

# Organizational Behavior

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## 1. Introduction of Organizational Behavior

### Understanding Key Concept

- Organizational behavior is the study of individuals and groups in organizations.
- Workforce diversity involves differences based on gender, race and ethnicity, age, and able-bodiedness.
- The glass ceiling effect is a hidden barrier limiting advancement of women and minorities in organizations.
- The contingency approach seeks ways to meet the needs of different management situations.
- Organizations are collections of people working together to achieve a common purpose.
- Intellectual capital is the sum total of knowledge, expertise, and energy available from organizational members.
- Human resources are the people who do the work that helps organizations fulfill their missions.
- Open systems transform human and material resource inputs into finished goods and services.
- Managers are formally responsible for supporting the work efforts of other people.

## Organizational Behavior Today

People at work in organizations today are part of a new era. The institutions of society and the people who make them work are challenged in many and very special ways. Society at large increasingly expects high performance and high quality of life to go hand-in-hand, considers ethics and social responsibility core values, respects the vast potential of demographic and cultural diversity among people, and accepts the imprint of a globalization on everyday living and organizational competitiveness. In this new era of work and organizations, the body of knowledge we call “organizational behavior” offers many insights of great value.

### WHAT IS ORGANIZATIONAL BEHAVIOR?

Formally defined, organizational behavior—OB for short—is the study of individuals and groups in organizations. Learning about OB will help you develop a better work-related understanding about yourself and other people. It can also expand your potential for career success in the dynamic, shifting, complex, and challenging new workplaces of today and tomorrow.

### SHIFTING PARADIGMS OF ORGANIZATIONAL BEHAVIOR

Progressive workplaces today look and act very differently from those of the past. They have new features, they approach work processes in new ways, and they serve different customer and client markets. The last decade of the twentieth century was especially dramatic in both the nature and pace of change. One observer called it a “revolution that feels something like this: scary, guilty, painful, liberating, disorienting, exhilarating, empowering, frustrating, fulfilling, confusing, challenging. In other words, it feels very much like chaos.” But what began as a revolution has become everyday reality as we start a new century. Intense global competition, highly interdependent national economies, constantly emerging computer and information technologies, new forms of organizations, and shifting population demographics are now part of the norm. Today we are surrounded by both change and its implications for organizations—just look at the new world of electronic commerce, and for individuals—look also at the demand for competencies with new technologies and commitment to continuous personal improvement. What remains is the struggle to deal best with these changes, individually and institutionally, and to keep up the pace as further changes emerge.

In an article entitled “The Company of the Future,” Harvard Professor and former Secretary of Labor Robert Reich says: “Everybody works for somebody or something—be it a board of directors, a pension fund, a venture capitalist, or a traditional boss. Sooner or later you’re going to have to decide who you want to work for.” In making this decision, you will want to join a progressive workplace that reflects values consistent with your own. This book can help you

prepare for such choices in full recognition that our transition to the new century includes these trends:

- Demise of “command-and-control” — with increasing competitiveness in organizational environments, traditional hierarchical structures are proving too unwieldy, slow, and costly to do well.
- Emergence of new workforce expectations — new generation of workers is bringing with it less tolerance for hierarchy, more informality, and concerns for performance merit rather than status.
- Increasing impact of information technologies — organizations are now burgeoning with computers, and the consequent implications for information utilization are far reaching and substantial.
- Belief in empowerment — dynamic and complex environment places a premium on knowledge, experience, and commitment, all of which thrive in high-involvement and participatory work settings.
- Emphasis on teamwork — organizations today are less vertical and more horizontal in focus; driven by complex environments and customer demands, work is increasingly team based with a focus on peer contributions.
- Concern for work-life balance — as society increases in complexity, organizations are paying more attention to how members balance the sometimes-conflicting demands and priorities of work and personal affairs.

#### ORGANIZATIONAL BEHAVIOR AND DIVERSITY

An important watchword in the twenty-first century is workforce diversity — the presence of differences based on gender, race and ethnicity, age, and able-bodiedness. Success in the new workplace requires a set of skills for working successfully with a broad mix of people from different racial and ethnic backgrounds, of different ages and genders, and of different domestic and national cultures. Valuing diversity is an OB theme. It refers to managing and working with others in full respect for their individual differences. Interpersonal sensitivity and cultural respect are indispensable to valuing diversity.

Even though valuing diversity is emphasized in our books and classrooms, much remains to be accomplished. A glass ceiling effect acts as a hidden barrier limiting the career advancement of minorities and women in some situations. A Harvard Business Review forum on “Race in the U.S. Workplace,” for example, included these opening statements: “any people of color themselves still struggle with the closed doors of institutional racism...ignorance and prejudice have by no means disappeared from the U.S. workforce.”The article went on to conclude: “Yet there are signs of headway.” A recent study of 860 U.S. companies indicates that the number of African-Americans serving as board directors increased 18 percent in a two-year period; the number of women directors increased 4 percent. Yet, as one indicator of lingering disparities in diversity representation in the executive ranks, women are reported as holding only about 11 percent of corporate officerships in Fortune 500 companies (see The Effective Manager 1.1). They also earn as senior executives only 68 cents to the dollar earned by the highest-paid men.

### Learning About Organizational Behavior

We live and work in a knowledge-based economy that is continually laced with the winds of change. This places a great premium on “earning” by organizations as well as individuals. Only the learners, so to speak, will be able to maintain the pace and succeed in a constantly changing environment.

### ORGANIZATIONAL BEHAVIOR AND THE LEARNING IMPERATIVE

Consultants and scholars emphasize organizational learning as the process of acquiring knowledge and utilizing information to adapt successfully to changing circumstances. Organizations must be able to change continuously and positively while searching continuously for new ideas and opportunities. The same is true for each of us. We must strive for continuous improvement to keep pace with a dynamic and complex environment.

Life-long learning is a popular concept these days, and the message is relevant. You can and must learn from day-to-day work experiences, conversations with colleagues and friends, counseling and advice from mentors, success models, training seminars and workshops, and the information available in the popular press and mass media.

### SCIENTIFIC FOUNDATIONS OF ORGANIZATIONAL BEHAVIOR

As far back as a century ago, consultants and scholars were giving increased attention to the systematic study of management. Although most attention was initially on physical working conditions, principles of administration, and industrial engineering principles, by the 1940s the focus had broadened to include the essential human factor. This gave impetus to research dealing with individual attitudes, group dynamics, and the relationships between managers and workers. Eventually, the discipline of organizational behavior emerged as a broader and encompassing approach. Today, it continues to evolve as a discipline devoted to scientific understanding of individuals and groups in organizations, and of the performance implications of organizational structures, systems, and processes.

Interdisciplinary Body of Knowledge OB is an interdisciplinary body of knowledge with strong ties to the behavioral sciences—psychology, sociology, and anthropology, as well as to allied social sciences—such as economics and political science. Organizational behavior is unique, however, in its devotion to applying and integrating these diverse insights to achieve a better understanding of human behavior in organizations.

Use of Scientific Methods OB uses scientific methods to develop and empirically test generalizations about behavior in organizations. The figure 1.1 describes research methodologies

commonly used. Scientific thinking is important to OB researchers and scholars for these reasons: (1) the process of data collection is controlled and systematic; (2) proposed explanations are carefully tested; and (3) only explanations that can be scientifically verified are accepted. Research concepts and designs in OB are explained further in the module “Research Methods in Organizational Behavior.”

Focus on Application The field of organizational behavior focuses on applications that can make a real difference in how organizations and people in them perform. Outcome or dependent variables studied by researchers, for example, include task performance, job satisfaction, job involvement, absenteeism, and turnover. It is in this sense that OB is an applied social science that can ultimately help to improve the functioning of organizations and the work experiences of their members. Among the practical questions addressed by the discipline and in this book are: How should rewards such as merit pay raises be allocated? When should jobs be designed for individuals and for groups? What are the ingredients of successful teamwork? How can organizational cultures be changed? Should decisions be made by individual, consultative, or group methods? In a negotiation, what is the best way to achieve “win-win” outcomes?

#### Contingency Thinking

Rather than assume that there is one “best” or universal way to manage people and organizations, OB recognizes that management practices must be tailored to fit the exact nature of each situation. Using a contingency approach, researchers try to identify how different situations can best be understood and handled. We recognize that culture can affect how OB theories and concepts apply in different countries. What works well in one culture may not work as well in another. Other important contingency variables addressed in this book include environment, technology, task, structure, and people.

#### Organizations As Work Settings

The study of organizational behavior must be framed in an understanding of organizations as work settings. An organization is formally defined as a collection of people working together in a division of labor to achieve a common purpose. This definition describes a wide variety of clubs, voluntary organizations, and religious bodies, as well as entities such as small and large businesses, labor unions, schools, hospitals, and government agencies. The insights and applications of OB can be applied to help all such organizations perform up to expectations as social institutions.

## PURPOSE, MISSION, AND STRATEGIES

The core purpose of an organization may be stated as the creation of goods or services for customers. Nonprofit organizations produce services with public benefits, such as health care, education, judicial processing, and highway maintenance. Large and small for-profit businesses produce consumer goods and services such as automobiles, banking, travel, gourmet dining, and accommodations. Missions and mission statements focus the attention of organizational members and external constituents on the core purpose. For example, the pharmaceutical giant Merck states that its purpose is “to preserve human life.” The retailer Wal-Mart states that it seeks “to give ordinary folk the chance to buy the same things as rich people.”<sup>16</sup> Increasingly, mission statements are written to communicate a clear vision in respect to long-term goals and future aspirations. The corporate vision at America West Airlines expresses the desire “to be known for its focus on customer service and its high performance culture.” Bold and challenging visions can attract attention and help draw members together in the quest for high performance. As Robert Reich states in his description of the company of the future: “Talented people want to be part of something that they can believe in, something that confers meaning on their work, on their lives—something that involves a mission.”

Given a sense of purpose and a vision, organizations pursue action strategies to accomplish them. The variety of mergers and acquisitions common in business today, such as the Daimler-Chrysler combination, are examples of corporate strategies to achieve and sustain advantage in highly competitive environments. In this context, strategies must be both well formulated and well implemented for the organization to succeed. The plan alone is insufficient to the broader strategic goal: To get and stay ahead of the competition. It is here, at the level of action, that the field of organizational behavior becomes especially important. A knowledge of OB is essential to effective strategy implementation. Things happen in organizations because of the efforts of people, and how people work together in organizations is what OB is all about.

## PEOPLE AND WORK SYSTEMS

When CEO Richard Kovacevic of Norwest was asked to comment on the bank’s performance, he said: “Our success has to do with execution...talented, professional, motivated people who care...that’s our competitive advantage.” Leaders of today’s organizations recognize the importance of putting people first. They understand the new significance of the old concept—people are an organization’s most critical assets.

One of the important directions in OB today is the emphasis on intellectual capital as represented by the sum total of knowledge, expertise, and dedication of an organization’s workforce. It recognizes that even in the age of high technology, people are the indispensable

human resources whose knowledge and performance advance the organization's purpose, mission, and strategies. Only through human efforts can the great advantages be realized from other material resources of organizations such as technology, information, raw materials, and money. A recent Fortune survey of America's most-admired firms goes so far as to report that "the single best predictor of overall success was a company's ability to attract, motivate, and retain talented people."

Today's strategic emphasis on customer-driven and market-driven organizations places great significance on understanding the relationship between an organization and its environment. As shown in the figure 1.2 organizations can be viewed as open systems that obtain resource inputs from the environment and transform them into outputs that are returned to the environment in the form of finished goods or services. If everything works right, the environment values these outputs and creates a continuing demand for them. This sustains operations and allows the organization to survive and prosper over the long run. But things can and sometimes do go wrong in the organization/environment relationship. If the value chain breaks down and an organization's goods or services become unpopular, it will sooner or later have difficulty obtaining the resources it needs to operate. In the extreme case, it will be forced out of existence.

#### Organizational Behavior and Management

Regardless of your career direction and entry point, the field of organizational behavior will someday become especially important as you try to master the special challenges of working as a manager. In all organizations, managers perform jobs that involve directly supporting the work efforts of others. Being a manager is a unique challenge that carries distinct performance responsibilities. Managers help other people get important things done in timely, high-quality, and personally satisfying ways. In the new workplace, this is accomplished more through "helping" and "supporting" than through traditional notions of "directing" and "controlling." Indeed, the word "manager" is increasingly being linked in the new workplace to roles described by such titles as "coordinator," "coach," or "team leader."

#### THE NATURE OF MANAGERIAL WORK

Anyone who serves as a manager or team leader assumes a unique responsibility for work that is accomplished largely through the efforts of other people. The result is a very demanding and complicated job that has been described by researchers in the following terms. Managers work long hours. A work week of more than the standard 40 hours is typical. The length of the work week tends to increase as one advances to higher managerial levels; heads of organizations often

work the longest hours. Managers are busy people. Their work is intense and involves doing many different things on any given workday. The busy day of a manager includes a shifting mix of incidents that require attention, with the number of incidents being greatest for lower-level managers. Managers are often interrupted. Their work is fragmented and variable. Interruptions are frequent, and many tasks must be completed quickly. Managers work mostly with other people. In fact, they spend little time working alone. Time spent with others includes working with bosses, peers, subordinates, subordinates of their subordinates, as well as outsiders, such as customers, suppliers, and the like. Managers are communicators. In general, managers spend a lot of time getting, giving, and processing information. Their work is often face-to-face verbal communication that takes place during formal and informal meetings. Higher level managers typically spend more time in scheduled meetings than do lower level managers.

### THE MANAGEMENT PROCESS

An effective manager is one whose organizational unit, group, or team consistently achieves its goals while members remain capable, committed, and enthusiastic. This definition focuses attention on two key results. The first is task performance—the quality and quantity of the work produced or the services provided by the work unit as a whole. The second is job satisfaction—how people feel about their work and the work setting. Just as a valuable machine should not be allowed to break down for lack of proper maintenance, the valuable contributions of the human resource should never be lost for lack of proper care. Accordingly, OB directs a manager's attention to such matters as job satisfaction, job involvement, and organizational commitment, as well as measures of actual task performance.

The job of any manager or team leader is largely one of adding value to the work setting by doing things that help others to accomplish their tasks. A traditional and still relevant way of describing this job is as a set of tasks or functions that must be performed constantly and often simultaneously. As shown in the figure 1.3, these four functions of management are planning, organizing, leading, and controlling. They form a framework for managerial action that can be described as follows:

- Planning—Defining goals, setting specific performance objectives, and identify the actions needed to achieve them.
- Organizing—Creating work structures and systems, and arranging resources to accomplish goals and objectives.
- Leading—Instilling enthusiasm by communicating with others, motivating them to work hard, and maintaining good interpersonal relations.
- Controlling—Ensuring that things go well by monitoring performance and taking corrective

action as necessary.

### MANAGERIAL ROLES AND NETWORKS

In what has become a classic study of managerial behavior, Henry Mintzberg moved beyond this functional description and identified three sets of roles that managers must be prepared to perform on a daily basis. These roles are shown in Figure 1.4.

The first category are interpersonal roles that involve working directly with other people. They include hosting and attending official ceremonies (figurehead), creating enthusiasm and serving people's needs (leader), and maintaining contacts with important people and groups (liaison). The informational roles involve exchanging information with other people. They include seeking out relevant information (monitor), sharing relevant information with insiders (disseminator), and sharing relevant information with outsiders (spokesperson). The decisional roles involve making decisions that affect other people. They include seeking out problems to solve and opportunities to explore (entrepreneur), helping to resolve conflicts (disturbance handler), allocating resources to various uses (resource allocator), and negotiating with other parties (negotiator).

Essential to these roles and to all managerial work are good interpersonal relationships with a wide variety of people, both inside and outside the organization. Managers and team leaders should be able to develop, maintain, and work well within task networks—of specific job-related contacts, career networks—of career guidance and opportunity resources and social networks—of trustworthy friends and peers.

### Ethics and Organizational Behavior

The word “ethics” is important in OB. Ethical behavior is that accepted as morally “good” and “right,” as opposed to “bad” or “wrong,” in a particular setting. Is it ethical to withhold information that might discourage a job candidate from joining your organization? Is it ethical to ask someone to take a job you know will not be good for his or her career progress? Is it ethical to ask so much of someone that they continually have to choose between “having a ‘career’ and having a ‘life’?” The list of questions can go on and on, but an important point remains: The public is increasingly demanding that people in organizations and the organizations themselves all act in accordance with high ethical and moral standards.

### WAYS OF THINKING ABOUT ETHICAL BEHAVIOR

Ethical behavior conforms not only to the dictates of law but also to a broader moral code that is common to society as a whole. Just exactly what moral code governs a person's choices, however, is a subject of debate. At least four ways of thinking about ethical behavior in and by

organizations can be identified.

The utilitarian view considers ethical behavior to be that which delivers the greatest good to the greatest number of people. Those who subscribe to the results-oriented utilitarian logic assess the moral aspects of their decisions in terms of the consequences they create. Utilitarianism believes that the needs of the many outweigh the needs of the few. From such a perspective, it may be ethical to close a factory in one town in order to keep the parent corporation profitable and operating in several other towns.

The individualism view considers ethical behavior to be that which is best for an individual's long-term self-interests. In principle, at least, someone who acts unethically in the short run—such as by denying a qualified minority employee a promotion, should not succeed in the long run because the short-run action will not be tolerated. Thus, if everyone operated with long-term self-interest in mind, their short-run actions would be ethical.

The moral-rights view considers ethical behavior to be that which respects fundamental rights shared by all human beings. This view is tied very closely to the principle of basic human rights, such as those of life, liberty, and fair treatment by law. In an organization, this principle is reflected in such issues as rights to privacy, due process, and freedom of speech. Ethical behavior does not violate any of these fundamental human rights.

The justice view considers ethical behavior to be that which is fair and impartial in its treatment of people. It is based on the concept of equitable treatment for all concerned. In OB, two issues address this view of ethical behavior. Procedural Justice is the degree to which the rules and procedures specified by policies are properly followed in all cases under which they are applied. In a sexual harassment case, for example, this may mean that required hearings are held for every case submitted for administrative review. Distributive justice is the degree to which all people are treated the same under a policy, regardless of race, ethnicity, gender, age, or any other demographic characteristic. In a sexual harassment case, this might mean that a complaint filed by a man against a woman would receive the same hearing as one filed by a woman against a man.

#### OB Three perspectives Plus Situation

OB has been analyzed by three perspectives. They are individual, group, and organizational perspectives. However, these perspectives are not sufficient to figure out their organizational behaviors without situational analysis. A situation is not only current formed by current affairs but also their history, legacy, and culture such as past factors. Without understanding past factors, it is very difficult for you to catch current situation with exact reasoning clear.

## Self Assessment on 21st Century Manager<sup>1)</sup>

### Instructions

Rate yourself on the following personal characteristics.

Use this four scale.



1. Resistance to stress: The ability to get work done even under stressful conditions.
2. Tolerance for uncertainty: The ability to get work done even under ambiguous and uncertain conditions.
3. Social objectivity: The ability to act free of racial, ethnic, gender, and other prejudices or biases.
4. Inner work standards: The ability to personally set and work to high-performance standards.
5. Stamina: The ability to sustain long work hours.
6. Adaptability: The ability to be flexible and adapt to changes.
7. Self-confidence: The ability to be consistently decisive and display one's personal presence.
8. Self-objectivity: The ability to evaluate personal strengths and weaknesses and to understand one's motives and skills relative to a job.
9. Introspection: The ability to learn from experience, awareness, and self-study.
10. Entrepreneurism: The ability to address problems and take advantage of opportunities for constructive change.

### Scoring

Giving yourself 1 point for each S, and 1/2 point for each G. Do not give yourself points for W and ? responses.

Total your points and enter the result here [PMF = \_\_\_\_].

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1) Source: See *Outcome Management Project, Phase I and Phase II Reports* (St. Louis: American Assembly of Collegiate Schools of Business, 1986 & 1987)

### Interpretation

This assessment offers a self-described profile of your management foundations (PMF). Are you a perfect 10, or is your PMF score something less than that? There should not be too many 10s around. Ask someone who knows you to assess you on this instrument. You may be surprised at the differences between your PMF score as self-described and your PMF score as described by someone else. Most of us, realistically speaking, must work hard to grow and develop continually in these and related management foundations. This list is a good starting point as you consider where and how to further pursue the development of your managerial skills and competencies. The items on the list are recommended by the American Assembly of Collegiate Schools of Business (AACSB) as skills and personal characteristics that should be nurtured in college and university students of business administration. Their success—and yours—s 21st-century managers may well rest on (1) an initial awareness of the importance of these basic management foundations and (2) a willingness to strive continually to strengthen them throughout your work career.