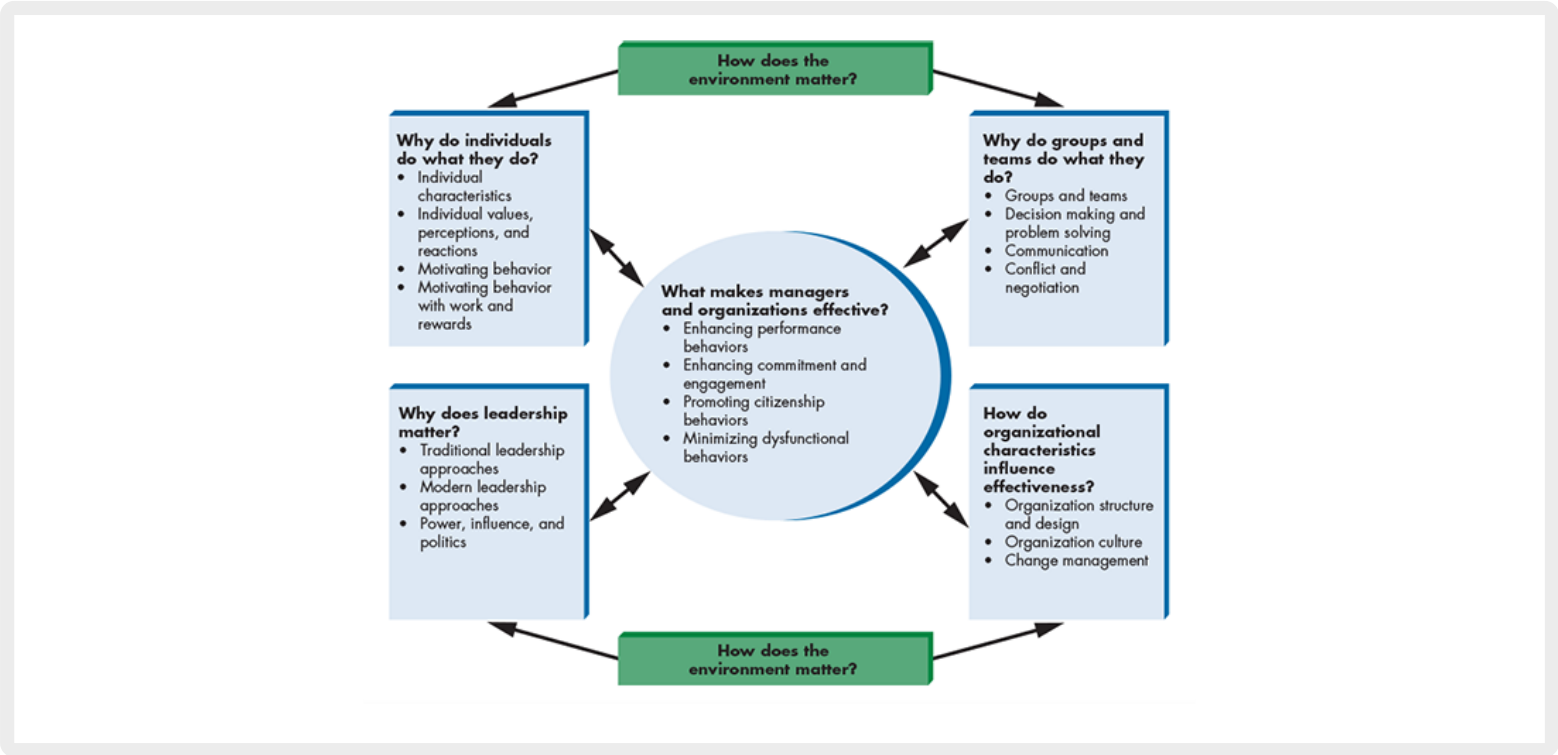


Part 1. Introduction to Organizational Behavior

Introduction

Managers strive to make their organizations as effective and successful as possible. To do this they rely on assets and resources such as financial reserves and earnings, technology and equipment, raw materials, information, and operating systems and processes. But at the center of everything are the people who work for the organization. It is usually their talent, effort, skill, and ability that differentiate effective from less effective organizations. It is critical, then, that managers understand how the behaviors of their employees impact organizational effectiveness.

In general, managers work to enhance employee performance behaviors, commitment and engagement, and citizenship behaviors and to minimize various dysfunctional behaviors. A number of environmental, individual, group and team, leadership, and organizational characteristics can make the manager's work easier or more difficult depending on how well they understand organizational behavior. This model will be more fully developed in Chapter 1 and will serve as a roadmap for your study of organizational behavior throughout this book.



Chapter 1. An Overview of Organizational Behavior

Learning Outcomes

After studying this chapter, you should be able to:

1. Define organizational behavior and describe how it impacts both personal and organizational success.

2. Identify the basic management functions and essential skills that comprise the management process and relate them to organizational behavior.
3. Describe the strategic context of organizational behavior and discuss the relationships between strategy and organizational behavior.
4. Identify and describe contextual perspectives on organizational behavior.
5. Describe the role of organizational behavior in managing for effectiveness and discuss the role of research in organizational behavior.
6. Summarize the framework around which this book is organized.

Real-World Challenge

Managing Growth at Google

Google got its start in 1998 when college classmates and friends Larry Page and Sergey Brin cofounded the firm with the goal of using an online search engine to make the world's information available to everyone.* Because Google was a startup, the young entrepreneurs also understood that attracting, inspiring, and retaining just the right kind of innovative talent would be a key to the firm's success from the very beginning.

As soon as Google began to grow, Page and Brin knew that they had created something special. They also knew, though, that the firm's explosive growth needed to be closely monitored and that its employees needed to continue feeling like an important part of the team.* The entrepreneurs, who quickly had to also become managers, wanted to make Google an engaging place to work and set out to design the organization and its culture in a way that would appeal to its current and future employees. Imagine that Google's founders asked you for advice during the early days of Google. What advice would you give them about the role of its people in its future success and how to set up the company to maximize employee innovation, trust, and loyalty?



AP IMAGES/DYCI

Regardless of their size, scope, or location, all organizations have at least one thing in common—they are made up of people. It is these people who make decisions about the strategic direction of a firm, it is they who acquire the resources the firm uses to create new products, and it is they who sell those products. People manage a firm's corporate headquarters office locations, its warehouses and distribution centers, and its information technology facilities, and it is people who clean up at the end of the day. No matter how effective a manager might be, all organizational successes—and failures—are the result of the behaviors of many people. Indeed, no manager can succeed without the assistance of others.





LITTLE PIG STUDIO/SHUTTERSTOCK.COM; ISTOCK.COM/IPGGUTENBERGUKLTD

The success of any organization is often determined by how effectively managers can enhance the performance behaviors of their employees, enhance their commitment to and engagement with the organization, promote citizenship behaviors, and minimize dysfunctional behaviors. For instance, the first group of employees appears to be working together productively and with enthusiasm, while the second group of employees seems to be frustrated and less productive.

Thus, any manager—whether responsible for a big business such as Google, Abercrombie & Fitch, General Electric, Apple, Starbucks, or British Airways; for a niche business such as the Boston Celtics basketball team or a Mayo Clinic facility; or for a local Pizza Hut restaurant or neighborhood dry cleaners—must strive to understand the people who work in the organization. This book is about those people. It is also about the organization itself and the managers who operate it. Together, the study of organizations and the study of the people who work in them constitute the field of organizational behavior. Our starting point in exploring this field begins with a more detailed discussion of its meaning and its importance to employees, business owners, and managers.

What Is Organizational Behavior?

What exactly is meant by the term “organizational behavior”? And why should it be studied? Answers to these two fundamental questions will both help establish our foundation for discussion and analysis and help you better appreciate the rationale as to how and why understanding the field can be of value to you in the future.

The Meaning of Organizational Behavior

Organizational behavior (OB) is the study of human behavior in organizational settings, of the interface between human behavior and the organization, and of the organization itself.* Although we can focus on any one of these three areas, we must also remember that all three are ultimately necessary for a comprehensive understanding of organizational behavior. For example, we can study individual behavior without explicitly considering the organization. But because the organization influences and is influenced by the individual, we cannot fully understand the individual’s behavior without learning something about the organization. Similarly, we can study organizations without focusing explicitly on the people within them. But again, we are looking at only a portion of the puzzle. Eventually we must consider the other pieces, as well as the whole. Essentially, then, OB helps explain and predict how people and groups interpret events, react, and behave in organizations and describes the role of organizational systems, structures, and process in shaping behavior.



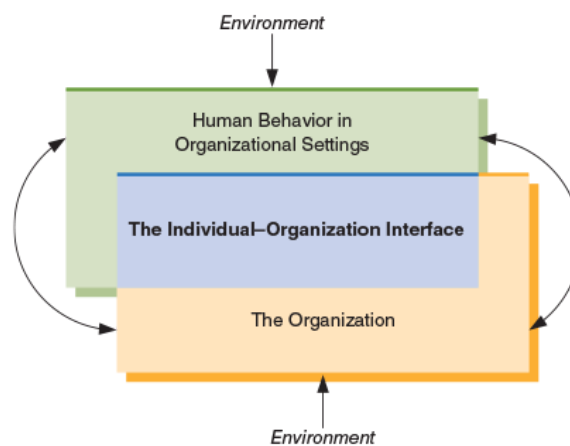
ISTOCK.COM/LOKIBAH0

Managers at businesses like The Home Depot need to understand individual employee behavior, characteristics of the organization itself, and the interface between individual behavior and the organization.

Figure 1.1 illustrates this view of organizational behavior. It shows the linkages among human behavior in organizational settings, the individual–organization interface, the organization itself, and the environment surrounding the organization. Each individual brings to an organization a unique set of personal characteristics and a unique personal background and set of experiences from other organizations. Therefore, in considering the people who work in their organizations, managers must look at the unique perspective each individual brings to the work setting. For example, suppose managers at The Home Depot review data showing that employee turnover within the firm is gradually but consistently increasing. To help them better understand what is happening, further suppose that they hire a consultant to help give them insight into what is causing this trend. As a starting point, the consultant might analyze the types of people the company usually hires. The goal would be to learn as much as possible about the nature of the company’s workforce as individuals—their expectations, their personal goals, and so forth.

Figure 1.1.

The Nature of Organizational Behavior



The field of organizational behavior attempts to understand human behavior in organizational settings, the organization itself, and the individual–organization interface. As illustrated here, these areas are highly interrelated. Thus, although it is possible to focus on only one of these areas at a time, a complete understanding of organizational behavior requires knowledge of all three areas.

But individuals do not work in isolation. They come in contact with other people and with the organization in a variety of ways. Points of contact include managers, coworkers, the formal policies and procedures of the organization, and various changes implemented by the organization. In addition, over time, individuals change, as a function of personal experiences and maturity as well as through work experiences and organizational developments. The organization, in turn, is affected by the presence and eventual absence of the individual. Clearly, then, managers must also consider how the individual and the organization interact. Thus, the consultant studying turnover at The Home Depot might next look at the orientation procedures and initial training for newcomers to the organization. The goal of this phase of the study would be to understand some of the dynamics of how incoming individuals are introduced to and interact with the broader organizational context.

An organization, of course, exists before a particular person joins it and continues to exist after he or she leaves. Thus, the organization itself represents a crucial third perspective from which to view organizational behavior. For instance, the consultant studying turnover would also need to study the structure and culture of The Home Depot and how they might have changed. An understanding of factors such as a firm’s performance evaluation and reward systems, its decision-making and communication patterns, and the structure of the firm itself can provide added insight into why some people choose to leave a company and others elect to stay.

Clearly, then, the field of organizational behavior is both exciting and complex. Myriad variables and concepts accompany the interactions just described, and together these factors greatly complicate the manager’s ability to understand, appreciate, and manage others in the organization. They also provide unique and important opportunities to enhance personal and organizational effectiveness.

How Organizational Behavior Impacts Personal Success

You may be wondering about the relevance of OB to your current major or expected career path. You might be thinking, “I don’t know any organizational behavior managers. Why is this topic important?” We field this question all the time from people unfamiliar with OB. The core of OB is being effective at work. Understanding how people behave in organizations and why they do what they do is critical to working effectively with and managing others. OB gives everyone the knowledge and tools they need to be effective at any organizational level. OB is an important topic for anyone who works or who will eventually work in an organization, which is the case for most people. Moreover, OB is actually important to us as individuals from numerous perspectives.

In our relationships with organizations, we may adopt any one of several roles or identities. For example, we can be consumers, employees, suppliers, competitors, owners, or investors. Since most people who use this book are either present or future managers, we

will adopt a managerial perspective throughout our discussion. The study of organizational behavior can greatly clarify the factors that affect how managers manage. Hence, the field attempts to describe the complex human context of organizations and to define the opportunities, problems, challenges, and issues associated with that realm.

Whenever managers are surveyed ten to fifteen years out of school and asked to identify the most important classes they ever took, OB is usually one of them. This is not because it made them technically better in their area of specialty, but because it made them more effective employees and better managers. As one expert has put it, “It is puzzling that we seek expert advice on our golf game but avoid professional advice on how we can deal with other people.”* Fortunately, though, more and more informed managers have come to recognize the importance of learning to develop insights into human behavior at work and using these insights to help them compete more effectively.

Understand Yourself

Global Mindset

A global mindset reflects your ability to influence people, groups, and organizations from a variety of backgrounds and cultures. Multinational companies’ ability to create globally integrated systems depends on their ability to get employees, managers, and executives to understand and adapt to the realities of a globalized economy. The ability to integrate talent from many parts of the world faster and more effectively than other companies is a source of a firm’s competitive advantage* as well as your own personal competitive advantage.

Please use the following scale in responding to the ten questions below. When you are finished, follow the scoring instructions at the bottom to calculate your score. Then read more about what your score means, and how you can improve your global mindset.



- ___ 1. In interacting with others, I assign equal status to people regardless of their national origin.
- ___ 2. I consider myself as equally open to ideas from other countries and cultures as I am to ideas from my own country and culture of origin.
- ___ 3. Finding myself in a new cultural setting is exciting.
- ___ 4. I see the world as one big marketplace.
- ___ 5. When I interact with people from other cultures, it is important to me to understand them as individuals.
- ___ 6. I regard my values to be a hybrid of values acquired from multiple cultures as opposed to just one culture.
- ___ 7. I am very curious when I meet someone from another country.
- ___ 8. I enjoy trying food from other countries.
- ___ 9. In this interlinked world of ours, national boundaries are meaningless.
- ___ 10. I believe I can live a fulfilling life in another culture.

Scoring: Add up your responses to identify your global mindset score.

Interpretation: Because experiences influence global mindset in a positive or negative manner,* you can take steps to improve your global mindset. Based on your score, you might consider some of the personal development activities identified later, or you might come up with others.

If your score is between 10 and 20, you have a relatively low global mindset. Formal training/educational programs, self-study courses, university courses, or in-company seminars or management development programs can help you to increase your global mindset.

If your score is between 21 and 35, you have a moderate global mindset. You do not exhibit extremely high parochialism, but at the same time, you are not as open to people from other cultures as you could be. In addition to the self-development activities listed previously, you might consider joining some culturally diverse student organizations and making a point of befriending some people from other cultures to gain more experience and become more comfortable with people from other cultures.

If your score is between 36 and 50, you have a high global mindset. This means that you are open to meeting people from a variety of cultures and are comfortable with global diversity. This does not mean you cannot improve further! Joining international student organizations, working with international volunteer organizations, and befriending people from a variety of cultures will further develop your global mindset.

Sources: Adapted from Gupta, A. K., & Govindarajan, V. (2002). Cultivating a global mindset. *Academy of Management Executive*, 16(1), 116–126; Kefalas, A. G., & Neuland, E. W. (1997). Global mindsets: An exploratory study. Paper presented at the Annual Conference of the Academy of International Business, Monterrey, Mexico, 4–7 October; Nummela, N., Saarenketo, S., & Puimalainen, K. (2004). Global mindset—a prerequisite for successful internationalisation? *Canadian Journal of Administrative Sciences*, 21(1), 51–64.

These insights are also increasingly important as organizations become both more diverse and more global. We will discuss diversity and the importance of flexibly applying OB concepts to different people throughout the book. This chapter's *Understand Yourself* feature gives you the opportunity to better understand your global mindset or set of individual attributes that enable you to influence individuals, groups, and organizations from diverse socio/cultural/institutional systems.* Global mindset combines cultural intelligence and a global business orientation.* Most chief executives of large multinational organizations believe that having a strong cadre of globally minded leaders would strengthen their organization's competitiveness.*



OLGA KASHUBIN/SHUTTERSTOCK.COM

HSBC, a global financial services business, routinely sends its most promising young managers on international assignments. The purpose of this approach is to build a cohort of future top managers and leaders who have extensive international experience.

Because your global mindset is learned, experiences can influence it in a positive or negative manner.* Every year, the financial services giant HSBC sends promising new hires and managers into long-term business assignments abroad to build a cohort of experienced international officers. Locations include western countries as well as Saudi Arabia, Indonesia, and Japan. To have a successful career at HSBC, managers must perform well in these international assignments. This enables HSBC to develop a strong cadre of globally minded managers capable of cross-border learning. Similar approaches are pursued by other multinationals to enable them to transfer expertise and know-how across geographical, cultural, and political boundaries.*

How Organizational Behavior Impacts Organizational Success

Organizations as a whole also benefit when managers understand OB. Imagine the difference between a company with motivated, engaged employees with clear goals aligned with the business strategy and one with unhappy employees, a lot of conflict, weak leadership, and a lack of direction. Effectively implementing OB concepts and models is what creates effective and successful companies. OB is clearly important to organizations. By appropriately applying OB knowledge about individuals, groups, and the effect of organizational structure on worker behavior, the conditions can be created that make organizations most effective.

An understanding of OB also helps managers help their companies perform well in other ways. A mounting body of evidence shows that an emphasis on the softer side of business positively influences bottom-line results. By listening to employees, recognizing their work, building trust, and behaving ethically, managers have boosted such performance measures as operating earnings, return on investment, and stock price.* In addition to financial performance and job satisfaction, OB concepts influence absenteeism and turnover. Reducing absenteeism and turnover, in turn, can be worth millions of dollars to organizations through increased productivity and customer service and decreased staffing costs. This chapter's *Case Study* highlights The J.M. Smucker Company's attention to OB principles including ethics, organizational culture, and values.

Case Study

The J.M. Smucker Company

From its founding in 1897, when Jerome Monroe Smucker sold apple butter from the back of a horse-drawn wagon, the J.M. Smucker Company has recognized that acting ethically is a key element of its success. The Orrville, Ohio, manufacturer wants to ensure that its signature comfort foods—fruit spreads, frostings, juices, and beverages—remain American staples, and that its daily operations are guided by honesty, respect, trust, responsibility, and fairness.

Ensuring that the company meets the highest ethical standards starts with hiring people who already have a strong personal value system. To do this, Smucker steeps job candidates in its ethical standards and refers frequently to how company values relate to the particular position a job candidate is seeking. The company also engages in rigorous reference checks. Once hired, the ethics emphasis intensifies. Each new hire attends a daylong training seminar that includes presentations by company officials, videos, and breakout sessions on moral awareness, moral courage, and values.

The discussions go much deeper than a superficial review of how to be a good person. One session concentrates on three ways to make a decision when faced with a dilemma. One option is seeking to do the greatest good for the greatest number of people. The second is a rules-based approach in which the decision will set a standard that everyone else follows. The final alternative is to use the Golden Rule: “treat others as you would like to be treated.”

The sessions also explore the complexity of ethics. Employees are rarely in a clear-cut situation where right and wrong are obvious. Ethical decisions often involve a nuanced balance between right and wrong. For example, the choice an employee has to make may involve questions related to the pulls between truth and loyalty, the individual versus the community, and short-term versus long-term approaches to business decisions. Smucker communicates that it wants its employees to act with truth over loyalty, community over the individual, and long-term over short-term company interests. All employees go through the ethics program again every two years and sign a detailed nine-page ethics statement annually to ensure that they truly understand the

level of performance Smucker expects from them.

Smucker also strongly believes in environmental sustainability, including utilizing renewable energy, improving wastewater management, using sustainable raw materials, and reusing resources rather than consuming new ones. Smucker promotes social sustainability in the communities in which it operates, promoting initiatives and programs that support and enhance the quality of life. The J.M. Smucker Company has often appeared on *Fortune Magazine's* "100 Best Places to Work For" list, which it attributes in part to its strong culture.

Questions

1. Why would ethics be important to a company like J.M. Smucker? How can its focus on values and ethics improve its business performance?
2. Appearing on "best places to work" lists can increase an employer's popularity, even among lower-qualified applicants. The increased volume of applicants can be costly and time-consuming. What do you feel are the benefits and drawbacks to being on this type of list? Do you think that it is generally beneficial to be publicly recognized as a good employer? Why or why not?
3. Do J.M. Smucker's values and culture appeal to you as a potential employee? Why or why not?

Sources: J.M. Smucker. (2017). J.M. Smucker 2017 Annual Report. Available online: <http://www.jmsmucker.com/investor-relations/smuckers-annual-report>; Smucker Gift Will Establish Business Leadership Institute (2012, April 23). The University of Akron. Available online: http://www.uakron.edu/im/online-newsroom/news_details.dot?newsId=d24e5be1-b6fc-431b-871c-164ada224a69&crumbTitle=Smucker%20gift%20will%20establish%20business%20leadership%20institute; Harrington, A. (2005, January 27). Institute for Global Ethics Expands Focus on Business Practices with Center for Corporate Ethics, CSRWire. Available online: <http://www.csrwire.com/News/3473.html>; Schoeff, M. (2006, March 13). Workforce Management (p. 19); "Award-Winning Company," [smuckers.com](http://www.smuckers.com). Available online: http://www.smuckers.com/family_company/join_our_company/award_winning_company.aspx; and "Sustainability," [smuckers.com](http://www.smuckers.com). Available online: http://www.smuckers.com/family_company/join_our_company/sustainability.aspx.

One central value of organizational behavior is that it isolates important aspects of the manager's job and offers specific perspectives on the human side of management: people as organizations, people as resources, and people as people. To further underscore the importance of organizational behavior to managers, we should consider this simple fact: Year in and year out, most of the firms on *Fortune's* list of the world's most admired companies have impeccable reputations for valuing and respecting the people who work for them.* Similarly, as the use of technology steadily increases, virtual teams become more common. The success of virtual teams, in turn, often depends on the type of leadership exhibited by managers. Organizational behavior allows us to understand that as a leader of a virtual team, one must foster trust, encourage open dialogue, and clarify guidelines. Clearly, then, an understanding of organizational behavior can play a vital role in managerial work. To most effectively use the knowledge provided by this field, managers must thoroughly understand its various concepts, assumptions, and premises. To provide this foundation, we next tie organizational behavior even more explicitly to management and then turn to a more detailed examination of the manager's job itself.

