

Eleventh Edition

Organizational Behavior & Management

Robert Konopaske
John M. Ivancevich
Michael T. Matteson



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Organizational Behavior and Management

Eleventh Edition

Robert Konopaske

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

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*

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.



ORGANIZATIONAL BEHAVIOR AND MANAGEMENT, ELEVENTH EDITION

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About the Authors

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 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: *M: Management* (4th and 5th editions), *Management: Leading & Collaborating in a Competitive World* (12th edition), *Organizations: Behavior, Structure, Processes* (11th, 12th, 13th, and 14th editions), *Organizational Behavior and Management* (7th, 8th, 9th, 10th, and 11th editions), *Human Resource Management* (12th edition) and *Global Management and Organizational Behavior*. He has published numerous academic articles in *Journal of Managerial Psychology*, *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.

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 33 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*

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*.

Brief Contents

Preface xiii

PART ONE

The Field of Organizational Behavior 1

- 1 Effective Managers Understand Organizational Behavior 3
- 2 International and Organizational Culture 31

PART TWO

Understanding and Managing Individual Behavior 55

- 3 Individual Differences at Work 57
- 4 Perceptions and Attributions 81
- 5 Motivation 101
- 6 Job Design and Performance 131
- 7 Evaluation and Rewards Influence Behavior 157
- 8 Managing Employee Behavior 191
- 9 Managing Individual Stress 213

PART THREE

Group Behavior and Interpersonal Influence 245

- 10 Groups and Teams 247
- 11 Managing Conflict and Negotiations 279
- 12 Power and Politics 307

PART FOUR

Organizational Processes 335

- 13 Communicating Effectively 337
- 14 Decision Making 371
- 15 Leadership 401

PART FIVE

Organizational Design, Change, and Innovation 437

- 16 Organizational Structure and Design 439
- 17 Managing Organizational Change 471

APPENDIX

Quantitative and Qualitative Research Techniques for Studying Organizational Behavior and Management Practice 503

GLOSSARY 513

ENDNOTES 525

INDEXES 575

Contents

Preface xiii

PART ONE

THE FIELD OF ORGANIZATIONAL BEHAVIOR 1

Chapter 1

Effective Managers Understand Organizational Behavior 3

- The Evolution of Management 5
 - Scientific Management* 6
 - Administrative Management* 7
- Why Study Organizational Behavior? 7
 - Leaders and Organizational Behavior* 9
 - The Hawthorne Studies* 9
- Systems Theory and Organizational Effectiveness 10
 - Quality* 12
 - Productivity* 12
 - Efficiency* 13
 - Satisfaction* 13
 - Adaptiveness* 13
 - Development* 13
- Environmental Forces Reshaping Management Practice 14
- Framing the Study of Organizational Behavior 18
 - The Organization's Environment* 18
 - Understanding and Managing Individual Behavior* 18
 - Group Behavior and Interpersonal Influence* 21
 - Organizational Processes* 23
 - Organizational Design, Change, and Innovation* 24
- Summary of Key Points 25
- Review and Discussion Questions 26
- Exercise 26
- Case 29

Chapter 2

International and Organizational Culture 31

- National Culture and Values Influence Workplace Behavior 32

- Organizational Culture Matters 34
 - Organizational Culture Defined* 35
 - Organizational Culture and Its Effects* 35
 - Creating Organizational Culture* 37
- Influencing Culture Change 40
- Socialization Sustains the Culture 41
 - Anticipatory Socialization* 42
 - Accommodation* 42
 - Role Management* 43
- Characteristics of Effective Socialization 43
 - Mentoring* 43
 - Spirituality and Culture* 46
- Summary of Key Points 49
- Review and Discussion Questions 49
- Exercises 50
- Case 52

PART TWO

UNDERSTANDING AND MANAGING INDIVIDUAL BEHAVIOR 55

Chapter 3

Individual Differences at Work 57

- Why Individual Differences Matter 57
- Individual Differences Influence Work Behavior 58
 - Diversity* 59
 - Abilities and Skills* 62
 - Attitudes* 64
 - Personality* 67
 - Emotions* 72
- Summary of Key Points 76
- Review and Discussion Questions 76
- Exercise 77
- Case 79

Chapter 4

Perceptions and Attributions 81

- The Perceptual Process 81
- Perceptual Grouping 85
- Perceptual Groupings Can Create Inaccuracies 87
 - Stereotyping* 87
 - Selective and Divided Attention* 88

<i>Halo Effect</i>	88
<i>Similar-to-Me Errors</i>	89
<i>Situational Factors</i>	89
<i>Needs and Desires</i>	89
Attribution Theory	90
Impression Management	92
<i>An Interpersonal Process</i>	92
<i>A Model and Impression Management in Practice</i>	93
Summary of Key Points	95
Review and Discussion Questions	95
Exercises	96
Case	99

Chapter 5

Motivation 101

The Starting Point: Needs Motivate Employees	103
Content Approaches	105
<i>Maslow's Needs Hierarchy</i>	105
<i>Alderfer's ERG Theory</i>	107
<i>Herzberg's Two-Factor Theory</i>	108
<i>McClelland's Learned Needs Theory</i>	111
<i>A Synopsis of the Four Content Theories</i>	112
Process Approaches	113
<i>Expectancy Theory</i>	113
<i>Equity Theory</i>	115
<i>Change Procedures to Restore Equity</i>	115
<i>Research on Equity</i>	116
<i>Goal Setting</i>	119
<i>Goal-Setting Research</i>	121
Motivation and the Psychological Contract	122
Effective Managers Motivate Their Employees	123
Summary of Key Points	124
Review and Discussion Questions	125
Exercise	126
Case	127

Chapter 6

Job Design and Performance 131

Job Design and Quality of Work Life	132
A General Model of Job Design	133
Job Performance Outcomes	134
<i>Objective Outcomes</i>	134
<i>Behavioral Outcomes</i>	134
<i>Intrinsic and Extrinsic Outcomes</i>	135
<i>Job Satisfaction Outcomes</i>	136
Job Design: Range, Depth, and Relationships	137
<i>Range and Depth</i>	137
<i>Job Relationships</i>	138

The Way People Perceive Their Jobs	139
<i>Job Characteristics</i>	140
<i>Individual Differences</i>	140
<i>Social Setting Differences</i>	140
Increasing Range in Jobs: Job Rotation and Job Enlargement	141
<i>Job Rotation</i>	141
<i>Job Enlargement</i>	141
Increasing Depth in Jobs: Job Enrichment	142
<i>Self-Managed Teams</i>	145
<i>Alternative Work Arrangements</i>	146
Total Quality Management and Job Design	149
Summary of Key Points	151
Review and Discussion Questions	152
Exercise	153
Case	155

Chapter 7

Evaluation and Rewards Influence Behavior 157

Evaluation of Performance	158
<i>Purposes of Evaluation</i>	158
<i>Focus of Evaluation</i>	160
<i>Improving Evaluations</i>	160
Performance Evaluation Feedback	161
<i>Purpose of Evaluation Feedback</i>	162
<i>A Feedback Model</i>	162
<i>Multisource Feedback: A 360-Degree Approach</i>	163
Reinforcement Theory	164
<i>Reinforcement</i>	165
<i>Punishment</i>	165
<i>Extinction</i>	165
<i>Reinforcement Schedules</i>	165
A Model of Individual Rewards	167
<i>Intrinsic and Extrinsic Rewards</i>	168
<i>Rewards Interact</i>	171
<i>Administering Rewards</i>	172
Rewards Affect Important Organizational Outcomes	174
<i>Turnover and Absenteeism</i>	174
<i>Job Performance</i>	175
<i>Organizational Commitment</i>	175
Innovative Reward Systems	176
<i>Skill-Based Pay</i>	176
<i>Broadbanding</i>	176
<i>Concierge Services</i>	178
<i>Team-Based Rewards</i>	178

<i>Part-Time Benefits</i>	179
<i>Gain-Sharing</i>	180
<i>Employee Stock Ownership Plans</i>	180
<i>Line of Sight: The Key Issue</i>	181
Summary of Key Points	182
Review and Discussion Questions	184
Exercises	184
Case	188

Chapter 8

Managing Employee Behavior 191

The Management of Employee Behavior	191
The Emerging Study of Misbehavior	193
<i>Antecedents</i>	193
<i>Mediators</i>	193
<i>Outcomes</i>	195
<i>Costs</i>	195
<i>Management Interventions</i>	195
Selected Misbehaviors	196
<i>Sexual Harassment</i>	196
<i>Aggression and Violence</i>	198
<i>Bullying</i>	199
<i>Incivility</i>	200
<i>Fraud</i>	201
<i>Substance Abuse at Work</i>	203
<i>Cyberslacking</i>	204
<i>Sabotage</i>	205
<i>Theft</i>	206
Privacy	207
<i>E-Mail Privacy</i>	208
<i>The Organizational Threshold</i>	208
<i>Testing Policy</i>	209
Summary of Key Points	209
Review and Discussion Questions	210
Case	210

Chapter 9

Managing Individual Stress 213

What Is Stress?	214
Stress Model	216
Work Stressors: Individual, Group, and Organizational	218
<i>Individual Stressors</i>	218
<i>Group, Organizational, and Nonwork Stressors</i>	220
<i>Cognitive Appraisal</i>	221
<i>Coping with Stress</i>	222
Stress Outcomes	223
<i>Individual Outcomes</i>	223
<i>Organizational Consequences</i>	227

Stress Moderators	228
<i>Personality</i>	228
<i>Type A Behavior Pattern</i>	229
<i>Social Support</i>	230
Managing Stress: Individual and Organizational Approaches	230
<i>Maximizing Person–Environment Fit</i>	232
<i>Organizational Stress Prevention and Management Programs</i>	233
Summary of Key Points	238
Review and Discussion Questions	239
Exercise	240
Case	243

PART THREE

GROUP BEHAVIOR AND INTERPERSONAL INFLUENCE 245

Chapter 10

Groups and Teams 247

The Nature of Groups	249
Types of Groups	250
<i>Formal Groups</i>	251
<i>Informal Groups</i>	251
Why People Form Groups	252
Stages of Group Development	253
<i>Forming</i>	253
<i>Storming</i>	253
<i>Norming</i>	254
<i>Performing</i>	254
<i>Adjourning</i>	254
Characteristics of Groups	255
<i>Composition</i>	255
<i>Status Hierarchy</i>	255
<i>Roles</i>	256
<i>Norms</i>	257
<i>Leadership</i>	258
<i>Cohesiveness</i>	259
Group Effectiveness	262
Teams	263
<i>Types of Teams</i>	263
<i>Team Effectiveness</i>	267
Summary of Key Points	269
Review and Discussion Questions	270
Exercises	272
Case	277

Chapter 11

Managing Conflict and Negotiations 279

A Contemporary Perspective on Intergroup Conflict	280
<i>Functional Conflict</i>	281
<i>Dysfunctional Conflict</i>	281
<i>Conflict and Organizational Performance</i>	281
What Causes Intergroup Conflict?	282
<i>Work Interdependence</i>	282
<i>Goal Differences</i>	284
<i>Perceptual Differences</i>	284
The Consequences of Dysfunctional Intergroup Conflict	285
<i>Changes within Groups</i>	285
<i>Changes between Groups</i>	286
Managing Intergroup Conflict through Resolution	287
<i>Dominating</i>	287
<i>Accommodating</i>	288
<i>Problem Solving</i>	288
<i>Avoiding</i>	290
<i>Compromising</i>	290
Stimulating Constructive Intergroup Conflict	292
<i>Bringing Outside Individuals into the Group</i>	292
<i>Altering the Organization's Structure</i>	293
<i>Stimulating Competition</i>	293
<i>Using Programmed Conflict</i>	293
Negotiations	293
<i>Win-Lose Negotiating</i>	294
<i>Win-Win Negotiating</i>	295
Negotiation Tactics	296
Increasing Negotiation Effectiveness	296
<i>Using Third-Party Negotiations</i>	297
<i>Negotiating Globally</i>	298
<i>Improving Negotiations</i>	299
Summary of Key Points	300
Review and Discussion Questions	301
Exercises	302
Case	305

Chapter 12

Power and Politics 307

The Concept of Power	307
Where Does Power Come From?	309
<i>Interpersonal Power</i>	309
<i>Structural Power</i>	311
Empowerment	314

Subunit or Interdepartmental Power	316
<i>Coping with Uncertainty</i>	317
<i>Centrality</i>	317
<i>Substitutability</i>	318
Obedience and the Illusion of Power	318
Political Strategies and Tactics	320
<i>Research on Politics</i>	320
<i>Game Playing</i>	321
<i>Political Influence Tactics</i>	322
<i>Impression Management</i>	324
Ethics, Power, and Politics	325
Using Power to Manage Effectively	327
Summary of Key Points	329
Review and Discussion Questions	329
Exercises	330
Case	333

PART FOUR

ORGANIZATIONAL PROCESSES 335

Chapter 13

Communicating Effectively 337

The Communication Process	339
<i>The Elements of Communication</i>	340
<i>Nonverbal Messages</i>	342
Communicating within Organizations	343
<i>Downward Communication</i>	343
<i>Upward Communication</i>	343
<i>Horizontal Communication</i>	344
<i>Diagonal Communication</i>	344
<i>Communicating Externally</i>	344
Information Richness	346
Technology and Communication	347
<i>Internet, Intranets, and Extranets</i>	347
<i>Electronic Mail, Messaging, and Social Networking</i>	347
<i>Smartphones</i>	349
<i>Voice Mail</i>	349
<i>Videoconferencing, Teleconferencing, and e-Meetings/ Collaboration</i>	349
Interpersonal Communication	350
Multicultural Communication	351
<i>Words</i>	351
<i>Space</i>	352
<i>Time</i>	352
Barriers to Effective Communication	353
<i>Frame of Reference</i>	353
<i>Selective Listening</i>	354
<i>Value Judgments</i>	354

<i>Source Credibility</i>	355
<i>Filtering</i>	355
<i>In-Group Language</i>	355
<i>Status Differences</i>	356
<i>Time Pressures</i>	356
<i>Communication Overload</i>	356
Improving Communication in Organizations	357
<i>Following Up</i>	357
<i>Regulating Information Flow</i>	357
<i>Face-to-Face Communication</i>	358
<i>Empathy</i>	358
<i>Repetition</i>	359
<i>Encouraging Mutual Trust</i>	359
<i>Effective Timing</i>	359
<i>Simplifying Language</i>	359
<i>Using the Grapevine</i>	359
<i>Ethical Communication</i>	360
Summary of Key Points	361
Review and Discussion Questions	363
Exercise	363
Case	365

Chapter 14

Decision Making 371

Types of Decisions	372
A Rational Decision-Making Process	374
<i>Establish Goals and Measure Results</i>	374
<i>Identify and Analyze the Problem(s)</i>	375
<i>Develop Alternative Solutions</i>	376
<i>Evaluate Alternative Solutions</i>	377
<i>Select the Best Solution</i>	378
<i>Implement the Decision</i>	378
<i>Follow Up and Evaluate the Decision</i>	379
Alternatives to Rational Decision Making	379
<i>Administrative Decision Making</i>	379
<i>Intuitive Decision Making</i>	380
Behavioral Influences on Decision Making	380
<i>Values</i>	381
<i>Risk Orientation</i>	383
<i>Dissonance</i>	384
<i>Escalation of Commitment</i>	385
Group Decision Making	387
<i>Individual versus Group Decision Making</i>	387
<i>Creativity in Group Decision Making</i>	388
<i>Techniques for Stimulating Group Creativity</i>	389
Summary of Key Points	393
Review and Discussion Questions	394
Exercises	394
Case	399

Chapter 15

Leadership 401

What Is Leadership?	401
<i>Is Leadership Important?</i>	403
Trait Approaches: Leaders Are Born That Way	404
<i>Intelligence</i>	405
<i>Personality</i>	405
<i>Physical Characteristics</i>	405
<i>Supervisory Ability</i>	406
Behavioral Approaches: Leaders' Actions Determine Their Effectiveness	406
<i>Job-Centered and Employee-Centered Leadership</i>	407
<i>Initiating Structure and Consideration</i>	407
<i>Critique of Trait and Behavioral Approaches</i>	408
Situational Approaches: Leaders' Effectiveness Depends on the Situation	408
<i>Fiedler's Contingency Leadership Model</i>	409
<i>Vroom-Jago Leadership Model</i>	410
<i>Path-Goal Leadership Model</i>	413
<i>Hersey-Blanchard Situational Leadership Theory</i>	415
Emerging Perspectives of Leadership	418
<i>Charismatic Leadership</i>	418
<i>Transactional and Transformational Leadership</i>	420
<i>Coaching</i>	423
<i>Servant Leadership</i>	424
Multicultural Leadership	425
<i>Cross-Cultural Research</i>	426
Summary of Key Points	427
Review and Discussion Questions	428
Exercises	430
Case	433

PART FIVE

ORGANIZATIONAL DESIGN, CHANGE, AND INNOVATION 437

Chapter 16

Organizational Structure and Design 439

Organizational Design Models	440
<i>The Mechanistic Model</i>	440
<i>The Organic Model</i>	442
Designing an Organizational Structure	444
<i>Division of Labor</i>	446
<i>Delegation of Authority</i>	447
<i>Departmental Bases</i>	448
<i>The Matrix Model</i>	452
<i>Span of Control</i>	454

Designing an Organizational Structure: Additional Issues to Consider 456

Formalization 456

Centralization 456

Complexity 457

Multinational Structure and Design 458

Virtual Organizations 460

The Realities of Virtual Organizations 462

Boundaryless Organizations 463

Summary of Key Points 464

Review and Discussion Questions 466

Exercise 466

Case 468

Chapter 17

Managing Organizational Change 471

A General Model of Organizational Change 472

Change Agents: Forms of Intervention 474

External Change Agents 474

Internal Change Agents 474

External–Internal Change Agents 475

Resistance to Change 476

Individual Resistance 476

Organizational Resistance 477

Strategies for Overcoming Resistance to Change 478

A Model of Organizational Change and Development 479

Forces for Change 480

Diagnosis of a Problem 482

Selection of Appropriate Methods 483

Impediments and Limiting Conditions 492

Implementing the Method 493

Evaluating Program Effectiveness 494

How Effective Are Change Interventions? 495

Summary of Key Points 496

Review and Discussion Questions 497

Exercise 498

Case 500

Appendix

Quantitative and Qualitative Research Techniques for Studying Organizational Behavior and Management Practice 503

Glossary 513

Endnotes 525

Indexes 575

Preface

Revising and updating this textbook is always an exciting and challenging job. In completing this eleventh 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 eleventh 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 eleventh edition of *Organizational Behavior and Management* differs from the previous editions in these ways:

1. We continue to include more domestic and global organizational examples to help students relate theory and research to actual organizations and current events. Here is a sample of the real-world organizations we added to this revision: Airbnb, Zappos, Nordstrom, Deloitte, Tesla Motors, Macy's, Salesforce.com, Trader Joe's, Google (and its parent company, Alphabet), Chicago White Sox baseball organization, Apple, Facebook, Underground Elephant, Huddle, Valve Corporation, Denver Broncos, Hyatt Hotels, Publix Super Markets, General Motors, Fiat Chrysler, Volkswagen (Germany), Tencent Holdings (China), Ericsson (Sweden), Nestlé (Switzerland), Kia Motors (South Korea), Cirque du Soleil (Canada), Virgin Group (Britain), and H&M (Sweden).

2. Expanded coverage of topics relevant to managers in today's business environment includes diversity statistics for the U.S. population and workforce over the next 40 years; the 2016 World's Most Admired Companies; training areas where companies spent the most money in 2015; top global cities and their importance in the worldwide business environment; how to retain Millennials who tend to switch jobs every two years; looking out for Generation Z, which will make its way to the workforce soon; Volkswagen's emissions scandal; the best places to work in 2016; companies like Adobe and GE doing away with annual performance reviews; Wells Fargo's support and inclusion of LGBT employees in its workforce; 2016's most valuable brands; current statistics on workplace violence, sexual harassment, and discrimination cases; increasing numbers of telecommuters and "super-commuters"; the WeChat app revolution in China; using cloud computing to connect virtual team members across the globe; and CEOs using social media to communicate to employees and customers.
3. Fundamental themes are 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. Most end-of-chapter cases have been refreshed. Two new cases have been added to replace previously used cases: Case 1.1, "REI Tells Employees to Go Outside," and Case 10.1, "Zappos Eliminates Managers."
5. Many of the book's elements—Reality Check, Global OB, OB Matters, You Be the Judge, and Information You Can Use—have been updated or replaced with current topics and issues relevant to managers. The elements included in this edition are relevant, teachable, and comprehensive.
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 described.

Reading this new 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. This 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, “International 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 Employee Behavior” (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 Eleventh Edition

The “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.

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.

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.

Managing diversity in the workplace is an important topic, which is presented and discussed throughout the book.

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

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, as well as key terms highlighted and defined in the pages of each chapter. 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 eleventh edition includes a variety of supplementary materials, all designed to provide additional classroom support for instructors. These materials are as follows:

McGraw-Hill Connect®: connect.mheducation.com

Continually evolving, McGraw-Hill Connect® has been redesigned to provide the only true adaptive learning experience delivered within a simple and easy-to-navigate environment, placing students at the very center.

- Performance Analytics—Now available for both instructors and students, easy-to-decipher data illuminate course performance. Students always know how they're doing in class, while instructors can view student and section performance at-a-glance.
- Personalized Learning—Squeezing the most out of study time, the adaptive engine within Connect creates a highly personalized learning path for each student by identifying areas of weakness and providing learning resources to assist in the moment of need.

This seamless integration of reading, practice, and assessment ensures that the focus is on the most important content for that individual.

Instructor Library

The Connect Management Instructor Library is your repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture. Instructor materials include the Instructor's Manual, PowerPoint slides, and Test Bank and Videos.

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 eleventh 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.

LearnSmart®:

The eleventh edition of *Organizational Behavior and Management* is available with LearnSmart, the most widely used adaptive learning resource, which is proven to improve grades. To improve your understanding of this subject and improve your grades, go to McGraw-Hill Connect® connect.mheducation.com, and find out more about LearnSmart. By helping students focus on the most important information they need to learn, LearnSmart personalizes the learning experience so they can study as efficiently as possible.

SmartBook®:

An extension of LearnSmart, SmartBook is an adaptive eBook that helps students focus their study time more effectively. As students read, SmartBook assesses comprehension and dynamically highlights where they need to study more.

Manager's Hot Seat:

Now instructors can put students in the hot seat with access to an interactive program. Students watch real managers apply their years of experience when confronting unscripted issues. As the scenario unfolds, questions about how the manager is handling the situation pop up, forcing the student to make decisions along with the manager. At the end of the scenario, students watch a post-interview with the manager to view how their responses

matched up to the manager's decisions. The Manager's Hot Seat videos are now available as assignments in Connect.

Self-Assessments

Students can explore inclinations and preferences regarding organizational behavior topics such as active listening, creativity, decision making, and diversity.

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 this edition, whose valuable feedback helped guide this revision of the book: James L. Hall, Santa Clara College; Debra D. Kuhl, Pensacola State College; David Robertson, Syracuse University and Le Moyne College; and William J. Waxman, Edison State Community College. 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, professor of business administration at Guilford College, updated and revised the Instructor's Manual that accompanies this edition. We appreciate his conscientiousness and high-quality work.

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.

Robert Konopaske

John M. Ivancevich

Michael T. Matteson

The Field of Organizational Behavior



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1. EFFECTIVE MANAGERS UNDERSTAND ORGANIZATIONAL BEHAVIOR
2. INTERNATIONAL 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)



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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 15 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.¹ 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."² 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.³ 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 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.⁴

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

Employees aren't the only stakeholders who benefit from Hsieh's approach. 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.⁵

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.⁶

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.⁷

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.⁸ The OB Matters discusses further some major drivers of change that today's managers must address to be effective.

The Evolution of Management

The formal and modern study of management started around 1900.⁹ 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 1785.¹⁰ 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.¹¹ Management of the workshops of England was characterized by an emphasis on efficiency, strict controls, and rigid rules and procedures.

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.

CHANGING MARKETS REQUIRE AGILE MANAGERS

In this fast-paced global business environment, managers must be agile and flexible to help companies sustain competitive advantage and stay one step ahead. To be successful, managers will need to harness the power of information technology and human capital.

The competitive forces confronting managers include 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., India, China, and some African nations), and new economic alliances and regulations.

A good way to gain perspective on how quickly environmental and competitive forces change is to examine the video rental industry. Until a few years ago, large brick-and-mortar firms like Blockbuster and Hollywood Video stores dominated the industry. Customers drove to a local store, rented a video to take home and watch, and then drove 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, which allowed customers to watch more movies each month without having to drive to a store to rent them. Then Netflix went a step further, creating an online streaming service to complement its mail exchange service. Customers pay a monthly subscription fee to download movies, TV shows, games, and original programming. Competition in the video streaming industry continues to grow as Google Play, Apple TV, Amazon Prime, Hulu Plus, and others allow consumers to download content and stream it on a variety of devices, including TVs, PCs, tablets, and mobile devices. Estimates put annual revenues from video streaming at \$14 billion by 2020.

As seen with video rentals, markets can change quickly. Start-ups, strategic alliances, mergers, and acquisitions are changing

how domestic and global markets operate. The key to competing globally is human capital. To attract, develop, and retain human capital, organizations must make continuous learning available to their employees. Companies must identify critical knowledge, transfer this information to employees, and update it on a continuous basis. Knowledge is critical on the job, working in teams, interacting with internal and external stakeholders, and learning more about competitors.

Knowledge sharing is another important component of staying competitive. Ericsson, a Swedish electronics firm with offices around the globe, encourages knowledge sharing through information technology. Many of the company's training programs provide creative learning tools and equip employees with the skills they will need to provide effective service to customers. The company has a technical certification program that ensures its people achieve or exceed industry standards; a sales excellence program that allows customer-facing professionals to acquire a deep understanding of customers and their environment in three distinct training phases; and the Ericsson Academy, which provides online learning opportunities that complement the company's formal programs and everyday continuous learning.

Sources: Elena Holodny, "The 13 Fastest-Growing Economies in the World," *Business Insider*, <http://www.businessinsider.com>, accessed February 12, 2016; Elyse Better, "Which Is the Best Movie Streaming Service in the US?" *Pocket-Lint*, <http://www.pocket-lint.com>, accessed February 12, 2016; Felix Richter, "Online Video—A Billion Dollar Opportunity," *Statista*, <http://statista.com>, accessed February 12, 2016; company website, "Training Programs," <http://www.ericsson.com>, accessed February 12, 2016; 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).

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**.¹² Taylor's major thesis was that maximum good for society can come only through the cooperation of 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.

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.

These four principles constitute 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 1916,¹³ 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.

Why Study Organizational Behavior?

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 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:

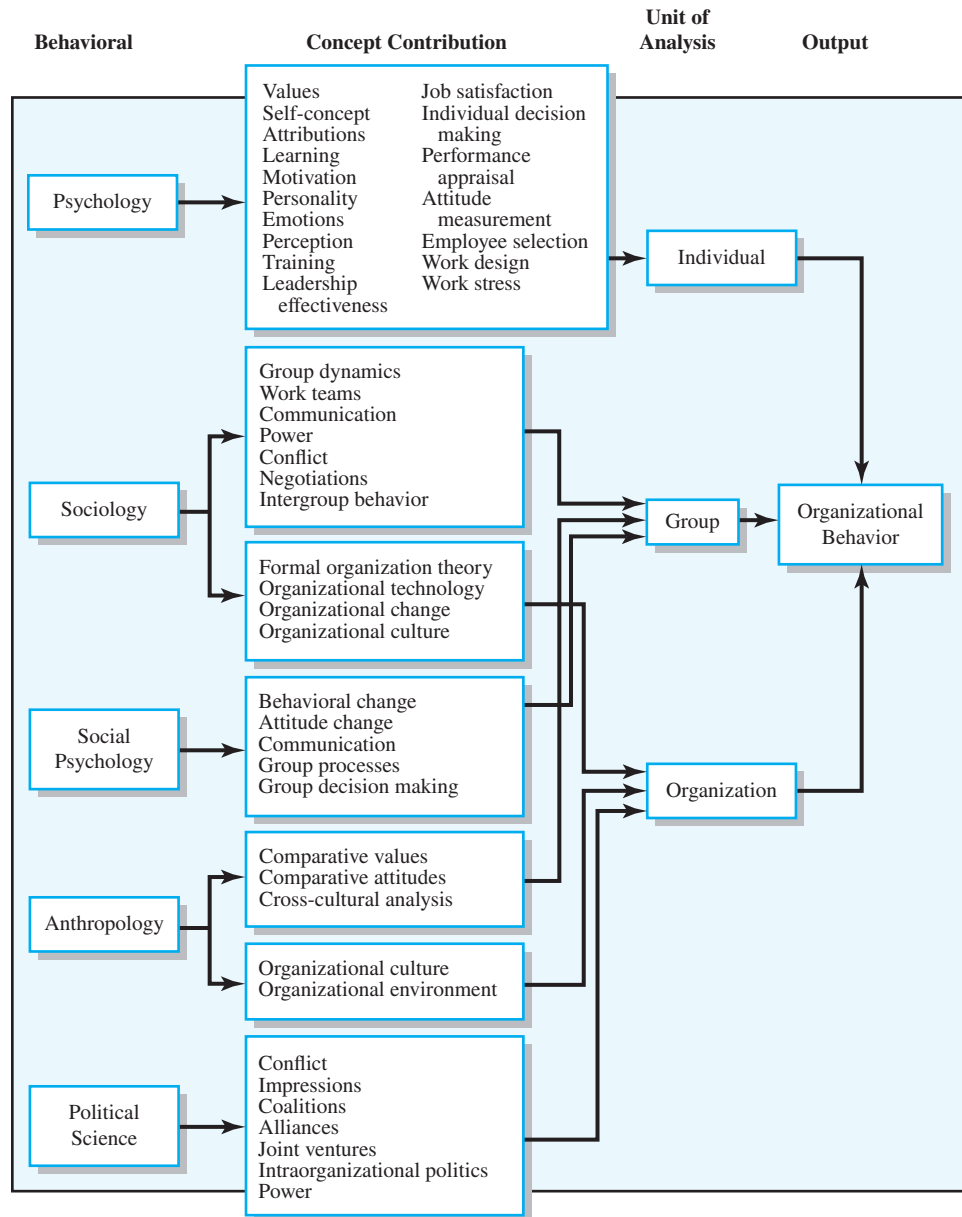
Drawing on psychology, sociology, political science, and cultural anthropology, OB is the study of the impact that individuals, groups, and organizational structure and processes have on behavior within organizations.

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.¹⁴ *Finally, the field is application oriented.* It is concerned with providing useful answers to questions that arise in the context of managing organizations.¹⁵

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.

EXHIBIT 1.1
Contributions to the Study of Organizational Behavior



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.¹⁶ 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.

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 to manage. However, she failed to produce empirical evidence to support her views. Industry leaders wanted concrete evidence that focusing on human resources would result in higher productivity. The Hawthorne studies, though flawed, provoked many managers and academics to focus on employees' needs, attitudes, and behaviors.

A team of Harvard University researchers was asked to study the activities of work groups at Western Electric's Hawthorne plant outside of Chicago (Cicero, Illinois).¹⁷ Before the team arrived, an initial study at the plant examined the effects of illumination on worker output. It was proposed that "illumination" would affect the work group's output. One group of female workers completed its job tasks in a test room where the illumination level remained constant. The other study group was placed in a test room where the amount of illumination was changed (increased and decreased).

In the test room where illumination was varied, worker output increased when illumination increased. This, of course, was an expected result. However, output also increased when illumination was decreased. In addition, productivity increased in the control-group test room, even though illumination remained constant throughout the study.

The Harvard team was called in to solve the mystery. The team concluded that something more than pay incentives was improving worker output within the work groups. After conducting