Subway, Zachary's Chicago Pizza, Glassdoor.com, Wipro (India), USAA Financial Services, Denny's Restaurants, and Electrolux (Sweden).

2. Expanded coverage of topics that is relevant to managers today, including: Fastest-growing service jobs in the U.S., personal use of social media at work, cloud and mobile computing, W.L. Gore's organic organizational structure, Harvard students sign an MBA oath, Nooglers learn the culture at Google, "Laughter-Yoga" at Zappos, self-managed and virtual teams, job sharing at Ford Motor Company, Patagonia's core values and environmentally driven mission, San Francisco Giants' first-ever professional sports employee assistance program, Gen Y creates a more open and flexible workplace, PricewaterhouseCoopers' stress survival-training program, Michael Phelps's 22 medals at the Olympics in London; SAP's use of a skunk-works team of university students, the San Diego Zoo and Safari Park employee incentive program, Arab spring protests, Deloitte LLP's policy to allow its 45,000 employees to telecommute up to five days per week, Wegman's Food Market's "eat well, live well" program, Virgin Atlantic fires 13 crew members for posting negative comments on Facebook, evolving influence of the BRIC nations, and Kaiser Permanente reports that 28,000 employees are using IdeaBook (its internal social networking site).
3. Fundamental themes were woven throughout the book, including globalization, managing diversity and demographic changes, technological changes, total quality, and ethics and social responsibility. These themes are consistent with the recommendations for balanced subject matter coverage made by the American Assembly of Collegiate Schools of Business/International Association for Management Education. This internationally acclaimed accrediting body establishes the boundaries for appropriate topic coverage.
4. Several of the end-of-chapter cases have been replaced or revised. New cases have replaced some of the previously used cases. A sample of the new cases includes: Case 2.1 "Organizational Culture Can Help Reduce Burnout in Hospitals"; Case 4.1 "The Human Cost Associated with Our Electronic Gadgets"; Case 8.1 "The (Mis)Behavior of Successful CEOs Leads to Their Departures"; Case 9.1 "Alleviating Employee Stress Through Financial Education"; Case 14.1 "The Netflix Decision that Could Cost the Company 800,000 Subscribers"; and Case 16.1 "Will Fiat Be Successful in the United States This Time?"
5. Many of the book's elements—Reality Check, Global OB, OB Matters (formerly Organizational Encounter), You Be the Judge, and Information You Can Use (formerly Management Pointers)—have been updated or replaced with current examples and issues relevant to managers. The elements included in the final array were considered to be relevant, teachable, and complete.
6. The complete set of materials—text, exercises, elements, and cases—stimulates students to think about how they would respond if they were in the situation being discussed or displayed.

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

Organizational functioning is complex. No single theory or model of organizational behavior has emerged as the best or most practical. Thus, managers must be able to probe and diagnose organizational situations when they attempt to understand, interpret, and predict behavior. The tenth edition of the text devotes considerable attention to encouraging the development of these probing and diagnostic skills. The first step in

this development is for each reader to increase his or her own self-awareness. Before a person can diagnose why another person (a friend, subordinate, or competitor) is behaving in a particular way, he or she should conduct a self-analysis. This introspective first step is built into each chapter's content and into the learning elements found at the end of chapters. The content and these elements encourage the students to relate their own knowledge and experience to the text, exercises, and cases in the book.

## Framework of the Book

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

### Part One: The Field of Organizational Behavior

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

### Part Two: Understanding and Managing Individual Behavior

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

### Part Three: Group Behavior and Interpersonal Influence

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

### Part Four: Organizational Processes

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

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

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

## Features of the Tenth Edition

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



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

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

Fourth, managing diversity in the workplace is presented and discussed through the text.

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

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

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

## **OB Matters**

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

## **Global OB**

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

## **Information You Can Use**

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

## **You Be the Judge**

The “You Be the Judge” scenarios in each chapter present a particular problem, dilemma, or issue and require the student to make a decision and solve the dilemma,

problem, or situation. These action-oriented elements are intended to increase student involvement. Our “Comment” on the dilemmas is found at the end of each chapter.

## Exercises

*Organizational Behavior and Management* also includes self-learning and group exercises. Some of the exercises allow the individual student to participate in a way that enhances self-knowledge. These self-learning exercises illustrate how to gather and use feedback properly and emphasize the uniqueness of perception, values, personality, and communication abilities. In addition, a number of exercises apply theories and principles from the text in group activities. Working in groups is a part of organizational life, so these exercises introduce a touch of reality. Group interaction can generate debates, lively discussions, testing of personal ideas, and sharing of information.

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

## Cases

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

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

## Other Learning Devices

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

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

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

## Supplementary Materials

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

### **McGraw-Hill Internet Support Site** → [www.mhhe.com/ivancevichob10e](http://www.mhhe.com/ivancevichob10e)

The *Organizational Behavior and Management* website provides supplemental support materials for instructors and students. Instructor materials include the instructor's manual, PowerPoint slides, test bank, and Asset Gallery. Student materials include practice quizzes and chapter review material, as well as the Student Asset Gallery available as premium content.

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

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

### **Video DVDs**

The Organizational Behavior Video DVDs Volumes 1 and 2 offer a selection of videos illustrating various key concepts from the book and exploring current trends in today's workplace.

### **Contributors**

The authors wish to acknowledge the many scholars, managers, reviewers, and researchers who contributed to every edition of *Organizational Behavior and Management*. In particular, we would like to thank the following reviewers of the Ninth Edition, whose valuable feedback helped guide this revision of the book: Minnette A. Bumpus, University of the District of Columbia; Donald Brian McNatt, Boise State University; Carl J. Taylor, University of Houston at Clear Lake; and Marcia Wilkof, University of Pennsylvania and Thomas Jefferson University. We are indebted to those individuals who granted permission for the use of exercises and cases. In addition, adopters of former editions have made invaluable suggestions, offered materials to incorporate, and informed us about what worked well. These adopters are too numerous to list, but we appreciate the votes of confidence, the willingness to help us improve the book, and the obvious dedication each of you have to teaching.

Michael Dutch, associate professor and chair of the Department of Business Administration and Economics at Greensboro College, contributed significantly by writing

some of the new cases in the current edition. Also, he updated and revised the Instructor's Manual that accompanies this book.

In addition, sections of the book were shaped significantly by two colleagues, James Donnelly, Jr., and James Gibson at the University of Kentucky. These two colleagues have shared and put into practice a common belief that teaching and learning about organizational behavior and management can be an exhilarating and worthwhile experience. Roger Blakeney, Dick DeFrank, Bob Keller, Tim McMahon, Dale Rude, and Jim Phillips, all at the University of Houston; Dave Schweiger at the University of South Carolina; and Art Jago at the University of Missouri have exchanged materials, ideas, and opinions with the authors over the years, and these are reflected in these pages.

Finally, the book is dedicated to our current and former organizational behavior and management students at Texas State University, the University of Maryland, the University of Kentucky, the University of North Carolina at Wilmington, Florida Atlantic University, and the University of Houston. We also dedicate this textbook to the students who are becoming the managers and leaders so vital to the improvement of the overall quality of life in society in the 21st century.

*John M. Ivancevich*

*Robert Konopaske*

*Michael T. Matteson*





# The Field of Organizational Behavior



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

What really binds men together is their culture, the ideas and the standards they have in common.

*Ruth Benedict, Patterns of Culture (1934)*





# Effective Managers Understand Organizational Behavior

## Learning Objectives

After completing Chapter 1, you should be able to:

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

Tony Hsieh, CEO of Zappos, has built a thriving and successful online shoe and retail business by changing the rules of how to organize, motivate, and lead employees. Over the past 12 years or so, Hsieh and his team have built the online retailer into a major success story while having a lot of fun along the way. In 2009, nine years after he co-founded the company, Amazon purchased Zappos for \$1.2 billion.<sup>1</sup> Still at the helm of Zappos today, Hsieh's effectiveness as a manager and leader derive partly from his knowledge and use of organizational behavior principles. He understands how to inspire and motivate individuals, both employees as well as customers. Hsieh and his team carefully select employees who fit well with and contribute to the firm's high performance, fun team atmosphere. In those instances when any new employees want to leave the company after they complete training, they are offered a \$2,000 "bonus to quit."<sup>2</sup> The organizational processes at Zappos are focused on empowering employees and giving them the tools and support to succeed. The company is flexible and adapts to the evolving needs of customers and the online retail market.

Hsieh believes in treating both employees and customers well, compared to many businesses that place most of their focus on the customer. A major goal of Zappos is to treat its employees and customers with integrity, honesty, and commitment.<sup>3</sup> Hsieh encourages employees to develop themselves by checking out books stored at the company, post questions to the "Ask Anything" newsletter, make suggestions to improve how things get done, and contribute to Zappos's fun and sometimes zany work environment. Employees have been known to volunteer to shave their heads (in a mullet

# Reality Check

## How much do you know about organizations?

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

style or in the shape of a “No. 1”), act in unconventional ways during job interviews, wear colorful wigs, and blow horns and ring cowbells to entertain tour groups who visit the company.<sup>4</sup>

Employees aren’t the only stakeholders who benefit from Hsieh’s progressive style of management. Customers are spoiled when they call Zappos’s customer service representatives who are encouraged to give customers a “Wow!” experience. Surprisingly, customer service employees at Zappos aren’t told how long they can spend on the phone with customers. In a time when many call-in customer service operations are tightly controlled or outsourced, Hsieh encourages his employees to stay on the phone with a customer for as long as it takes to connect with them and make them happy (the longest recorded phone call lasted six hours). Employees have been known to give customers free shipping both ways, send flowers and surprise coupons, write thank-you notes, or even help a customer find a pizza place that delivers all night.<sup>5</sup>

Compared to Tony Hsieh, some might see Jack Welch, former chief executive officer of General Electric, as a traditional hard-edge authoritarian manager. By all accounts, there seems to be some truth in that description. In his early days, Welch had a reputation for eliminating entire layers of employees. He was referred to as “Neutron Jack.” People were eliminated, but the firm’s buildings remained intact.

Eventually, however, Welch learned that the human being is essential and the key to an organization's success:

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

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

When managers look at their people, do they see costs to be reduced? Do they see reluctant employees prone to opportunism, shirking, and free riding, who can't be trusted and who need to be closely controlled through monitoring, rewards, and sanctions? . . . Or do they see intelligent, motivated, trustworthy individuals—the most critical and valuable strategy assets their organizations can have? . . . With the right perspective, anything is possible. With the wrong one, change efforts and new programs become gimmicks, and no amount of consultations, seminars, and slogans will help.<sup>7</sup>

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

## The Evolution of Management

The formal and modern study of management started around 1900.<sup>9</sup> However, the management process probably first began in the family organization, later expanded to the tribe and community, and finally pervaded the formalized political units such as those found in early Babylonia (5000 B.C.). The Egyptians, Chinese, Greeks, and Romans were all noted in history for major managerial feats such as the building of the pyramids, organizing governments, planning military maneuvers, operating trading companies that traversed the world, and controlling a geographically dispersed empire. However, management as a process was based on trial and error in order to accomplish specific goals, with little or no theory and virtually no sharing of ideas and practices. This lack of sharing slowed the influence of management practices throughout the world.

This trial-and-error approach to management continued during the Industrial Revolution in England that lasted between 1700 and 1785.<sup>10</sup> As a nation, England changed dramatically from a rural society to the workshop of the world. It was the first nation to successfully make the transition from a rural-agrarian society to an industrial-commercial society.<sup>11</sup> Management of the workshops of England was characterized by an emphasis on efficiency, strict controls, and rigid rules and procedures.



### TODAY'S EFFECTIVE MANAGER

Managers must be agile and flexible to help their firms develop and sustain an advantage in an increasingly competitive globalized world. They will need to harness the powers of information technology and human capital to be successful.

The competitive forces facing managers are led by technological changes and increasing globalization. These driving forces are characterized by greater knowledge and the use of information, the liberalization of developing economies (e.g., Brazil, Russia, India, and China), and new economic alliances and rules.

A good way to acquire a perspective on how fast environmental and competitive forces change is to examine the video rental industry. Until recently, large bricks and mortar firms like Blockbuster and Hollywood video stores dominated the industry. Customers would drive to their local store, rent a video, take it home, watch it, and then drive back to drop it off within a day or two to avoid late fees. Netflix changed the industry by offering a monthly fee-based mail exchange service. This allowed customers to watch many more movies each month without having to drive to a store to rent movies. Netflix went a step further and created an online streaming service that it thinks will eventually replace the mail exchange service. Competition in the video rental industry continues to grow more intense with Redbox (video rental boxes outside restaurants, supermarkets, and pharmacies), Hulu Plus (stream TV shows), Google (stream on Android devices that run version 2.2 and up), and Apple TV (stream movies from iTunes Media Store on Apple's mobile devices and televisions).

As seen with video rentals, markets can change quickly. Mergers, acquisitions, and start-ups are changing how domestic and global markets operate. Strategic alliances have been

formed in many industries. The key to competing globally is human capital. To attract, retain, and develop human capital, organizations will have to make available continuous learning. Organizations must identify knowledge, transfer it to employees, and update it continuously. Knowledge is required on the job, working in teams, interacting with external stakeholders (e.g., suppliers), and tapping competitors. For example, Walmart managers systematically shop at competitors' stores to examine how they operate, how products and services are delivered, and how they are marketed.

Knowledge sharing is another important aspect of remaining competitive. Ericsson, a Swedish electronics firm, encourages knowledge sharing through information technology. Ericsson employees and their families have free Internet access. An internal website focuses on competence development. Discussion groups, chat rooms, and specialty forums are used by many employees to create communities of practice (e.g., informed groups bound together by shared expertise, interest, and values for a concept, idea, or activity).

**Sources:** Adapted from A. D. Pruitt and Richard Autry, "Video Stores Test Script for Survival," *The Wall Street Journal*, July 12, 2011, p. A.17; Mike Isaac, "8 Netflix Alternatives Compared," September 21, 2011, <http://www.cnn.com>; Stefan Stern, "Your Attention, Please, I Need You to Focus on This Now," *Financial Times*, January 6, 2009; Thomas H. Davenport and Laurence Prusak, *What's the Big Idea? Creating and Capitalizing on the Best Management Thinking* (Boston: Harvard Business School Press, 2003); T. Hellstrom, "Knowledge and Competence Management at Ericsson: Decentralization and Organizational Fit," *Journal of Knowledge Management*, 2000, pp. 4–10; and Michael A. Hitt, "The New Frontier: Transformation of Management for the New Millennium," *Organizational Dynamics* 28 (Winter 2000), pp. 7–16.

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

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

### Scientific Management

In 1886, an engineer named Frederick W. Taylor presented a paper titled "The Engineer as an Economist" at a national meeting of engineers. This paper and others prepared by Taylor expressed his philosophy of **scientific management**.<sup>12</sup> Taylor's major thesis was that maximum good for society can come only through the cooperation of

#### scientific management

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

management and labor in the application of scientific methods. He stated that the principles of management were to:

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

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

## Administrative Management

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

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

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

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

### organizational behavior

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

## Why Study Organizational Behavior?

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

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

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

This multidisciplinary view of organizational behavior illustrates a number of points. *First, OB is a way of thinking.* Behavior is viewed as operating at individual, group, and organizational levels. This approach suggests that when studying OB, we must identify clearly the level of analysis being used—individual, group, and/or organizational. *Second, OB is multidisciplinary.* This means that it utilizes principles, models, theories, and methods from other disciplines. The study of OB is not a discipline or a generally accepted science with an established theoretical foundation. It is a field that only now is beginning to grow and develop in stature and impact. *Third, there is a distinctly humanistic orientation within organizational behavior.* People and their attitudes, perceptions, learning capacities, feelings, and goals are of major importance to the organization. *Fourth, the field of OB is performance-oriented.* Why is performance low or high? How can efficiency and effectiveness be enhanced? Can training increase on-the-job performance? Practicing managers face these important issues. *Fifth, the scientific method is used to study OB variables and relationships.* As the scientific method has been used in conducting research on organizational behavior, a set of principles and guidelines on what constitutes good research has emerged.<sup>14</sup> *Finally, the field is application oriented.* It is concerned with providing useful answers to questions that arise in the context of managing organizations.<sup>15</sup>

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

## **Leaders and Organizational Behavior**

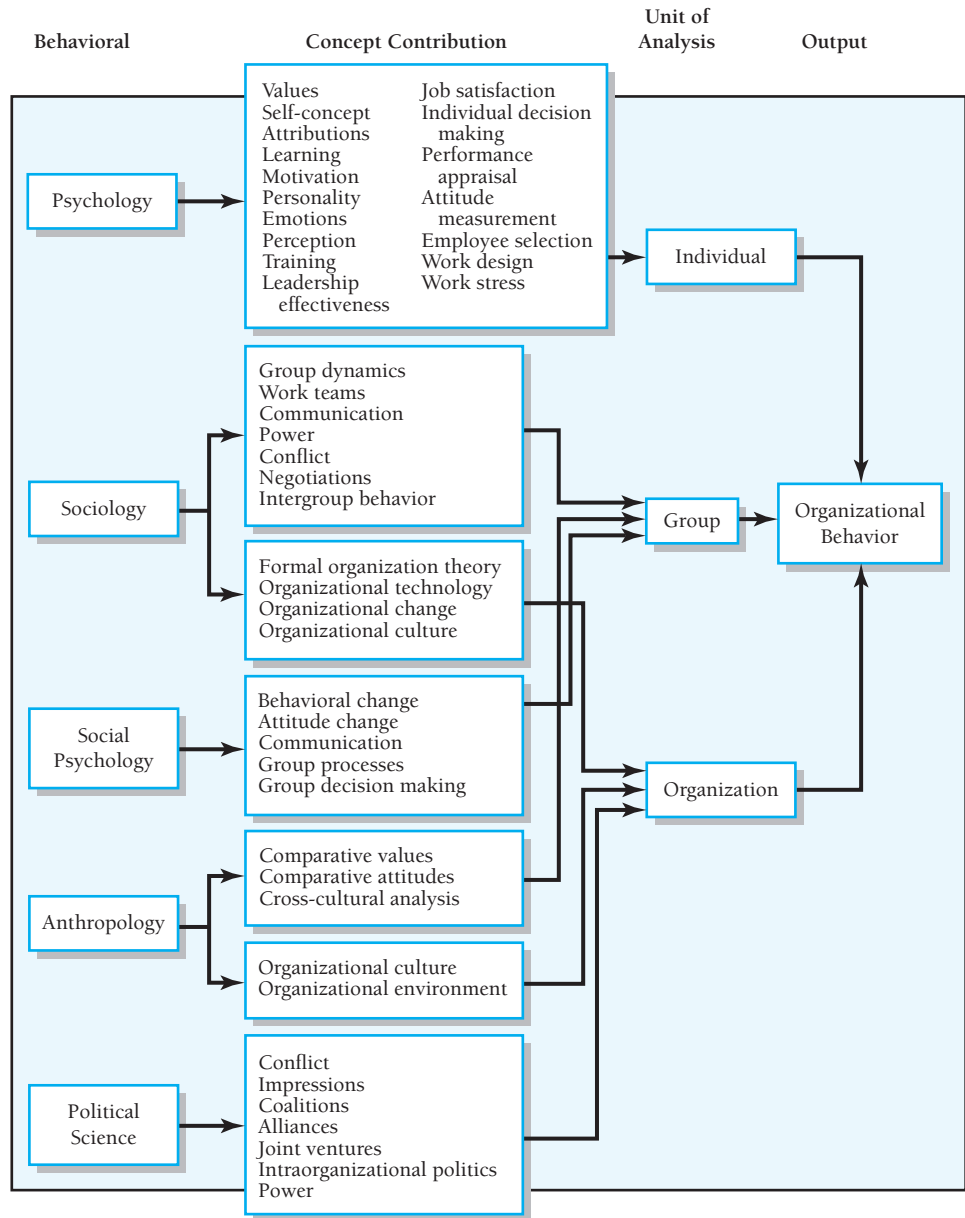
Changes occurring within and outside of institutions present major challenges to leaders, managers, and administrators in organizations. Terms such as social responsibility, cultural diversity, ethics, global competitiveness, social networking, and reengineering are used freely by experts and nonexperts. Each of these concepts reinforces the fact that leaders are being asked to perform effectively in a changing world.

Another challenge that leaders face is the increased emphasis that consumers are placing on value.<sup>16</sup> The trend among consumers is to consider the total value of a product or service. Today, more than ever, customers expect organizations to be responsive to their needs, to provide prompt service and delivery, and to produce top quality goods or services at the best price possible.

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

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

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



**The Hawthorne Studies**

From 1900 to 1930, Taylor’s concept of scientific management dominated thought about management. His approach focused on maximizing worker output. However, Taylor’s emphasis on output and efficiency didn’t address employees’ needs, leading some trade unions to resist implementation of scientific management principles. Mary Parker Follett was opposed to Taylor’s lack of specific attention on human needs and relationships in the workplace. She was one of the first management theorists to promote participatory decision making and decentralization. Her view emphasized individual and group needs. The human element was the focus of Follett’s view about how