

*Canadian*

**ORGANIZATIONAL  
BEHAVIOUR 9**

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*Canadian*

**ORGANIZATIONAL  
BEHAVIOUR 9**

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McGraw-Hill  
Ryerson



McGraw-Hill  
Ryerson

**Canadian Organizational Behaviour  
Ninth edition**

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ISBN-13: 978-1-25-903053-6

ISBN-10: 1-25-903053-9

1 2 3 4 5 6 7 8 9 0 TCP 1 9 8 7 6 5

Printed and bound in Canada.

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Manufacturing Production Coordinator: Emily Hickey  
Cover Design: Michelle Losier  
Cover Image: Richard Du Toit/Getty Images  
Interior Design: Michelle Losier  
Page Layout: Laserwords Private Limited  
Printer: Transcontinental Printing Group

**Library and Archives Canada Cataloguing in Publication**

McShane, Steven L. (Steven Lattimore), author  
Canadian organizational behaviour / Steven L. McShane, University of Western Australia, Sandra L. Steen, University of Regina, Kevin Tasa, York University.—Ninth edition.

Includes bibliographical references and index.  
ISBN 978-1-25-903053-6 (bound)

1. Organizational behavior—Canada—Textbooks. 2. Organizational behavior—Canada—Case studies. 3. Teams in the workplace—Textbooks. 4. Corporate culture—Textbooks. I. Steen, Sandra (Sandra L.), author II. Tasa, Kevin, 1967-, author III. Title.  
HD58.7.M33 2014 658.300971 C2014-903308-7

Dedicated with love and devotion to Donna, and to our wonderful daughters, Bryton and Madison—S.L.M.

For Aaron, Matt, and Jess—S.L.S.

Dedicated to Ena and Vidya. Thanks—K.T.

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# Preface



Welcome to the evolving world of organizational behaviour! Knowledge is replacing infrastructure. Social media and virtual teams are transforming the way employees work together. Values and self-leadership are replacing command-and-control management. Knowledge is replacing infrastructure. Companies are looking for employees with emotional intelligence and effective team behaviours, not just technical smarts.

*Canadian Organizational Behaviour*, Ninth Edition, is written in the context of these emerging workplace realities. This edition explains how emotions produce employee motivation, attitudes, and decisions; how social networks shape power and communication; how self-concept influences individual outcomes, team cohesion, leadership, and behaviour; and how adopting a global mindset has become an important characteristic of employees in this increasingly interconnected world. This book also presents the reality that organizational behaviour is not just for managers; it is relevant and valuable to anyone who works in and around organizations.

## Canadian and Global Focus

*Canadian Organizational Behaviour*, Ninth Edition, is written by Canadians for Canadians. It includes several Canadian cases, is anchored by Canadian and global scholarship, and is filled with Canadian examples of organizational behaviour in practice.

For example, you will read about how Shopify, the Ottawa-based ecommerce web platform company, motivates employees through job enrichment; how critical decision-making errors occurred before and after the railway disaster at Lac Megantic, Quebec; how Vancity Savings Credit Union carefully hires job applicants whose personal values are aligned with the financial institution's values; how Tim Hortons' chairman and former CEO Paul House keeps his perceptions in focus by visiting the restaurants and working beside frontline employees; and how G Adventures in Toronto maintains a strong organizational culture.

Along with its Canadian focus, *Canadian Organizational Behaviour*, Ninth Edition, recognizes that we live in a world of increasing globalization. This emerging reality is discussed in the first chapter; several global and cross-cultural issues are also covered throughout the book. Every chapter includes global examples that illustrate OB concepts. Some of these appear in *Global Connections* features, but most are embedded in the text or found in captioned photos. For example, you will read how Tencent founder and CEO "Pony" Ma Huateng relies on transformational leadership rather than charisma to lead China's social media revolution; how the MARS model of individual behaviour helps Iceland Foods Group in the United Kingdom create a high-performing workforce; how Brasilata in Sao Paulo, Brazil, succeeds through employee involvement and creativity; how the CEO of Alcoa Russia fended off corruption by emphasizing the company's values; and how DHL Express in Africa succeeds through high employee engagement.



### Global Connections 2.2:

#### WORKING WITH HIGH POWER DISTANCE IN CHINA<sup>97</sup>

As the only Westerner in a 50-employee start-up winery in China, Emilie Bourgois soon noticed that Chinese managers seem to use their power more directly than do European, Canadian, or American bosses. "I was surprised to see that taking the initiative most of the time was seen as rude and

as a failure to respect the executives' authority," says Bourgois, a public relations professional from Bordeaux, France. "At work, everyone had to perform well in their own tasks, but permission was required for anything other than what was expected."

This high power distance was also apparent in how Chinese managers interacted with staff. "Western-style bosses tend to develop a closer relationship with employees," Bourgois suggests. "The hierarchy is much more clearly divided in Chinese-dominant companies than it is in foreign ones."

Bourgois worked well with her colleagues at the Chinese winery, but she acknowledges that "beyond that, there is still an important cultural gap." She is now employed in the Beijing office of executive recruitment firm Antal International, where cultural differences seem to be less pronounced because the company has team building events to improve bonding and mutual understanding.

Emilie Bourgois, second from right with coworkers at Antal International in Beijing, discovered in an earlier job that Chinese-dominant companies have higher power distance compared to most Western firms.



Emilie Bourgois

Vancouver City Savings Credit Union (Vancity) is one of Canada's truly values-driven organizations. And to sustain its focus on values, Vancity aims to "screen for skills and hire for fit." Specifically, it carefully selects job applicants whose personal values are aligned with the financial institution's values. "I can tell if someone is just quoting off a Vancity website," says operations vice-president Ellen Pেকেles about job applicants who claim to hold Vancity's values. "But when they really talk about it [Vancity's values] and you can see they care . . . you can't fake that." Vancity also gives new hires a five-day orientation that outlines the company's values. At the end of that program, new hires are offered a severance package if they feel their personal values are misaligned with Vancity's values.<sup>73</sup>



Courtesy of Vancity

## Linking Theory with Reality

Every chapter of *Canadian Organizational Behaviour*, Ninth Edition, is filled with examples to make OB knowledge more meaningful and reflect the relevance and excitement of this field. These stories about real people and organizations translate academic theories into relevant

knowledge and real-life application. For example, we describe how Toronto Western Hospital applied appreciative inquiry to form a future vision of the organization and develop a positive leadership program; how Deloitte Touche Tohmatsu motivates its employees in Australia through innovative game-based positive reinforcement; and how Vancouver-based HootSuite Media thrives on a culture of collaboration and creativity through hackathons, monthly parliaments, and a Canadiana-themed team-oriented work environment.

These real-life stories appear in many forms. Every chapter of *Canadian Organizational Behaviour*, Ninth Edition, is filled with captioned photos and in-text anecdotes about work life. Lengthier examples are distinguished in a feature we call Global Connections, which “connect” OB concepts with real organizational incidents and situations.

Case studies in each chapter as well as video case studies associated with this book connect OB concepts to emerging workplace realities. These stories provide representation across Canada and around the planet. They also cover a wide range of industries—from software to government, and from small businesses to the largest global organizations.

Motivation, role perceptions, and misguided personal values explain the alleged bribery, money laundering and other illegal activities by several SNC-Lavalin executives and employees.  
John Mahoney, *The (Montreal) Gazette*



### Chapter 2

## Individual Behaviour, Personality, and Values

#### LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- LO1.** Describe the four factors that directly influence individual behaviour and performance.
- LO2.** Summarize the five types of individual behaviour in organizations.
- LO3.** Describe personality and discuss how the “big five” personality dimensions and four MBTI types relate to individual behaviour in organizations.
- LO4.** Summarize Schwartz’s model of individual values and discuss the conditions where values influence behaviour.
- LO5.** Describe three ethical principles and discuss three factors that influence ethical behaviour.
- LO6.** Describe five values commonly studied across cultures, and discuss the diverse cultures within Canada.

**B**ribery of foreign public officials, conspiracy to commit fraud and forgery, money laundering, possessing property obtained by crime, and attempts to secretly smuggle the son of a former dictator into safer countries. Sounds like the plot of a twisted crime novel. Yet these are the charges recently laid against former executives and representatives at SNC-Lavalin (SNCL), one of Canada’s largest engineering and construction firms.

The Royal Canadian Mounted Police allege that over the past decade SNCL funnelled \$118 million through offshore bank accounts as bribes to secure contracts in Libya. Separately, the World Bank recently uncovered evidence that SNCL bribed (or attempted to bribe) government staff and leaders to construct a bridge in Bangladesh. SNCL is also being investigated for unethical activities in contract bidding across several other countries, including a major Canadian project involving a Montreal superhospital. SNCL’s former CEO and several executives were fired and are either under arrest or investigation. The company has been banned from bidding on contracts with the World Bank and the Canadian International Development Agency, and is under intense scrutiny by politicians in several countries.

According to World Bank documents, one large SNCL division processed bribes through an expense line called “project consultancy cost” or PPC. The company has acknowledged these PPC expenses were illegitimate, yet they typically represented 10 percent of projects and appeared in more than a dozen recent company projects across six countries. “Everybody used this term, and all know what that means,” admits a former SNCL engineer. These illegitimate accounting practices may surprise the Canadian Institute of Charted Accountants, which gave SNCL seven excellence in corporate governance awards over the past decade.

Emily MacDonald (shown) attended Camp FFit in Ottawa, a program that helps teenage girls develop a self-concept as firefighters and their self-esteem, and dispel the occupation’s macho stereotype.  
© Wayne Cuddington/Ottawa Citizen. Reprinted by permission.



### Chapter 3

## Perceiving Ourselves and Others in Organizations

#### LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- LO1.** Describe the elements of self-concept and explain how each affects an individual’s behaviour and well-being.
- LO2.** Outline the perceptual process and discuss the effects of categorical thinking and mental models in that process.
- LO3.** Discuss how stereotyping, attribution, self-fulfilling prophecy, halo, false-consensus, primacy, and recency influence the perceptual process.
- LO4.** Discuss three ways to improve perceptions, with specific application to organizational situations.
- LO5.** Outline the main features of a global mindset and justify its usefulness to employees and organizations.

**C**limbing a fire truck ladder over 20 metres tall isn’t everyone’s idea of a good time, but Emily MacDonald wants to climb them throughout her career. The 17-year-old’s father and both grandfathers were firefighters, and she wants to join in that tradition. “I want to be the first female firefighter in the family,” says MacDonald. MacDonald participated in Camp FFit, a week-long program in Ottawa, where two dozen teenage girls scaled fire truck ladders, hooked up fire hoses, carried 32-kilogram packs, forced entry into buildings, and learned other firefighting skills.

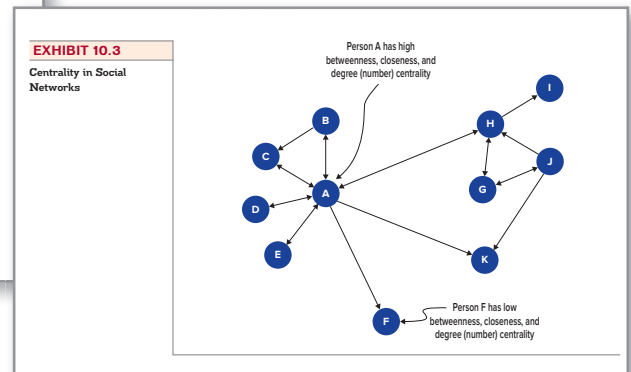
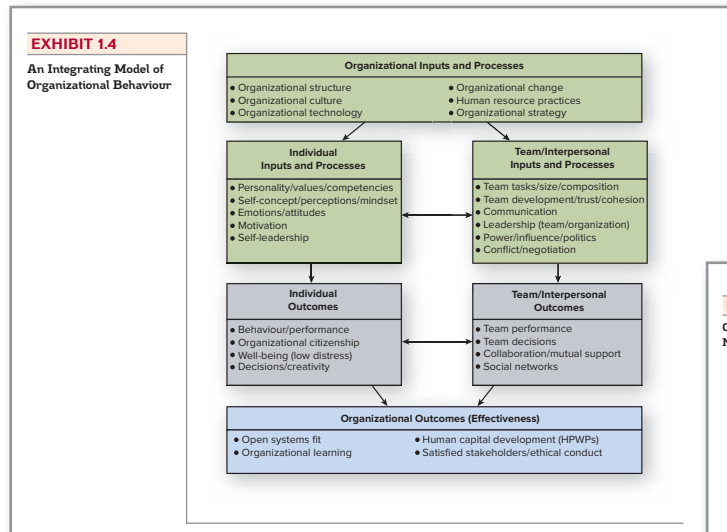
Camp FFit and similar programs around North America help young women develop their self-concept as firefighters. Through direct experience, participants realize that qualified women can perform firefighting tasks, and that those tasks are compatible with their self-image. “We want young girls to see that this is something they can grow up to become,” explains Cheryl Horvath, a division fire chief in Tucson, Arizona, which also has a special firefighting camp for young women.

These camps also help women strengthen their self-esteem and self-efficacy. “We want all of the girls to walk away with a sense that they can do anything they put their minds to, regardless of what the job is,” says Horvath. Alexandra Gaudes says she developed a clearer and more positive self-evaluation after attending Ottawa’s Camp FFit a few years ago. When Gaudes told friends she wanted to be a firefighter, one male retorted “but you are a girl.” Gaudes smiled “and asked which century he was from” she recalls. “Standing up for myself to him was when I knew that this camp had really changed me.”

Although Canadian fire services are becoming more inclusive organizations, gender biases and prejudices persist. Three male firefighters were recently dismissed from the Toronto Fire Services for tweeting crude comments about women. In Calgary, a fire captain noticed that

## Contemporary Theory Foundation

*Canadian Organizational Behaviour*, Ninth Edition, has a solid foundation of contemporary and classic research and writing. You can see this in the references. Each chapter is based on dozens of articles, books, and other sources. The most recent literature receives thorough coverage, resulting in what we believe is the most up-to-date organizational behaviour textbook available. The topics in this book reflect our strong belief that organizational behaviour is multi-disciplinary, not aligned mainly with one social science field. This book's references also reveal that we reach out to marketing, information management, human resource management, and other business disciplines for new ideas. Our approach is also to focus information that readers value, namely OB knowledge and practices.



Consequently, with a few classic exceptions, we avoid writing a “who’s-who” book; most scholars are named in the references, not in the main text.

One of the driving forces for writing *Canadian Organizational Behaviour* was to provide a more responsive conduit for emerging OB knowledge to reach students, practitioners, and fellow scholars. To its credit, this is apparently the first major OB book to discuss the full self-concept model (not just core self-evaluation), workplace emotions, social identity theory, global mindset, four-drive theory, specific elements of social networks, appreciative inquiry, affective events theory (but without the jargon), somatic marker theory (also without the jargon), virtual teams, mindfulness in ethical behaviour, Schwartz’s values model, employee engagement, learning orientation, workaholism, and several other groundbreaking topics. This edition continues this leadership by introducing the latest knowledge on predictors of moral sensitivity, applying social networks for viral change, distinguishing the two main types of matrix organizational structure, the degrees of virtuality (ranging from in-situ to virtual teams), task interdependence as a contingency in the team cohesion-performance relationship, communicator characteristics that influence coding and decoding, and the social and information processing characteristics of job design.



## Organizational Behaviour Knowledge for Everyone

Another distinctive feature of *Canadian Organizational Behaviour*, Ninth Edition is that it is written for everyone in organizations, not just managers. The philosophy of this book is that everyone who works in and around organizations needs to understand and make use of organizational behaviour knowledge. People throughout the organization—systems analysts,

production employees, accounting professionals, and others—are taking on more responsibilities as companies remove layers of management and give the rest of us more autonomy and accountability for our work outcomes. This book helps everyone to make sense of organizational behaviour, and provides the conceptual tools to work more effectively in the workplace.

### Active Learning and Critical Thinking Support

We teach organizational behaviour, so we understand how important it is to use a textbook that offers deep support for active learning and critical thinking. Business school accreditation associations also emphasize the importance of the learning experience, which further reinforces

our attention on classroom activities. *Canadian Organizational Behaviour*, Ninth Edition includes more than two dozen case studies in various forms and levels of complexity. It offers four dozen self-assessments, most of which have been empirically tested and validated. This book is also a rich resource for in-class activities, some of which are not available in other organizational behaviour books, such as the Employee Involvement Cases, Deciphering the (Social) Network, Ethics Dilemma Vignettes, and the Club Ed exercise.



### Debating Point:

#### SHOULD COMPANIES USE PERSONALITY TESTS TO SELECT JOB APPLICANTS?

Personality theory has made significant strides over the past two decades, particularly in demonstrating that specific traits are associated with specific workplace behaviours and outcomes. Various studies have reported that specific Big Five dimensions predict overall job performance, organizational citizenship, leadership, counterproductive work behaviours, training performance, team performance, and a host of other important outcomes. These findings cast a strong vote in favour of personality testing in the workplace.

A few prominent personality experts urge caution, however.<sup>55</sup> They point out that although traits are associated with workplace behaviour to some extent, there are better predictors of work performance, such as work samples and past performance. Furthermore, selection procedures typically assume that more of a personality trait is better, whereas several (although not all) studies indicate that the best candidates might be closer to the middle than the extremes of the range.<sup>56</sup> For instance, job performance apparently increases with conscientiousness, yet employees with high conscientiousness might be so thorough that they become perfectionists, which can stifle rather than enhance job performance.<sup>57</sup> A third concern is that, depending on how the selection decision applies the test results, personality

instruments may unfairly discriminate against specific groups of people.<sup>58</sup>

A fourth worry is that most personality tests are self-reported scales, so applicants might try to fake their answers. Worse, the test scores might not represent the individual's personality or anything else meaningful because test takers often don't know what personality traits the company is looking for. Studies show that candidates who try to fake "good" personality scores change the selection results. Supporters of personality testing offer the counterargument that few job applicants try to fake their scores.<sup>59</sup> One major study recently found that most personality dimensions are estimated better by observers than by self-ratings, but few companies rely on ratings from other people.<sup>60</sup>

Finally, personality testing might not convey a favourable image of the company. Amtrak's use of personality testing at Metrolink resulted in conflict with the railway worker unions. The British operations of PricewaterhouseCoopers (PwC) discovered that its personality test discouraged female applicants from applying because of concerns that the test was too impersonal and could be faked. "Our personality test was seen to alienate women and so we had to respond to that," says PwC's head of diversity,<sup>61</sup>

### Key Terms

ability, p. 28	individualism, p. 46	organizational citizenship behaviours (OCBs) p. 31
achievement-nurturing orientation, p. 48	mindfulness, p. 44	personality, p. 34
collectivism, p. 46	moral intensity, p. 43	power distance, p. 47
conscientiousness, p. 35	moral sensitivity, p. 44	presenteeism, p. 33
counterproductive work behaviours (CWBs) p. 32	motivation, p. 28	role perceptions, p. 30
extraversion, p. 35	Myers-Briggs Type Indicator (MBTI), p. 36	uncertainty avoidance, p. 48
five-factor model (FFM), p. 34	neuroticism, p. 35	

### Critical-Thinking Questions

1. A provincial government department has high levels of absenteeism among the office staff. The head of office administration argues that employees are misusing the organization's sick leave benefits. However, some of the mostly female staff members have explained that family responsibilities interfere with work. Using the MARS model, as well as your knowledge of absenteeism behaviour, discuss some of the possible reasons for absenteeism here and how it might be reduced.
2. It has been said that all employees are motivated. Do you agree with this statement?
3. Studies report that heredity has a strong influence on an individual's personality. What are the implications of this in organizational settings?
4. All candidates applying for a management trainee position are given a personality test that measures the five dimensions in the five-factor model. Which personality traits would you consider to be the most important for this type of job? Explain your answer.
5. Compare and contrast personality with personal values, and identify values categories in Schwartz's values circumplex that likely relate to one or more personality dimensions in the five-factor personality model.
6. This chapter discussed values congruence mostly in the context of an employee's personal values versus the organization's values. But values congruence also relates to the juxtaposition of other pairs of value systems. Explain how values congruence is relevant with respect to organizational versus professional values (i.e., values of a professional occupation, such as physician, accountant, pharmacist).
7. "All decisions are ethical decisions." Comment on this statement, particularly by referring to the concepts of moral intensity and moral sensitivity.
8. The organization that you have been working in for five years is now suffering from a global recession and it changes the compensation structure. Discuss the role of moral intensity, moral sensitivity and situational influences in this context.
9. People in a particular South American country have high power distance and high collectivism. What does this mean, and what are the implications of this information when you (a senior executive) visit employees working for your company in that country?

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## Changes to the Ninth Edition

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*Canadian Organizational Behaviour*, Ninth Edition has benefited since the previous edition by reviews from dozens of organizational behaviour instructors and researchers in Canada and several other countries. As a result, there are numerous improvements throughout the book. Chapter 8 (teams) and Chapter 12 (leadership) have been significantly revised, and almost every other chapter has noticeable updates and revisions. This edition introduces “Debating Point,” a valuable feature in every chapter that helps students think critically about seemingly obvious ideas. Along with dozens of conceptual improvements, this edition has substantially revised the examples. All chapter-opening case studies are new or revised. Most captioned photos and Global Connections features are new or updated. We have also added more than 100 new in-text examples. Many of the OB-by-the-Numbers features have been updated or changed. Here are the main conceptual improvements in *Canadian Organizational Behaviour*, Ninth Edition:

- *Chapter 1: Introduction to the Field of Organizational Behaviour*—This edition introduces an integrated model of organization behaviour to help students see the relationship among the main concepts throughout this book. The opening chapter also updates and revises content on why study OB, the organizational learning perspective, and emerging employment relationships.
- *Chapter 2: Individual Behaviour, Personality, and Values*—This edition updates several topics in this chapter, including new information about organizational citizenship behaviours, elements of task performance, the importance of role clarity, the influence of values on individual behaviour, predictors of moral sensitivity, and strategies to support ethical behaviour.
- *Chapter 3: Perceiving Ourselves and Others in Organizations*—This book was apparently the first to discuss the full model of self-concept and its relevance to organizational behaviour. This edition further refines this important topic, including a new exhibit that illustrates the full set of self-concept characteristics and processes. Other improvements to this chapter are found in the topics on perceptual organization and interpretation, attribution rules, fundamental attribution error, and improving perceptions through meaningful interaction.
- *Chapter 4: Workplace Emotions, Attitudes, and Stress*—This was the first OB book to discuss theories of emotion (i.e. affective events theory, somatic marker hypothesis, affect infusion model) and to integrate those concepts with attitudes, motivation, decision making, and other topics. This edition continues this tradition by updating information on types of emotions, the relationship between emotions and attitudes, and emotional dissonance. The topics of cognitive dissonance and emotional intelligence outcomes and training have also been updated.
- *Chapter 5: Foundations of Employee Motivation*—This chapter revises the key elements of goal setting by introducing the SMARTER model. It also updates and rewrites content on employee drives, Maslow’s needs hierarchy, and four-drive theory.
- *Chapter 6: Applied Performance Practices*—This edition is apparently the first OB book to introduce social and information processing as two important job characteristics that are overlooked in the traditional model. This edition also updates discussion of the meaning of money.
- *Chapter 7: Decision Making and Creativity*—This edition has minor changes to a few decision making topics, including the rational choice paradigm, evaluating options, and the role of emotions in decision making and choice.
- *Chapter 8: Team Dynamics*—This edition includes substantial changes to the topic of team dynamics. The team effectiveness model has been revised in order to differentiate between team states and team processes. And several new and important topics that predict team performance are introduced, including boundary spanning, teamwork behaviour, and taskwork behaviour. This edition also introduces the punctuated equilibrium model of team development and the topic of transactive memory systems.

- *Chapter 9: Communicating in Organizations*—This edition further updates the topic of communication, and the title is changed to reflect this specific focus. This edition updates the topics of speech patterns in communication, influences on encoding and decoding of messages, recent developments in social media, cross-cultural communication and changes to workplace design.
- *Chapter 10: Power and Influence in the Workplace*—You will find several new developments in this chapter. Building on recent additions to the topic of social networks, the chapter now includes more discussion on the power of visibility within social networks and the links between social networks and personal power. This edition also revises and updates writing on the meaning of coercive power and recent research on the topic bullying in the workplace. The section on organizational politics has also been updated, with more examples and insight into new research on the topic.
- *Chapter 11: Conflict and Negotiation in the Workplace*—The most noticeable change in this chapter is that the negotiation section has been completely rewritten and updated. It is now organized around the topics of distributive and integrative negotiations. New information is provided on how to prepare for a negotiation, how to set limits, and distributive and integrative negotiation strategies that actually work. A new section on the distinction between mediation and arbitration is also added. The chapter concludes with a summary of the behavioral differences between expert negotiators and average negotiators.
- *Chapter 12: Leadership in Organizational Settings*—This chapter has been completely reorganized and substantially rewritten. Transformational leadership is widely considered the core perspective on this subject, so we now begin the chapter with the transformational leadership perspective (after the chapter introduction, which also describes shared leadership). The transformational leadership perspective also now includes “encourage experimentation” as one of its four elements. The second perspective, managerial leadership, is described and contrasted with transformational leadership. The managerial leadership perspective incorporates earlier behavioural leadership concepts, contemporary contingency leadership theories, and servant leadership. The other two leadership perspectives – implicit leadership and leadership attributes – have minor updates from the previous edition.
- *Chapter 13: Designing Organizational Structures*—This chapter revises and updates the matrix structure topic, including the two main forms of this structure (divisional-based and project-based), and specific problems with matrix structures. The topic of coordinating work activities has also been updated.
- *Chapter 14: Organizational Culture*—The section on changing and strengthening organizational culture has been revised, particularly with the addition of supporting workforce stability and communication. The issue of espoused versus enacted values is more clearly highlighted, and the topics of organizational culture effectiveness contingencies and socialization agents have been revised.
- *Chapter 15: Organizational Change*—This edition is apparently the first OB book to discuss social networks and viral change as an organizational change initiative. We also significantly revise and update the discussion on why employees resist change (such as negative valence of change). Parts of the section on resistance to change have also been rewritten.

# Supporting the OB Learning Experience

The changes described above refer only to the text material. *Canadian Organizational Behaviour*, Ninth Edition also has improved technology supplements, cases, team exercises, and self-assessments.

**Case Study: ETHICS DILEMMA VIGNETTES**

**Purpose** This exercise is designed to make you aware of the ethical dilemmas people face in various business situations, as well as the competing principles and values that operate in these situations.

**Instructions (Small Class)** The instructor will form teams of four or five students. Team members will read each case below and discuss the extent to which the company's action in each case was ethical. Teams should be prepared to justify their evaluation using ethics principles and the perceived moral intensity of each incident.

subsequent sales of the high-margin ink cartridges required for each printer. One global printer manufacturer now designs its printers so that they work only with ink cartridges made in the same region. Ink cartridges purchased in Canada will not work with the same printer model sold in Europe, for example. This "region coding" of ink cartridges does not improve performance. Rather, it prevents consumers and grey marketers from buying the product at a lower price in another region. The company says this policy allows it to maintain stable prices within a region rather than continually changing prices due to currency fluctuations.

## CHAPTER CASES AND ADDITIONAL CASES

Every chapter includes at least one short case that challenges students to diagnose issues and apply ideas from that chapter. One dozen additional cases appear at the end of the book.

**Case 5 GOING TO THE X-STREAM**  
Roy Smollan, Auckland University of Technology, New Zealand

Gil Reihana was the chief executive officer of X-Stream, a company he launched in Auckland, New Zealand, six years ago at the age of 25, after graduating with a bachelor's degree in information technology and management. He had inherited \$300,000 and had persuaded various family members to invest additional money. X-Stream assembled personal computers for the New Zealand and Australian markets and sold them through a number of chain stores and independent retailers. The company had soon established a reputation for quality hardware, customized products, excellent delivery times and after-sales service. Six months ago it had started a software division, specializing in webpage design and consulting on various applications for the development of electronic

their own way. In the beginning, he had met with each staff member in January to discuss with them how happy they were in their jobs, what their ambitions were, and what plans they would like to make for the coming year in terms of their own professional development. As the company had grown this had become more difficult and he had left each member of his senior management team to do this with their own staff, but did not monitor whether they were doing it or how well it worked. Now he tried to keep in touch with staff by having lunch with them in the cafeteria occasionally.

Denise Commis (affectionately known to all staff as Dot Com) was the chief financial officer. She and Gil could not be more different. Denise was quiet, methodical, and very

### Additional Cases

- Case 1 A MIR KISS?
- Case 2 ARCTIC MINING CONSULTANTS
- Case 3 BARRIE SUPER SUBS
- Case 4 FRAN HAYDEN JOINS DAIRY ENGINEERING
- Case 5 GOING TO THE X-STREAM
- Case 6 KEEPING SUZANNE CHALMERS
- Case 7 NORTHWEST CANADIAN FOREST PRODUCTS LIMITED (REVISED)
- Case 8 THE REGENCY GRAND HOTEL
- Case 9 SIMMONS LABORATORIES
- Case 10 STAR ENTERPRISES—RITA'S ISSUES AT WORK
- Case 11 TAMARACK INDUSTRIES
- Case 12 THE OUTSTANDING FACULTY AWARD

Several cases are new to this book, many of which are written by Canadian instructors. Others are classics that have withstood the test of time.

## TEAM EXERCISES AND SELF-ASSESSMENTS

Experiential exercises and self-assessments represent an important part of the active learning process. *Canadian Organizational Behaviour*, Ninth Edition, facilitates that process by offering a team/class exercise in every chapter. Self-assessments personalize the meaning of several organizational behaviour concepts, and this edition features one self-assessments per chapter in the text with additional self-scoring, interactive self-assessments with detailed feedback found

on *Connect*. To ensure that students make full use of these excellent resources, we have included an icon indicating where the text content corresponds to one of the chapter's self-assessments and directing students to *Connect*, and there is a convenient table at the end of the chapter containing a brief description of the self-assessments and whether they are in-text or on *Connect*.

**Class Exercise: TEST YOUR KNOWLEDGE OF PERSONALITY**

**Purpose** This exercise is designed to help you think about and understand the effects of the Big Five personality dimensions on individual preferences and outcomes.

**Instructions (Large Class)** Below are several questions relating to the Big Five personality dimensions and various preferences or outcomes. Answer each of these questions relying on your personal experience or best guess. Later, the instructor will show you the answers based on scholarly results. You will not be graded on this exercise. Instead, it illustrates the many ways that personality influences human behaviour and preferences.

**Instructions (Small Class)**

- The instructor will organize students into teams. Members of each team work together to answer each of the questions

below relating to the Big Five personality dimensions and various preferences or outcomes.

- The instructor will reveal the answers based on scholarly results. (Note: The instructor might create a competition to see which team has the most answers correct.)

**Personality and Preferences Questions** You have been asked to select job applicants for a nine-month over-winter assignment working in an Antarctic research station with a dozen other people. Assuming that all candidates have equal skills, experience, and health, identify which level of each personality dimension would be best for people working in these remote, confined, and isolated conditions.

**Self-Assessment: ARE YOU INTROVERTED OR EXTRAVERTED?**

**Purpose** This self-assessment is designed to help you estimate the extent to which you are introverted or extraverted.

**Instructions** The statements in the scale below refer to personal characteristics that might or might not be characteristic of you. Mark the box indicating the extent to which the statement accurately or inaccurately describes you.

Then use the scoring key in Appendix B at the end of this book to calculate your result. This exercise should be completed alone so that you can assess yourself honestly without concerns of social comparison. Class discussion will focus on the meaning and implications of extraversion and introversion in organizations.

How accurately does each of the statements listed below describe you?	Very accurate description of me	Moderately accurate	Neither accurate nor inaccurate	Moderately inaccurate	Very inaccurate description of me
1. I feel comfortable around people.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. I make friends easily.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. I keep in the background.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. I don't talk a lot.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. I would describe my experiences as somewhat dull.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. I know how to captivate people.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. I don't like to draw attention to myself.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. I am the life of the party.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. I am skilled in handling social situations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. I have little to say.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Source: Adapted from instruments described and/or presented in L. R. Goldberg, J. A. Johnson, H. W. Eber, R. Hogan, M. C. Ashton, C. R. Cloninger, and H. C. Gough, "The International Personality Item Pool and the Future of Public-Domain Personality Measures," *Journal of Research in Personality* 40 (2006), pp. 94-96.

## INDEXES, MARGIN NOTES, AND GLOSSARY

While minimizing unnecessary jargon, *Canadian Organizational Behaviour* assists the learning process by highlighting key terms in bold and providing brief definitions in the margin.

These definitions are also presented in an alphabetical glossary at the end of the text. We have also developed comprehensive indexes of the content, names, and organizations described in this book. Also look for the Learning Objectives presented at the beginning of each chapter, and then linked to chapter content by numbered icons. An excellent study tool!


**Managing Emotions at Work**

**LO2**

Whether as a WestJet flight attendant or chief executive officer, people are expected to manage their emotions in the workplace. They must conceal their frustration when serving an irritating customer, display compassion to an ill patient, and hide their boredom in a long meeting with other executives. These are all forms of **emotional labour**—the effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions.<sup>33</sup> Almost everyone is expected to abide by *display rules*—norms or explicit rules requiring us within our role to display specific emotions and to hide other emotions. Emotional labour demands are higher in jobs requiring a variety of emotions (e.g., anger as well as joy) and more intense emotions (e.g., showing delight rather than smiling weakly), as well as in jobs where interaction with clients is frequent and longer. Emotional labour also increases when employees must precisely rather than casually abide by the display rules.<sup>34</sup> This particularly occurs in the service industries, where employees have frequent face-to-face interaction with clients.

**emotional labour** The effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions.

Vancouver-based HootSuite is a rapidly growing technology success story through its visionary leadership, adaptability, collaborative and creative culture, and other effective organizational behaviour practices.



Courtesy of HootSuite

**Chapter 1**

### Introduction to the Field of Organizational Behaviour

**LEARNING OBJECTIVES**

*After studying this chapter, you should be able to:*

- LO1.** Define organizational behaviour and organizations, and discuss the importance of this field of inquiry.
- LO2.** Compare and contrast the four current perspectives of organizational effectiveness.
- LO3.** Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.
- LO4.** Discuss the anchors on which organizational behaviour knowledge is based.

In less than six years, Vancouver-based HootSuite Media Inc. has grown from an entrepreneur's idea into a bustling company of over 400 employees who develop the world's most widely used social relationship platform. Canadian technology commentator Carmi Levy says: "HootSuite has proven itself to be really nimble, and when the market has changed, it's adapted." Sid Paquette, director of Toronto-based OMERS Ventures adds: "With clear vision and strong leadership, HootSuite was able to identify and create a solution for a clear market need."

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HootSuite supports employee morale, well-being, and motivation in many other ways. Its new downtown Vancouver headquarters is distinctively Canadian, complete with tree

1

## Teaching and Learning Tools

Available with Canadian Organizational Behaviour, Ninth Edition, is a comprehensive package of supplementary materials designed to enhance teaching and learning. The student content is authored by Claude Dupuis, Athabasca University. The instructor content is authored by Sandra Steen, University of Regina.

McGraw-Hill Connect™ is a web-based assignment and assessment platform that gives students the means to better connect with their coursework, with their instructors, and with the important concepts that they will need to know for success now and in the future.

With Connect, instructors can deliver assignments, quizzes and tests online. Instructors can edit existing questions and author entirely new problems. Track individual student performance—by question, assignment or in relation to the class overall—with detailed grade reports. Integrate grade reports easily with Learning Management Systems (LMS).



By choosing Connect, instructors are providing their students with a powerful tool for improving academic performance and truly mastering course material. Connect allows students to practice important skills at their own pace and on their own schedule. Importantly, students' assessment results and instructors' feedback are all saved online—so students can continually review their progress and plot their course to success.

Connect also provides 24/7 online access to an eBook—an online edition of the text—to aid them in successfully completing their work, wherever and whenever they choose.

### **Key Features**

**Simple Assignment Management** With Connect, creating assignments is easier than ever, so you can spend more time teaching and less time managing.

- Create and deliver assignments easily with selectable end-of-chapter questions and testbank material to assign online.
- Streamline lesson planning, student progress reporting, and assignment grading to make classroom management more efficient than ever.
- Go paperless with the eBook and online submission and grading of student assignments.

**Smart Grading** When it comes to studying, time is precious. Connect helps students learn more efficiently by providing feedback and practice material when they need it, where they need it.

- Automatically score assignments, giving students immediate feedback on their work and side-by-side comparisons with correct answers.
- Access and review each response; manually change grades or leave comments for students to review.
- Reinforce classroom concepts with practice tests and instant quizzes.

**Instructor Library** The Connect Instructor Library is your course creation hub. It provides all the critical resources you'll need to build your course, just how you want to teach it.

- Assign eBook readings and draw from a rich collection of textbook-specific assignments.
- Access instructor resources, including ready-made PowerPoint presentations and media to use in your lectures.
- View assignments and resources created for past sections.
- Post your own resources for students to use.

**eBook** Connect reinvents the textbook learning experience for the modern student. Every Connect subject area is seamlessly integrated with Connect eBooks, which are designed to keep students focused on the concepts key to their success.

- Provide students with a Connect eBook, allowing for anytime, anywhere access to the textbook.
- Merge media, animation and assessments with the text's narrative to engage students and improve learning and retention.
- Pinpoint and connect key concepts in a snap using the powerful eBook search engine.
- Manage notes, highlights and bookmarks in one place for simple, comprehensive review.



No two students are alike. Why should their learning paths be? LearnSmart uses revolutionary adaptive technology to build a learning experience unique to each student's individual needs. It starts by identifying the topics a student knows and does not know. As the student progresses, LearnSmart adapts and adjusts the content based on his or her individual strengths, weaknesses and confidence, ensuring that every minute spent studying with LearnSmart is the most efficient and productive study time possible. Authored by Sandra Steen, University of Regina.



As the first and only adaptive reading experience, SmartBook is changing the way students read and learn. SmartBook creates a personalized reading experience by highlighting the most important concepts a student needs to learn at that moment in time. As a student engages with SmartBook, the reading experience continuously adapts by highlighting content based on what each student knows and doesn't know. This ensures that he or she is focused on the content needed to close specific knowledge gaps, while it simultaneously promotes long-term learning.

## INSTRUCTOR RESOURCES

McShane Connect is a one-stop shop for instructor resources, including:

**Instructor's Manual:** Written by the text authors, the Instructor's Manual accurately represents the text's content and supports instructors' needs. Each chapter includes the learning objectives, glossary of key terms, a chapter synopsis, complete lecture outline with thumbnail images of corresponding PowerPoint® slides, and solutions to the end-of-chapter discussion questions. It also includes teaching notes for the chapter case(s), team exercises, and self-assessments. Many chapters include supplemental lecture notes and suggested videos. The Instructor's Manual also includes teaching notes for the end-of-text cases.

**Computerized Test Bank:** Written by the McShane student Connect author, Claude Dupuis from Athabasca University, this flexible and easy to use electronic testing program allows instructors to create tests from book specific items. The Test Bank contains a broad selection of multiple choice, true/false, and essay questions and instructors may add their own questions as well. Each question identifies the relevant page reference and difficulty level. Multiple versions of the test can be created and printed.

**PowerPoint® Presentations:** Written by the text authors, these robust presentations offer high quality visuals to bring key OB concepts to life.

**Video Program:** The accompanying video program is available to instructors through video streaming in Connect or on DVD. Teaching notes can be found in the Instructor's Resource section in Connect.

**Management Asset Gallery—for Instructors and Students:** Management Asset Gallery is a one-stop-shop for a wealth of McGraw-Hill management assets, making it easier for instructors to locate specific materials to enhance their courses, and for students (Student Asset Gallery) to supplement their knowledge. The Instructor Asset Gallery includes non-text-specific management resources (Self-Assessments, Test Your Knowledge exercises, videos\*, Manager's HotSeat, and additional group and individual exercises) along with supporting PowerPoint® and Instructor Manual materials.

**The Manager's HotSeat:** A resource within the Management Asset Gallery, the Manager's HotSeat allows students to watch over 14 real managers apply their years of experience to confront daily issues such as ethics, diversity, teamwork, and the virtual workplace. Students are prompted for their feedback throughout each scenario and then submit a report critiquing the manager's choices, while defending their own. The Manager's HotSeat is ideal for group or classroom discussions.



NEW to the ninth edition of McShane! Visualized data tailored to your needs as an instructor makes it possible to quickly confirm early signals of success, or identify early warning signs regarding student performance or concept mastery—even while on the go.

\*The 'Management in the Movies' videos are not licensed for distribution outside of the USA, however adopting instructors are able to access the Instructor Notes.

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## Acknowledgements

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Organizational behaviour is a fascinating subject. It is also incredibly relevant and valuable, which becomes apparent while developing a world-class book such as *Canadian Organizational Behaviour, Ninth Edition*. Throughout this project, we witnessed the power of teamwork, the excitement of creative thinking, and the motivational force of the vision that we collectively held as our aspiration. The tight coordination and innovative synergy was evident throughout this venture. Our teamwork is even more amazing when you consider that most of us in this project are scattered throughout Canada, and the lead co-author (Steve) spends most of his time on the other side of the planet!

Group Product Manager Kim Brewster led the development of *Canadian Organizational Behaviour* with unwavering enthusiasm and foresight. Product Developer Tracey Haggert orchestrated the daily process with superhuman skill and determination, which is particularly important given the magnitude of this revision, the multiple authors, the pressing deadlines, and the 24-hour time zones in which we operated. Photo researcher and permissions editor Monika Schurmann efficiently and persistently tracked down the images that we sought out. Michelle Losier created a refreshing book design that elegantly incorporated the writing, exhibits, examples, photos, and many other resources that we pack into this volume. We also extend our thanks to Evan Turner for superb copy editing, and Supervising Editor Joanne Limebeer for leading the production process like a precision timepiece. Thanks to you all. This has been a truly wonderful journey!

Several dozen instructors around the world reviewed parts or all of *Canadian Organizational Behaviour, Ninth Edition*, or related editions in the United States, Asia Pacific region, and elsewhere since the previous Canadian edition. Their compliments were energizing, and their suggestions significantly improved the final product. The following people from Canadian colleges and universities provided the most recent feedback for improvements specifically for *Canadian Organizational Behaviour, Ninth Edition*:

Stan Arnold	<i>Humber College</i>
Gordon Barnard	<i>Durham College</i>
Anna Bortolon	<i>Conestoga College</i>
Julie Bulmash	<i>George Brown College</i>
Kerry Couet	<i>Grant MacEwan University</i>
Claude Dupuis	<i>Athabasca University</i>
Patricia Fitzgerald	<i>St Mary's University</i>
Thomas Foard	<i>University of Guelph</i>
Allan Fraser	<i>Cape Breton University</i>
Carolyn Gaunt	<i>Cambrian College</i>
Simon Gortana	<i>Seneca College of Applied Arts and Technology</i>
Maurice Grzeda	<i>Laurentian University</i>
Iren Heder	<i>University of Victoria</i>
Mike Kelly	<i>Nova Scotia Community College</i>
Lesley McCannell	<i>Kwantlen Polytechnic University</i>
David Richards	<i>Lakehead University</i>
Kirsten Robertson	<i>Simon Fraser University</i>
Peter Seidl	<i>British Columbia Institute of Technology</i>
Halinka Szwender	<i>Camosun College</i>
Hayfaa Tlaiss	<i>University of New Brunswick</i>
Diane White	<i>Seneca College</i>
Yanelia Yabar	<i>Red Deer College</i>

We would also like to extend thanks to the exceptional efforts of Claude Dupuis, Athabasca University, who championed and wrote Connect, and revised the test bank. His enthusiasm and expertise in organizational behaviour teaching really glows in his work on this project.



Steve would like to thank Kevin Tasa for joining as a co-author of *Canadian Organizational Behaviour*. His scholarly expertise and practical orientation are a unique combination that contribute significantly to this book. Steve also thanks Sandra Steen for her contribution to this and previous editions, and for her exceptional work on the instructor side of Connect as well as for authoring LearnSmart. The students who attend Steve's courses in organizational behaviour and leadership effectiveness deserve special recognition for sharing their real-life experiences and providing valuable ongoing feedback on the book and class activities. But more than anyone else, Steve is forever indebted to his wife Donna McClement and to their wonderful daughters, Bryton and Madison. Their love and support give special meaning to Steve's life.

Vancouver-based HootSuite is a rapidly growing technology success story through its visionary leadership, adaptability, collaborative and creative culture, and other effective organizational behaviour practices.

## Chapter

# 1

# Introduction to the Field of Organizational Behaviour

Courtesy of HootSuite

### LEARNING OBJECTIVES

*After studying this chapter, you should be able to:*

**L01.** Define organizational behaviour and organizations, and discuss the importance of this field of inquiry.

**L02.** Compare and contrast the four current perspectives of organizational effectiveness.

**L03.** Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.

**L04.** Discuss the anchors on which organizational behaviour knowledge is based.

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HootSuite supports employee morale, well-being, and motivation in many other ways. Its new downtown Vancouver headquarters is distinctively Canadian, complete with tree

stump chairs, meeting room tents, and a cabin with cots where employees can take a nap. Employees also enjoy an exercise room, games area, and a generously outfitted kitchen (with free coffee and beer on tap). HootSuite has avoided the dreaded annual performance reviews. Instead, it relies on developmental coaching, recognition, and meaningful work to motivate and train staff. “No one is cracking a whip at HootSuite, because they don’t have to,” observes Paul Donnelly, one of HootSuite’s first employees. “Everyone has the same goal of building something incredible, and they are self-motivated to do so.”<sup>1</sup>

## Welcome to the Field of Organizational Behaviour!

Visionary leadership. Collaboration and creativity. Pleasant, team-oriented facilities. Meaningful work. Developmental coaching. These are just a few of the organizational behaviour topics and practices that HootSuite Media Inc. has relied on to achieve its success. In every sector of the economy, organizations need to employ skilled and motivated people who can be creative, work in teams, and maintain a healthy lifestyle. They need leaders with foresight and vision, who support innovative work practices, and make decisions that consider the interests of multiple stakeholders. In other words, the best companies succeed through the concepts and practices that we discuss in this organizational behaviour book.

Our purpose is to help you understand what goes on in organizations, including the thoughts and behaviour of employees and teams. We examine the factors that make companies effective, improve employee well-being, and drive successful collaboration among coworkers. We look at organizations from numerous and diverse perspectives, from the deepest foundations of employee thoughts and behaviour (personality, self-concept, commitment, etc.) to the complex interplay between the organization’s structure and culture and its external environment. Along this journey, we emphasize why things happen and what you can do to predict and manage organizational events.

We begin this chapter by introducing you to the field of organizational behaviour and why it is important to your career and to organizations. Next, this chapter describes the “ultimate dependent variable” in organizational behaviour by presenting the four main perspectives of organizational effectiveness. We then introduce an integrating model of organizational behaviour to help guide you through the topics in this book. This is followed by an overview of three challenges facing organizations: globalization, increasing workforce diversity, and emerging employment relationships. We complete this opening chapter by describing four anchors that guide the development of organizational behaviour knowledge.

## The Field of Organizational Behaviour

### LO1

**organizational behaviour (OB)** The study of what people think, feel, and do in and around organizations.

**organizations** Groups of people who work interdependently toward some purpose.

**Organizational behaviour (OB)** is the study of what people think, feel, and do in and around organizations. It looks at employee behaviour, decisions, perceptions, and emotional responses. It examines how individuals and teams in organizations relate to each other and to their counterparts in other organizations. OB also encompasses the study of how organizations interact with their external environments, particularly in the context of employee behaviour and decisions. OB researchers systematically study these topics at multiple levels of analysis, namely, the individual, team (including interpersonal), and organization.<sup>2</sup>

The definition of organizational behaviour begs the question: What are organizations? **Organizations** are groups of people who work interdependently toward some purpose.<sup>3</sup> Notice that organizations are not buildings or government-registered entities. In fact, many organizations exist without either physical walls or government documentation to confer their legal status. Organizations have existed for as long as people have worked together. Massive temples dating back to 3500 BCE were constructed through the organized actions of multitudes of people. Craftspeople and merchants in ancient Rome formed guilds, complete

with elected managers. More than 1,000 years ago, Chinese factories were producing 125,000 tons of iron each year. Closer to home, the Hudson's Bay Company holds the distinction of being North America's oldest commercial enterprise. Founded in 1670, the Winnipeg-based company was granted exclusive control over one-quarter of North America for almost 200 years.<sup>4</sup>

Throughout history, these and other organizations have consisted of people who communicate, coordinate, and collaborate with each other to achieve common objectives. One key feature of organizations is that they are collective entities. They consist of human beings (typically, but not necessarily, employees), and these people interact with each other in an *organized* way. This organized relationship requires some minimal level of communication, coordination, and collaboration to achieve organizational objectives. As such, all organizational members have degrees of interdependence with each other; they accomplish goals by sharing materials, information, or expertise with co workers.

A second key feature of organizations is that their members have a collective sense of purpose. This collective purpose isn't always well defined or agreed on. Although most companies have vision and mission statements, these documents are sometimes out of date or don't describe what employees and leaders try to achieve in reality. Still, imagine an organization without a collective sense of purpose. It would be a collection of people without direction or unifying force. So, whether it's developing leading-edge Internet products at HootSuite or designing better aircraft at Bombardier Inc., people working in organizations do have some sense of collective purpose. As Steve Jobs, the late cofounder of Apple Inc. and Pixar Animation Studios, once said: "A company is one of humanity's most amazing inventions. It's totally abstract. Sure, you have to build something with bricks and mortar to put the people in, but basically a company is this abstract construct we've invented, and it's incredibly powerful."<sup>5</sup>

## HISTORICAL FOUNDATIONS OF ORGANIZATIONAL BEHAVIOUR

Organizational behaviour emerged as a distinct field around the early 1940s, but organizations have been studied by experts in other fields for many centuries. The Greek philosopher Plato wrote about the essence of leadership. Around the same time, the Chinese philosopher Confucius extolled the virtues of ethics and leadership. In 1776, Adam Smith discussed the benefits of job specialization and division of labour. One hundred years later, German sociologist Max Weber wrote about rational organizations, the work ethic, and charismatic leadership. Soon after, industrial engineer Frederick Winslow Taylor proposed systematic ways to organize work processes and motivate employees through goal setting and rewards.<sup>6</sup>

In the early 1900s, before he became Canada's longest serving prime minister, William Lyon Mackenzie King was a pioneering consultant who wrote about the need for more worker involvement and organizational reward systems. In the 1930s, Harvard professor Elton Mayo and his colleagues countered prevailing OB practices that focused on changes to working conditions and job duties, by establishing the "human relations" school of management. Their theories emphasized the study of employee attitudes and informal group dynamics in the workplace. Also during that time, Mary Parker Follett offered new ways of thinking about constructive conflict, team dynamics, power, and leadership. Chester Barnard, another OB pioneer and respected executive, wrote insightful views regarding organizational communication, coordination, leadership and authority, organizations as open systems, and team dynamics.<sup>7</sup> This brief historical tour indicates that OB has been around for a long time; it just wasn't organized into a unified discipline until around World War II.

## WHY STUDY ORGANIZATIONAL BEHAVIOUR?

Organizational behaviour instructors face a challenge: Students who have not yet begun their careers tend to value courses related to specific jobs, such as accounting and marketing.<sup>8</sup> However, OB doesn't have a specific career path—there is no "vice president of OB"—so students sometimes have difficulty recognizing the future value that OB knowledge can offer.

Elton Mayo (left), Fritz Roethlisberger (right), and others at Harvard University reported that employee attitudes, formal team dynamics, informal groups, and supervisor leadership style influenced employee performance and well-being. This countered the dominant view, which attempted to improve work efficiency by changing working conditions and job duties. Mayo's human relations approach laid the foundation for the field of organizational behaviour as we know it today.<sup>11</sup>



HBS Archives Photograph Collection: Faculty and Staff. Baker Library Historical Collections. Harvard Business School.

Meanwhile, students with several years of work experience identify OB as one of the most important courses. Why? Because they have learned through experience that OB *does make a difference* to one's career success. OB helps us to make sense of and predict the world in which we live.<sup>9</sup> We use OB theories to question our personal beliefs and assumptions and to adopt more evidence-based models of workplace behaviour.

But probably the greatest value of OB knowledge is that it helps us to get things done in the workplace.<sup>10</sup> By definition, organizations are people who work together to accomplish things, so we need a toolkit of knowledge and skills to work successfully with others. Building a high-performance team, motivating co workers, handling workplace conflicts, influencing your boss, and changing employee behaviour are just a few of the areas of knowledge and skills offered in organizational behaviour. No matter what career path you choose, you'll find that OB concepts play an important role in performing your job and working more effectively within organizations.



**Is OB just common sense?** See page 24 or visit [connect.mcgrawhill.com](https://connect.mcgrawhill.com) to assess the extent to which your personal theories about what goes on in organizations are consistent with current organizational behaviour evidence.

**Organizational Behaviour is for Everyone** A common misunderstanding is that organizational behaviour is for managers. Although this knowledge is critical for effective management, this book pioneered the broader view that OB is valuable for everyone who works in and around organizations. Whether you are a software engineer, customer service representative, foreign exchange analyst, or chief executive officer, you need to understand and apply the many organizational behaviour topics that are discussed in this book. Most organizations will probably always have managers, and this book recognizes the relevance of OB knowledge in these vital roles. But all employees need OB knowledge as the work environment increasingly expects us to be self-motivated and to work effectively with coworkers without management intervention. In the words of one forward-thinking OB writer more than four decades ago: Everyone is a manager.<sup>12</sup>

**OB and the Bottom Line** Up to this point, our answer to the question “Why study OB?” has focused on how organizational behaviour knowledge benefits you as an individual. However, OB knowledge is just as important for the organization’s financial health. HootSuite illustrates this point: its success has been driven by visionary leadership, teamwork, a creative culture, and many other organizational behaviour practices.

Numerous studies have reported that OB practices are powerful predictors of the organization’s survival and success.<sup>13</sup> One investigation found that hospitals with higher levels of specific OB activities (e.g., training, staff involvement, reward and recognition) have lower patient mortality rates. Another study found that companies receiving “the best place to work” awards have significantly higher financial and long-term stock market performance. Companies with higher levels of employee engagement have significantly higher sales and profitability (see Chapter 5).

The bottom-line value of organizational behaviour is also supported by Canadian and international research into the best predictors of investment portfolio performance. These investigations suggest that specific OB characteristics (leadership, employee attitudes, performance-based rewards, employee development, work-life balance, and so on) are important “positive screens” for selecting companies with the highest and most consistent long-term investment gains. For example, a leading Canadian investment analyst recently identified the top five factors to consider when deciding whether to invest in a company. First on his list is whether the company’s “management team has great prior experience and a vested interest in their company.”<sup>14</sup>

## Perspectives of Organizational Effectiveness

### L02

#### organizational effectiveness

A broad concept represented by several perspectives, including the organization’s fit with the external environment, internal subsystems configuration for high performance, emphasis on organizational learning, and ability to satisfy the needs of key stakeholders.

**open systems** A perspective which holds that organizations depend on the external environment for resources, affect that environment through their output, and consist of internal subsystems that transform inputs to outputs.

Almost all organizational behaviour theories have the implicit or explicit objective of making organizations more effective.<sup>15</sup> In fact, **organizational effectiveness** is considered the “ultimate dependent variable” in organizational behaviour.<sup>16</sup> This means that organizational effectiveness is the outcome that most OB theories are ultimately trying to achieve. Many theories use different labels—organizational performance, success, goodness, health, competitiveness, excellence—but they are basically presenting models and recommendations that help organizations to be more effective.

Many years ago, OB experts thought the best indicator of a company’s effectiveness is how well it achieved its stated objectives. According to this definition, Loblaw Companies Limited would be an effective organization if it meets or exceeds its annual sales and profit targets. Today, we know this isn’t necessarily so. Any leadership team could set corporate goals that are easy to achieve, yet would put the organization out of business. These goals could also be left in the dust by competitors’ more aggressive objectives.

Worse still, some goals might aim the organization in the wrong direction. Consider the following situation at a Canadian airline several years ago: The board gave the new CEO a mandate to reduce costs and dramatically improve profitability. The CEO accomplished these organizational goals by reducing the training budget and cancelling the purchase of new aircraft. Within a few years (after the CEO had taken a job elsewhere), the company was burdened by higher maintenance costs to keep the old planes flying safely and was losing customers to airlines with better-trained staff and more modern fleets. The airline never recovered and was eventually acquired by Air Canada. The CEO achieved the stated goals, but the company was ineffective in the long run.

This book takes the view that the best yardstick of organizational effectiveness is a composite of four perspectives: open systems, organizational learning, high-performance work practices, and stakeholders.<sup>17</sup> Organizations are effective when they have a good fit with their external environment, are learning organizations, have efficient and adaptive internal subsystems (i.e., high-performance work practices), and satisfy the needs of key stakeholders. Let’s examine each of these perspectives in more detail.

### OPEN SYSTEMS PERSPECTIVE

The **open systems** perspective of organizational effectiveness is one of the earliest and well entrenched ways of thinking about organizations.<sup>18</sup> Indeed, the other major organizational effectiveness perspectives might be considered detailed extensions of the open systems

model. This perspective views organizations as complex organisms that “live” within an external environment, rather like the illustration in Exhibit 1.1. The word *open* describes this permeable relationship, whereas *closed systems* operate without dependence on or interaction with an external environment.

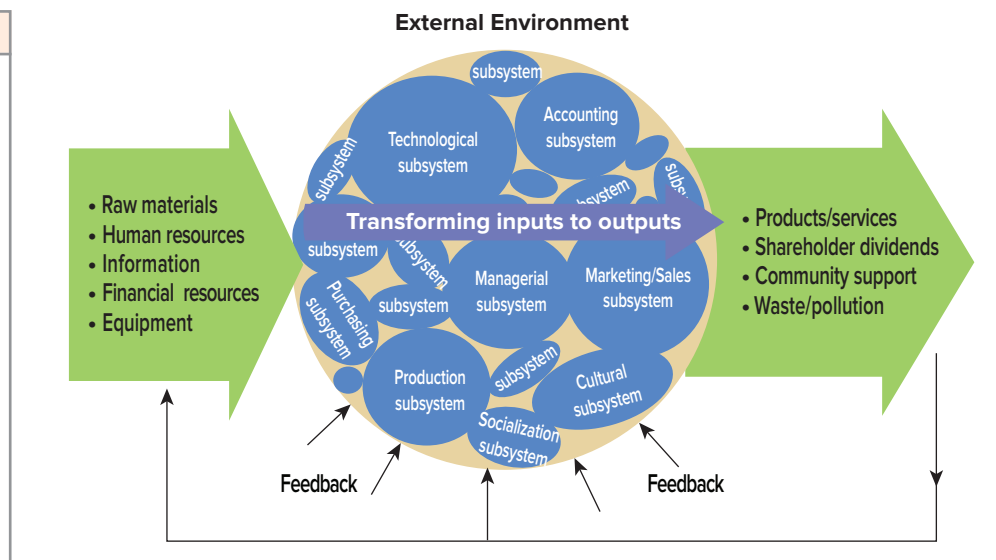
As open systems, organizations depend on the external environment for resources, including raw materials, job applicants, financial resources, information, and equipment. The external environment also consists of rules and expectations, such as laws and cultural norms, that place demands on how organizations should operate. Some environmental resources (e.g., raw materials) are transformed into outputs that are exported to the external environment, whereas other resources (e.g., job applicants, equipment) become subsystems in the transformation process.

Inside the organization are numerous subsystems, such as departments, teams, informal groups, work processes, technological configurations, and other elements. Many of these subsystems are also systems with their own subsystems.<sup>19</sup> For example, the Canadian Tire store in Belleville, Ontario, is a subsystem of the Canadian Tire chain, but the Belleville store is also a system with its own subsystems of departments, teams, and work processes. An organization’s subsystems are dependent on each other as they transform inputs into outputs. Some outputs (e.g., products, services, community support) may be valued by the external environment, whereas other outputs (e.g., employee layoffs, pollution) are undesirable by-products that may have adverse effects on the environment and the organization’s relationship with that environment. Throughout this process, organizations receive feedback from the external environment regarding the value of their outputs and the availability of future inputs.

**Organization-Environment Fit** According to the open systems perspective, organizations are effective when they maintain a good “fit” with their external environment.<sup>20</sup> Good fit exists when the organization’s inputs, processes, and outputs are aligned with the needs and expectations of the external environment. There are three ways that companies maintain a good environmental fit. The most common strategy to fit with the external environment is to change the company’s products and services as well as how those outputs are produced. Zara, the world’s largest fashion retailer, relies on continuous adaptation to maintain a good fit with its highly volatile external environment. As Global Connections 1.1 describes, the Spanish company receives continuous feedback from each of its 6,000 stores, and then uses that feedback along with ongoing creativity to rapidly design, manufacture, and deliver new styles. In contrast, fashion retailers with a poor environmental fit are overstocked with products that few people want to buy and respond slowly to changing preferences.

## EXHIBIT 1.1

### Open Systems Perspective of Organizations





## Global Connections 1.1:

### ZARA'S OPEN SYSTEMS THINKING FOR FAST FASHION

As the world's largest clothing retailer, Zara thrives in one of the world's most volatile industries. What's their secret to success? The Spanish company has a business model that applies open systems thinking.

In the fashion industry, customer preferences change quickly and have limited predictability. Zara maintains a close fit with that turbulent environment by experimenting with numerous new styles, receiving almost immediate and continuous feedback about which ones are most popular, learning what minor adjustments would make the styles more appealing and quickly producing and delivering new or revised styles to better fit current demand. In fact, Zara practically invented the notion of "fast fashion," whereby the company responds quickly to customer preferences and fashion trends. This contrasts with most other retailers, who produce a limited variety of styles, produce only two or three batches of new designs each year, and require up to six months for those designs to show up in stores.

The nucleus of this open systems process is an aircraft hangar-sized room at Zara's headquarters in A Coruña, Spain (shown in this photo). In the centre of the room is a long line of facing desks where regional managers from two dozen countries are in daily contact with each of the

company's 6,000 stores in 86 countries. Equally important, sales staff are trained to ask customers about why they bought a garment or how a garment could be designed more to their liking. These customer comments are then quickly reported back to headquarters. On both sides of the room are designers and other staff who use this continuous store feedback to revise existing styles as well as spark ideas for new designs.

Suppose several regional managers receive reports that the new line of women's white jackets is selling slowly; however, customers have told sales staff they would buy that style of jacket in a cream-colour with silkier fabric. Designers receive this information and quickly get to work designing a cream-coloured jacket with the preferred material. Some regional differences exist, of course, but Zara reports that most of its products are in demand globally. Zara also produces limited stock of a large variety of designs. This allows the company to sample a wider array of market preferences while minimizing the problem of having too much inventory. In fact, knowing that Zara's products are constantly changing attracts customers back to the stores more often.

Rapid and rich feedback from stores is vital, but Zara also thrives on its quick response to that feedback. Most fashion retailers rely on independent manufacturers in distant countries who require several months lead time to produce a garment. Zara uses these low-cost manufacturers to some extent, but half of its garments are made "in proximity" from nearby Spanish companies as well as in Portugal, Morocco, and Turkey. Nearby manufacturing costs more, but often takes less than three weeks for a new design from these nearby sites to arrive in the stores, which receive new stock twice each week.<sup>21</sup>



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Zara, the Spanish fashion retail giant, relies on an open systems perspective to achieve success in one of the world's most volatile industries.

A second way that organizations maintain a good fit is actively managing their external environment. Many firms manage their environment through marketing, which attempts to increase demand for their products or services. Others gain exclusive rights to particular resources (e.g., exclusive rights to sell a known brand) or restrict competitor access to valued resources. Still others lobby for legislation that strengthens their position in the marketplace or try to delay legislation that would disrupt their business activities.

The third way organizations maintain a healthy fit is to change their business or market location. In other words, if the external environment is too challenging, organizations move to a new environment that can sustain them. For example, IBM exited the computer products industry when senior executives (correctly) predicted that selling computers would be less prosperous than the rapidly growing technology services business.

**Internal Subsystems Effectiveness** According to the open systems perspective, an organization's effectiveness isn't just its fit with the external environment. Effectiveness is also how well the company internally transforms inputs into outputs. The most common



**organizational efficiency** The amount of outputs relative to inputs in the organization's transformation process.

indicator of this internal transformation process is **organizational efficiency** (also called *productivity*), which is the ratio of inputs to outputs.<sup>22</sup> Companies that produce more goods or services with less labour, materials, and energy are more efficient. At the same time, organizations need transformation processes that are *adaptive* and *innovative*.<sup>23</sup> Adaptivity makes the organization's transformation process more responsive to changing conditions and customer needs. Innovation enables the company to design work processes that are superior to what competitors can offer. Zara (described in Global Connections 1.1) has a highly adaptive transformation process because it is able to continuously revise styles in line with customer preferences. At the same time, Zara is highly efficient because new fashion ideas become products on store racks within a few weeks (whereas most fashion companies require several months).

An important feature of effective organizations is that their internal subsystems coordinate well with each other.<sup>24</sup> This coordination becomes a significant challenge as companies grow because they develop increasingly complex subsystems. This complexity increases the risk that information will get lost, ideas and resources are hoarded, messages are misinterpreted, and rewards are distributed unfairly. Subsystems are also interconnected, so small changes to work practice in one subsystem may ripple through the organization and undermine the effectiveness of other subsystems. Consequently, organizations need to maintain an efficient and adaptable transformation process through work procedures, informal communication, and other coordinating mechanisms (see Chapter 13).

## ORGANIZATIONAL LEARNING PERSPECTIVE

The open systems perspective has traditionally focused on physical resources that enter the organization and are processed into physical goods (outputs). This was representative of the industrial economy, but at HootSuite and many other companies knowledge is by far the most important input. Even in companies that produce physical products, knowledge is a key ingredient to success.<sup>25</sup> The **organizational learning** perspective takes the view that effective organizations find ways to acquire, share, use, and store knowledge. These processes build the organization's stock of knowledge, known as its **intellectual capital**.

Intellectual capital exists in three forms: human capital, structural capital, and relationship capital.<sup>26</sup> **Human capital** refers to the knowledge, skills, and abilities that employees carry around in their heads. Human capital is a competitive advantage because it is valuable, rare, difficult to imitate, and nonsubstitutable.<sup>27</sup> Specifically, human capital is valuable because employees are essential for the organization's survival and success. It is also rare and difficult to imitate, meaning that talented people are difficult to find and it is costly and challenging for competitors to duplicate another firm's human capital. Finally, human capital is nonsubstitutable because it cannot be easily replaced by technology.

In spite of its competitive advantage, human capital is a huge risk for most organizations. Employees remove valuable knowledge when they leave, which makes the company less effective.<sup>28</sup> "Ninety-five percent of my assets drive out the gate every evening," says Jim Goodnight, CEO of statistical software developer SAS Institute, Inc. "As such, it's my job to maintain a work environment that keeps those people coming back every morning. The creativity they bring to SAS is a competitive advantage for us."<sup>29</sup>

Fortunately, even if every employee left the organization, some intellectual capital remains as structural capital. **Structural capital** includes the knowledge captured and retained in an organization's systems and structures, such as the documentation of work procedures and the physical layout of the production line.<sup>30</sup> Structural capital also includes the organization's finished products because knowledge can be extracted by taking them apart to discover how they work and are constructed (i.e., reverse engineering). The third form of intellectual capital is **relationship capital**, which is the value derived from an organization's relationships with customers, suppliers, and others who provide added mutual value for the organization. It includes the organization's goodwill, brand image, and combination of relationships that organizational members have with people outside the organization.<sup>31</sup>

An organization's intellectual capital develops and is maintained through the four organizational learning processes shown in Exhibit 1.2: acquiring, sharing, using, and storing knowledge.<sup>32</sup>

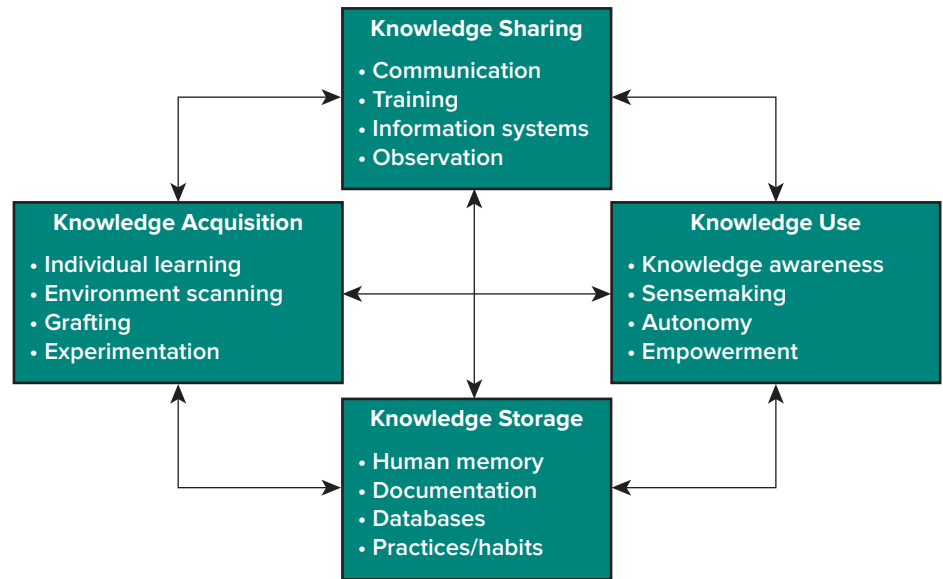
**organizational learning** A perspective which holds that organizational effectiveness depends on the organization's capacity to acquire, share, use, and store valuable knowledge.

**intellectual capital** A company's stock of knowledge, including human capital, structural capital, and relationship capital.

**human capital** The stock of knowledge, skills, and abilities among employees that provide economic value to the organization.

**structural capital** Knowledge embedded in an organization's systems and structures.

**relationship capital** The value derived from an organization's relationships with customers, suppliers, and others.

**EXHIBIT 1.2****Four Organizational Learning Processes**

**Knowledge Acquisition** Knowledge acquisition includes extracting information and ideas from the external environment as well as through insight. HootSuite, the social media technology company described in the opening case study, achieves this by actively recruiting talented people and buying entire companies (called *grafting*). It also acquires knowledge through experimentation—generating new ideas and products through creative discovery and testing. A third knowledge acquisition strategy is environmental scanning, such as actively monitoring customer trends and competitor activities. A fourth strategy is individual learning, such as when employees acquire formal training from sources outside the organization.

**Knowledge Sharing** Knowledge sharing refers to distributing knowledge throughout the organization. This mainly occurs through communication with and learning from co-workers (training, observation, etc.). Research suggests that companies encourage informal communication through their organizational structure, physical work space, corporate culture, and social activities.<sup>33</sup> The opening case study described several of these practices at HootSuite. Company intranets and digital information repositories also support knowledge sharing.

**Knowledge Use** The competitive advantage of knowledge ultimately comes from using it in ways that add value to the organization and its stakeholders. To do this, employees must be aware that the knowledge exists, be able to locate it, and have enough freedom to apply it. This requires a culture that encourages experimentation and open communications, and recognizes that mistakes are part of that process.

**Knowledge Storage and Organizational Memory** Knowledge storage is the process of holding knowledge for later retrieval. Stored knowledge, often called *organizational memory*, includes knowledge that employees recall as well as knowledge embedded in the organization's systems and structures.<sup>34</sup> One way of retaining the organization's memory is motivating employees to remain with the company. HootSuite and other progressive businesses achieve this by introducing more appealing work practices, such as developmental coaching, pleasant work environments, and jobs that offer more autonomy. A second organizational memory strategy is to systematically transfer knowledge to other employees. This occurs when newcomers apprentice with skilled employees, thereby acquiring knowledge that is not documented. A third strategy is to document knowledge that was previously hidden in the minds of individual employees. For instance, Reliance Industries, India's largest