chapter 1

Organizational Behavior: The Quest for People-Centered Organizations and Ethical Conduct

Learning Objectives

When you finish studying the material in this chapter, you should be able to:

LO.1 Define the term *organizational behavior,* and contrast McGregor's Theory X and Theory Y assumptions about employees.

LO.2 Identify the four principles of total quality management (TQM).

LO.3 Define the term *e-business,* and describe the Net Generation.

LO.4 Contrast human and social capital, and explain why we need to build both.

LO.5 Define the term *management,* and identify at least five of the eleven managerial skills in Wilson's profile of effective managers.

LO.6 Characterize 21st-century managers.

LO.7 Describe Carroll's global corporate social responsibility pyramid, and discuss the problem of moral erosion.

LO.8 Identify four of the seven general ethical principles, and explain how to improve an organization's ethical climate.

LO.9 Describe the sources of organizational behavior research evidence.

Why Is Zappos.com So Good at Zapping the Competition?

There's a good chance you have never heard of Tony Hsieh (pronounced "Shay"), CEO of Zappos.com. But if you are among the legions of satisfied and loyal customers of the online retailer of footwear and other goods, you owe him an enthusiastic high five. Initially as an investor/adviser and eventually CEO, Hsieh guided Zappos from a struggling Internet start-up to a merger with Amazon.com in 2009 for $1.2 billion. Along the way, he helped Zappos develop a zany corporate culture of close-knit employees obsessed with great 24/7 customer service. "Customer Service Isn't Just a Department!" trumpets the firm's website. When the Amazon deal was announced, Hsieh told an all-hands meeting of employees that each of them would receive a free Kindle e-book reader and a retention bonus equal to 40% of their annual salary. Most importantly, he vowed to maintain the company's cherished culture. The following excerpt from Hsieh's new book, *Delivering Happiness: A Path to Profits, Passion, and Purpose*, highlights how Zappos.com came to put people—customers and employees—first.

I e-mailed the entire company several times and got a lot of suggestions and feedback on which core values were the most important to our employees.

I was surprised the process took so long, but we wanted to make sure not to rush through the process because whatever core values we eventually came up with, we wanted to be ones that we could truly embrace. . . .

We eventually came up with our final list of ten core values [from an initial list of 37], which we still use today:

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships with Communication
7. Build a Positive Team and Family Spirit
8. Do More with Less
9. Be Passionate and Determined
10. Be Humble. . . .

Be Humble is probably the core value that ends up affecting our hiring decisions the most. There are a lot of experienced, smart and talented people we interview that we know can make an immediate impact on our top or bottom line. But a lot of them are also really egotistical, so we end up not hiring them.

Our philosophy at Zappos is that we're willing to make short-term sacrifices (including lost revenue or profits) if we believe that the long-term benefits are worth it. Protecting the company culture and sticking to core values is a long-term benefit.[1]

the chessboard on which the game of life is played. To know more about *organizational* behavior—life within organizations—is to know more about the nature, possibilities, and rules of that game.

LO.1 Organizational Behavior: An Interdisciplinary Field

Organizational behavior, commonly referred to as OB, is an interdisciplinary field dedicated to better understanding and managing people at work. By definition, organizational behavior is both research and application oriented. Three basic levels of analysis in OB are individual, group, and organizational. OB draws upon a diverse array of disciplines, including psychology, management, sociology, organization theory, social psychology, statistics, anthropology, general systems theory, economics, information technology, political science, vocational counseling, human stress management, psychometrics, ergonomics, decision theory, and ethics.[11] This rich heritage has spawned many competing perspectives and theories about human work behavior. By 2003, one researcher had identified 73 distinct theories about behavior within the field of OB.[12]

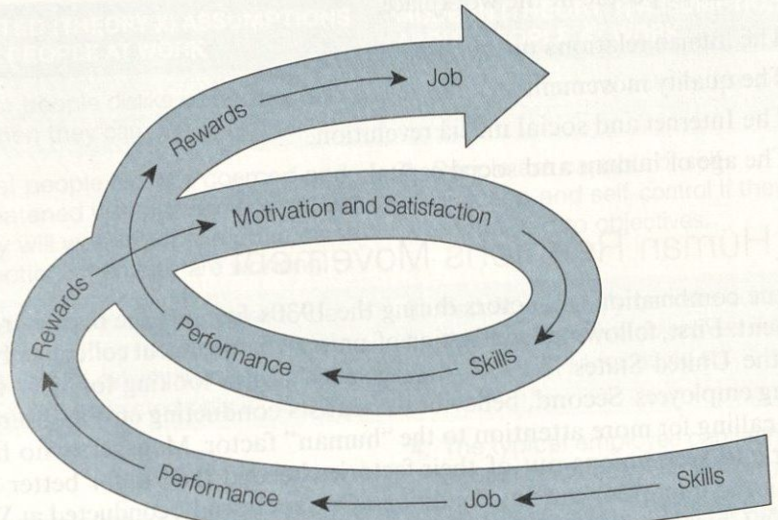
Some FAQs about Studying OB

Through the years we (and our colleagues) have fielded some frequently asked questions (FAQs) from our students about our field. Here are the most common ones, along with our answers.

Why Study OB? If you thoughtfully study this book, you will learn more about yourself, how to interact effectively with others, and how to thrive (not just survive) in organizations. Lots of insights about your own personality, emotions, values, job satisfaction, perceptions, needs, and goals are available in Part 2. Relative to your interpersonal effectiveness, you will learn about being a team player, building trust, managing conflict, negotiating, communicating, and influencing and leading others. We conclude virtually every major topic with practical how-to-do-it instructions. The idea is to build your skills in areas such as self-management, making ethical decisions, avoiding groupthink, listening, coping with organizational politics, handling change, and managing stress. Respected OB scholar Edward E Lawler III created the "virtuous career spiral" in Figure 1–1 to illustrate how OB-related skills point you toward career success. "It shows that increased skills and performance can lead to better jobs and higher rewards."[13]

If I'm an Accounting (or Other Technical) Major, Why Should I Study OB? Many students in technical fields such as accounting, finance, computer science, and engineering consider OB to be a "soft" discipline with little or no relevance. You may indeed start out in a narrow specialty, but eventually your hard-won success will catch up with you and you will be tapped for some sort of supervisory or leadership position. Your so-called soft people skills will make or break your career at that point. Also, in today's team-oriented and globalized workplace, your teamwork, cross-cultural, communication, conflict handling, and negotiation skills and your powers of persuasion will be needed early and often. Jack Welch, the legendary CEO of General Electric, and Suzy Welch, the former editor of *Harvard Business Review,* offered this answer to a business school professor's question about how best to prepare students for today's global business environment:

Example. We'd make the case that the nitty-gritty of managing people should rank higher in the educational hierarchy. In the past two years we've visited 35 B-schools around the world and have been repeatedly surprised by how little classroom attention is paid to hiring, motivating, team-building, and firing. Instead, B-schools seem far more invested in teaching brainiac concepts—disruptive technologies, figure 1–1 OB-Related Skills Are the Ticket to Ride the Virtuous Career Spiral



SOURCE: Edward E Lawler III, *Treat People Right! How Organizations and Individuals Can Propel Each Other into a Virtual Spiral of Success*, Jossey-Bass, 2003, p 21. Reprinted with permission of John Wiley & Sons, Inc.

complexity modeling, and the like. Those may be useful, particularly if you join a consulting firm, but real managers need to know how to get the most out of people.

We hope you have the clout to make sure people management is front and center at your university. If you do, you'll launch your students' careers with a real head start.[14]

Can I Get a Job in OB? Organizational behavior is an academic designation. With the exception of teaching/research positions, OB is not an everyday job category such as accounting, marketing, information technology, or finance. Students of OB typically do not get jobs in organizational behavior, per se. This reality in no way demeans OB or lessens its importance in effective organizational management. OB is a *horizontal* discipline cutting across virtually every job category, business function, and professional specialty. Anyone who plans to make a living in a large or small, public or private, organization needs to study organizational behavior.

A Historical Perspective of OB

A historical perspective of the study of people at work helps in studying organizational behavior. According to a management history expert, this is important because:

Example. Historical perspective is the study of a subject in light of its earliest phases and subsequent evolution. Historical perspective differs from history in that the object of historical perspective is to sharpen one's vision of the present, not the past.[15]

TO THE POINT

What lessons from McGregor and Deming can help managers build human and social capital?

organizational behavior Interdisciplinary field dedicated to better understanding and managing people at work.

In other words, we can better understand where the field of OB is today and where it appears to be headed by appreciating where it has been and how it is being redirected.[16] Let us examine four significant landmarks in the understanding and management of people in the workplace.

1. The human relations movement.
2. The quality movement.
3. The Internet and social media revolution.
4. The age of human and social capital.

The Human Relations Movement

connect Go to www.mcgrawhillconnect.com for an interactive exercise to test your knowledge on the history of organizational behavior.

A unique combination of factors during the 1930s fostered the human relations movement. First, following legalization of union–management collective bargaining in the United States in 1935, management began looking for new ways of handling employees. Second, behavioral scientists conducting on-the-job research started calling for more attention to the "human" factor. Managers who had lost the battle to keep unions out of their factories heeded the call for better human relations and improved working conditions. One such study, conducted at Western Electric's Chicago-area Hawthorne plant, was a prime stimulus for the human relations movement. Ironically, many of the Hawthorne findings have turned out to be more myth than fact.

The Hawthorne Legacy Interviews conducted decades later with three subjects of the Hawthorne studies and reanalysis of the original data with modern statistical techniques do not support initial conclusions about the positive effect of supportive supervision. Specifically, money, fear of unemployment during the Great Depression, managerial discipline, and high-quality raw materials—not supportive supervision—turned out to be responsible for high output in the relay assembly test room experiments.[17] Nonetheless, the human relations movement gathered momentum through the 1950s, as academics and managers alike made stirring claims about the powerful effect that individual needs, supportive supervision, and group dynamics apparently had on job performance.

These relay assembly test room employees in the classic Hawthorne Western Electric studies turned in record performance. Why? No one knows for certain, and debate continues today. Supportive supervision was long believed to be the key factor. Whatever the reason, Hawthorne gave the budding human relations movement needed research credibility.

The Writings of Mayo and Follett Essential to the human relations movement were the writings of Elton Mayo and Mary Parker Follett. Australian-born Mayo, who headed the Harvard researchers at Hawthorne, advised managers to attend to employees' emotional needs in his 1933 classic *The Human Problems of an Industrial Civilization.* Follett was a true pioneer, not only as a woman management consultant in the male-dominated industrial world of the 1920s, but also as a writer who saw employees as complex combinations of attitudes, beliefs, and needs. Mary Parker Follett was way ahead of her time in telling managers to motivate job performance instead of merely demanding it, a "pull" rather than "push" strategy. She also built a logical bridge between political democracy and a cooperative spirit in the workplace.[18]

McGregor's Theory Y In 1960, Douglas McGregor wrote a book entitled *The Human Side of Enterprise,* which has become an important philosophical base for the modern view of people at work.[19] Drawing on his experience as a management consultant, McGregor formulated

table 1–1 McGregor's Theory X and Theory Y

OUTDATED (THEORY X) ASSUMPTIONS ABOUT PEOPLE AT WORK	MODERN (THEORY Y) ASSUMPTIONS ABOUT PEOPLE AT WORK
1. Most people dislike work; they avoid it when they can.	1. Work is a natural activity, like play or rest.
2. Most people must be coerced and threatened with punishment before they will work. People require close direction when they are working.	2. People are capable of self-direction and self-control if they are committed to objectives.
3. Most people actually prefer to be directed. They tend to avoid responsibility and exhibit little ambition. They are interested only in security.	3. People generally become committed to organizational objectives if they are rewarded for doing so.
	4. The typical employee can learn to accept and seek responsibility.
	5. The typical member of the general population has imagination, ingenuity, and creativity.

SOURCE: From D McGregor, *The Human Side of Enterprise*, McGraw-Hill, 1960, Ch 4. Copyright © 2008 The McGraw-Hill Companies. Reprinted with permission.

two sharply contrasting sets of assumptions about human nature (see Table 1–1). His Theory X assumptions were pessimistic and negative and, according to McGregor's interpretation, typical of how managers traditionally perceived employees. To help managers break with this negative tradition, McGregor formulated his **Theory Y,** a modern and positive set of assumptions about people. McGregor believed managers could accomplish more through others by viewing them as self-energized, committed, responsible, and creative beings.

Unfortunately, according to ongoing research on *employee engagement*, McGregor's Theory Y is still a distant vision in the American workplace:

Example. The August 2009 Gallup Employee Engagement Index reported that only 33 percent of workers are engaged in their jobs, 49 percent are not engaged, and 18 percent are actively disengaged. The Gallup Organization defines the categories as follows:

Engaged employees work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.

Non-engaged employees have essentially "checked out." They sleepwalk through workdays. They put in time but don't approach their work with energy or passion.

Actively disengaged employees aren't just unhappy at work; they're busy acting out their unhappiness. Every day, these workers undermine what engaged coworkers accomplish.

Theory Y McGregor's modern and positive assumptions about employees being responsible and creative.

Gallup researchers, who base the Employee Engagement Index on a survey of nearly 42,000 randomly selected adults, estimate that disengaged workers cost US businesses as much as $350 billion a year.[20]

Employee engagement, and many ways to improve it, are discussed in later chapters.

New Assumptions about Human Nature Unfortunately, unsophisticated behavioral research methods caused the human relationists to embrace some naive and misleading conclusions.[21] For example, human relationists believed in the axiom, "A satisfied employee is a hardworking employee." Subsequent research, as discussed later in this book, shows the satisfaction → performance linkage to be more complex than originally thought.

Despite its shortcomings, the human relations movement opened the door to more progressive thinking about human nature. Rather than continuing to view employees as passive economic beings, managers began to see them as active social beings and took steps to create more humane work environments.

The Quality Movement

In 1980, NBC aired a television documentary titled "If Japan Can . . . Why Can't We?" It was a wake-up call for North American companies to dramatically improve product quality or continue losing market share to Japanese electronics and automobile companies. A full-fledged movement ensued during the 1980s and 1990s. Much was written, said, and done about improving the quality of both goods and services.[22]

Thanks to the concept of *total quality management* (TQM) and Six Sigma programs, the quality of the goods and services we purchase today is significantly better than in years past. Six Sigma was developed in 1986 at Motorola by engineer Bill Smith to achieve an astounding 99.9997% quality target by eliminating defects and cutting waste. It was licensed to companies such as General Electric that became avid users. An estimated 35% of US companies have adopted Six Sigma.

Example. Six Sigma, broadly speaking, expresses a way of thinking about business problems that encourages precision and predictability. The mantra of Six Sigma "black belts" is DMAIC, for "define, measure, analyze, improve, control." The "sigma" refers to the Greek letter, which in statistics is used to measure how far something deviates from perfection. The "six" comes from the goal to be no more than six standard deviations away from that perfect measure.[23]

The underlying principles of TQM and Six Sigma are more important than ever given customers' steadily rising expectations:

Example. Establish a reputation for great value, top quality, or pulling late-night miracles in time for crucial client meetings, and soon enough, the goalposts move. "Greatness" lasts only as long as someone fails to imagine something better. Inevitably, the exceptional becomes the expected.

Call it the performance paradox: If you deliver, you only qualify to deliver more. Great companies and their employees have always endured this treadmill of expectations. But these days, the brewing forces of technology, productivity, and transparency have accelerated the cycle to breakneck speed.[24]

The quality movement has profound practical implications for managing people today.

What Is TQM? Experts on the subject offered this definition of **total quality management:**

Example. TQM means that the organization's culture is defined by and supports the constant attainment of customer satisfaction through an integrated system of tools, techniques, and training. This involves the continuous improvement of organizational processes, resulting in high-quality products and services.[25]

Quality consultant Richard J Schonberger sums up TQM as "continuous, customer-centered, employee-driven improvement."[26] TQM is necessarily employee driven because product or service quality cannot be continuously improved without the active learning and participation of *every* employee. Thus, in successful quality improvement programs, TQM principles are embedded in the organization's culture. In fact, according to the results of a field experiment, bank customers had higher satisfaction after interacting with bank employees who had been trained to provide excellent service.[27]

The Deming Legacy Quality is in the corporate DNA today thanks in large part to the pioneering work of W Edwards Deming.[28] Ironically, the mathematician credited with Japan's post–World War II quality revolution rarely talked in terms of quality. He instead preferred to discuss "good management" during the hard-hitting seminars he delivered right up until his death at age 93 in 1993.[29] Although Deming's passion was the statistical measurement and reduction of variations in industrial processes, he had much to say about how employees should be treated. Regarding the human side of quality improvement, Deming called for the following:

- Formal training in statistical process control techniques and teamwork.
- Helpful leadership, rather than order giving and punishment.
- Elimination of fear so employees will feel free to ask questions.
- Emphasis on continuous process improvements rather than on numerical quotas.
- Teamwork.
- Elimination of barriers to good workmanship.[30]

One of Deming's most enduring lessons for managers is his 85–15 rule.[31] Specifically, when things go wrong, there is roughly an 85% chance the *system* (including management, machinery, and rules) is at fault. Only about 15% of the time is the individual employee at fault. Unfortunately, as Deming observed, the typical manager spends most of his or her time wrongly blaming and punishing individuals for system failures. Statistical analysis is required to uncover system failures.

total quality management An organizational culture dedicated to training, continuous improvement, and customer satisfaction.

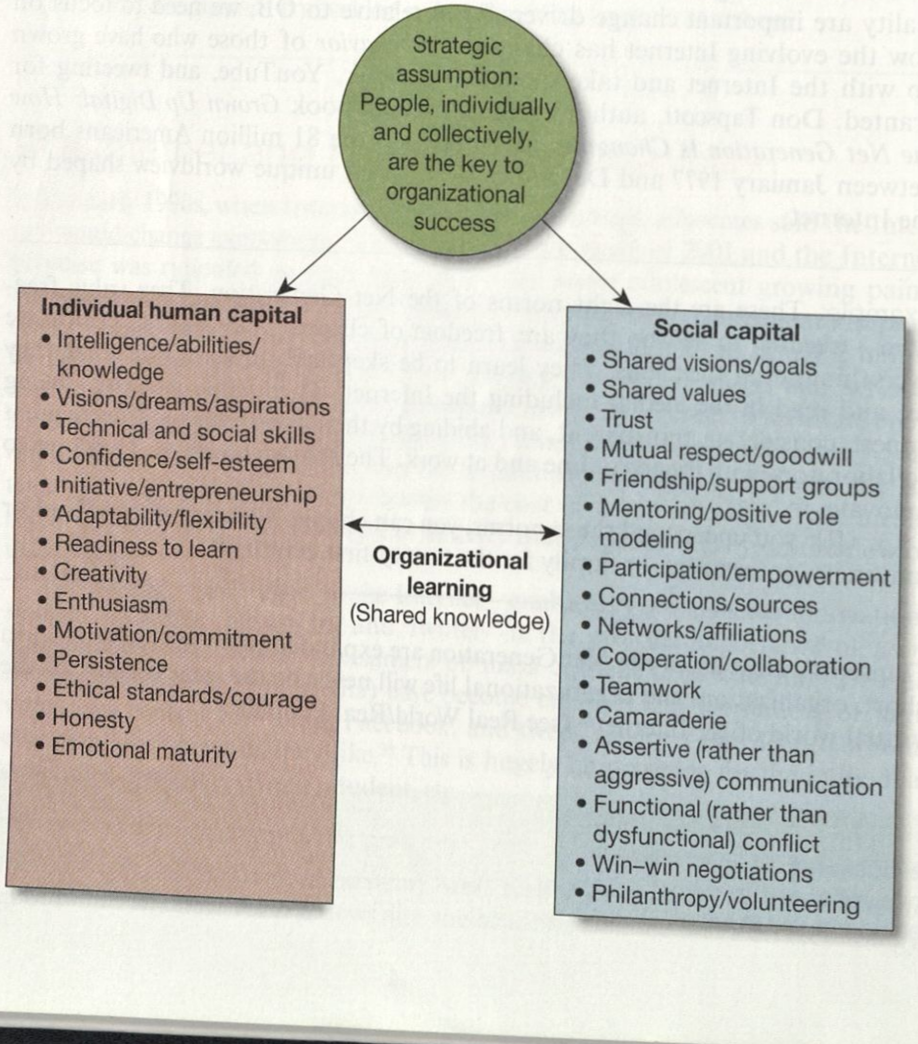
Managers are challenged to effectively communicate with, supervise, and lead widely dispersed individuals and teams linked via modern telecommunications and Internet technology. The creation and management of virtual teams is covered in detail in Chapter 11 and virtual organizations are explored in Chapter 17.

LO.4 The Need to Build Human and Social Capital

Knowledge workers, those who add value by using their brains rather than the sweat off their backs, are more important than ever in today's global economy. What you know and who you know increasingly are the keys to both personal and organizational success (see Figure 1–2). In the United States, the following "perfect storm" of current and emerging trends heightens the importance and urgency of building human capital:

- Spread of advanced technology to developing countries with rapidly growing middle classes (e.g., China, India, Russia, and Brazil).
- Offshoring of increasingly sophisticated jobs (e.g., product design, architecture, medical diagnosis).
- Comparatively poor math and science skills among America's youth.
- Massive brain drain caused by retiring post–World War II baby-boom generation.[43]

figure 1–2 The Strategic Importance and Dimensions of Human and Social Capital



What Is Human Capital? (Hint: Think BIG) A team of human resource management authors offered this perspective: "We're living in a time when a new economic paradigm—characterized by speed, innovation, short cycle times, quality, and customer satisfaction—is highlighting the importance of intangible assets, such as brand recognition, knowledge, innovation, and particularly human capital."[44]

Human capital is the productive potential of an individual's knowledge and actions. *Potential* is the operative word in this intentionally broad definition. When you are hungry, money in your pocket is good because it has the potential to buy a meal. Likewise, a present or future employee with the right combination of knowledge, skills, and motivation to excel represents human capital with the potential to give the organization a competitive advantage. In a 2010 poll of 449 human resource professionals, "Obtaining human capital and optimizing human capital investments" was identified as the number-one challenge for companies over the next 10 years.[45] Intel, a high-tech computer-chip manufacturer, is proactive in this area because its future depends on innovative engineering. It takes years of math and science studies to make world-class engineers. Not wanting to leave the future supply of engineers to chance, Intel annually spends $100 million funding education initiatives at all levels worldwide.[46] The company encourages youngsters to study math and science and sponsors rigorous science competitions with scholarships up to $100,000 for the winners.[47] Will all of the students end up working for Intel? No. That's not the point. The point is much bigger—namely, to build the *world's* human capital.

Thanks to Intel's deep commitment to education and building human capital, these select students got a pat on the back from President Obama.

What Is Social Capital? Our focus now shifts from the individual to social units (e.g., friends, family, company, group or club, nation). Think *relationships*. **Social capital** is productive potential resulting from strong relationships, goodwill, trust, and cooperative effort.[48] Again, the word *potential* is key. According to experts on the subject: "It's true: the social capital that used to be a given in organizations is now rare and endangered. But the social capital we can build will allow us to capitalize on the volatile, virtual possibilities of today's business environment."[49] Relationships do matter. In a general survey, 77% of the women and 63% of the men rated "Good relationship with boss" extremely important. Other factors—including good equipment, resources, easy commute, and flexible hours—received lower ratings.[50] Moreover, research indicates the favorable impacts positive social interactions can have on cardiovascular health and the immune system.[51]

Building Human and Social Capital Various dimensions of human and social capital are listed in Figure 1–2. They are a preview of what lies ahead in this book, including our discussion of organizational learning in Chapter 17. Formal organizational learning and *knowledge management* programs, as discussed in Chapter 12, need social capital to leverage individual human capital for the greater good. It is a straightforward formula for success. Growth depends on the timely sharing of valuable knowledge. After all, what good are bright employees who do not network, teach, and inspire?

human capital The productive potential of one's knowledge and actions.

social capital The productive potential of strong, trusting, and cooperative relationships.

Back to the Chapter-Opening Case

How does Zappos.com build human and social capital?

TO THE POINT

Which of Wilson's managerial skills are most important for 21st-century managers?

LO.5 The Managerial Context: Getting Things Done with and through Others

Like the organizations they run, managers touch our lives in many ways. Schools, hospitals, government agencies, and large and small businesses all require systematic management. Formally defined, **management** is the process of working with and through others to achieve organizational objectives, efficiently and ethically, in the face of constant change. For students of OB, the central feature of this definition is *working with and through others*. Managers play a constantly evolving role. Today's successful managers are no longer the I've-got-everything-under-control order givers of yesteryear. Rather, they need to creatively envision and actively sell bold new directions in an ethical and people-friendly manner. Effective managers are team players empowered by the willing and active support of others who are driven by conflicting self-interests. Each of us has a huge stake in how well managers carry out their evolving role. A recent review of 30 years of business literature led to this conclusion about what good management involves: "Find a clear purpose. Be aware that past experience and a mass of information can interfere with wise decisions. Maintain a bias toward action. Be open to change. Seek feedback."[52] A good managerial role model is Walmart's CEO Mike Duke. His predecessor Lee Scott recently had this to say in a *Fortune* magazine interview:

Example. "Mike is not only a good leader but a really good manager. There's so much said today about leadership. But I don't think in business you can forget the fact that you don't just have to lead, you have to manage."

"Yeah, he's a better manager than I am," says Scott. "I think it's his ability to deal with data, his ability to set a schedule and follow that schedule, and to get all of the things done that he needs to get done. Mike is disciplined, and I think that causes him to be able to accomplish a great deal—how he manages his time, how he manages his people, and the effectiveness of the time he spends with people."[53]

Quality of management can make a big difference for employees and customers, alike.

Let us take a closer look at the skills managers need to perform and the future direction of management.

What Do Managers Do? A Skills Profile

Observational studies by Henry Mintzberg and others have found the typical manager's day to be a fragmented collection of brief episodes.[54] Interruptions are commonplace, while large blocks of time for planning and reflective thinking are not. In one particular study, four top-level managers spent 63% of their time on activities lasting less than nine minutes each. Only 5% of the managers' time was devoted to activities lasting more than an hour.[55] But what specific skills do effective managers perform during their hectic and fragmented workdays?

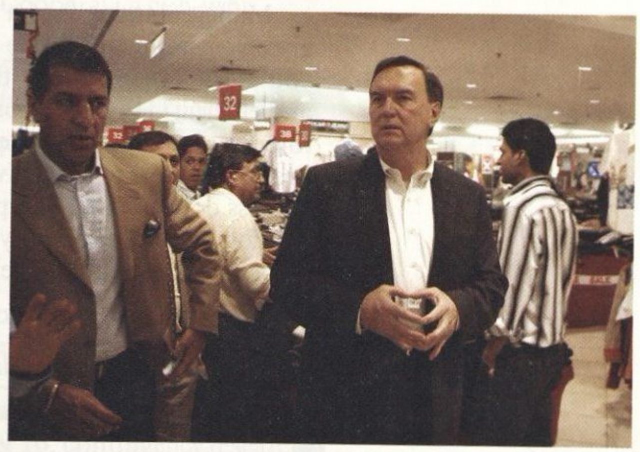
Many attempts have been made over the years to paint a realistic picture of what managers do. Diverse and confusing lists of managerial functions and roles

table 1–2 Skills Exhibited by an Effective Manager

1. **Clarifies goals and objectives** for everyone involved.
2. **Encourages participation,** upward communication, and suggestions.
3. **Plans and organizes** for an orderly work flow.
4. Has **technical and administrative expertise** to answer organization-related questions.
5. **Facilitates work** through team building, training, coaching, and support.
6. **Provides feedback** honestly and constructively.
7. **Keeps things moving** by relying on schedules, deadlines, and helpful reminders.
8. **Controls details** without being overbearing.
9. Applies reasonable **pressure for goal accomplishment.**
10. **Empowers and delegates** key duties to others while maintaining goal clarity and commitment.
11. **Recognizes good performance** with rewards and positive reinforcement.

SOURCES: Adapted from material in F Shipper, "A Study of the Psychometric Properties of the Managerial Skill Scales of the Survey of Management Practices," *Educational and Psychological Measurement,* June 1995, pp 468–79; and C L Wilson, *How and Why Effective Managers Balance Their Skills: Technical, Teambuilding, Drive* (Columbia, MD: Rockatech Multimedia Publishing, 2003).

have been suggested. Fortunately, a stream of research over the past 20 years by Clark Wilson and others has given us a practical and statistically validated profile of managerial *skills*[56] (see Table 1–2). Wilson's managerial skills profile focuses on 11 observable categories of managerial behavior. This is very much in tune with today's emphasis on managerial competency. Wilson's unique skills-assessment technique goes beyond the usual self-report approach with its natural bias. In addition to surveying a given manager about his or her 11 skills, the Wilson approach also asks those who report directly to the manager to answer questions about their boss's skills. According to Wilson and his colleagues, the result is an assessment of skill *mastery,* not simply skill awareness.[57] The logic behind Wilson's approach is both simple and compelling. Who better to assess a manager's skills than the people who experience those behaviors on a day-to-day basis—those who report directly to the manager?



According to Lee Scott, Mike Duke's predecessor as CEO of Walmart, Duke is both a good leader *and* a good manager because of his discipline, ability to handle lots of data, people skills, and focus on getting timely results.

The Wilson managerial skills research yields four useful lessons:

1. Dealing effectively with *people* is what management is all about. The 11 skills in Table 1–2 constitute a goal creation/commitment/feedback/reward/accomplishment cycle with human interaction at every turn.

management Process of working with and through others to achieve organizational objectives, efficiently and ethically, amid constant change.

2. Managers with high skills mastery tend to have better subunit performance and employee morale than managers with low skills mastery.[58]
3. *Effective* female and male managers *do not* have significantly different skill profiles,[59] contrary to claims in the popular business press in recent years.[60]
4. At all career stages, *derailed* managers (those who failed to achieve their potential) tended to be the ones who *overestimated* their skill mastery (rated themselves higher than their employees did).[61] This prompted the following conclusion from the researcher: "[W]hen selecting individuals for promotion to managerial positions, those who are arrogant, aloof, insensitive, and defensive should be avoided."[62]

LO.6 21st-Century Managers

Today's workplace is indeed undergoing immense and permanent changes.[63] Organizations have been "reengineered" for greater speed, efficiency, and flexibility. Teams are pushing aside the individual as the primary building block of organizations.[64] Command-and-control management is giving way to participative management and empowerment. Ego-centered leaders are being replaced by customer-centered leaders. Employees increasingly are being viewed as internal customers. A 2008 summit of 35 executives and management scholars prompted a call for a *reinvention* of management. Lead researcher Gary Hamel framed the challenge this way:

Example. [Historically,] the problems were efficiency and scale, and the solution was bureaucracy, with its hierarchical structure, cascading goals, precise role definitions, and elaborate rules and procedures.

Managers today face a new set of problems, products of a volatile and unforgiving environment. Some of the most critical: How in an age of rapid change do you create organizations that are as adaptable and resilient as they are focused and efficient? How in a world where the winds of creative destruction blow at gale force can a company innovate quickly and boldly enough to stay relevant and profitable? How in a creative economy where entrepreneurial genius is the secret to success do you inspire employees to bring the gifts of initiative, imagination, and passion to work every day? How . . . do you encourage executives to fulfill their responsibilities to all stakeholders?[65]

All this creates a mandate for more flexible, innovative, and responsive organizations and a new kind of manager in the 21st century (see Table 1–3).

Back to the Chapter-Opening Case

What evidence of a 21st-century organization, based on Table 1–3, can you find in the Zappos.com case?

The Contingency Approach to Management

Scholars have wrestled for many years with the problem of how best to apply the diverse and growing collection of management tools and techniques. Their answer is the contingency approach. The **contingency approach** calls for using management techniques in a situationally appropriate manner, instead of trying to rely on "one best way" or "one size fits all."

table 1–3 Evolution of the 21st-Century Manager

	PAST MANAGERS	FUTURE MANAGERS
Primary role	Order giver, privileged elite, manipulator, controller	Facilitator, team member, teacher, advocate, sponsor, coach
Learning and knowledge	Periodic learning, narrow specialist	Continuous life-long learning, generalist with multiple specialties
Compensation criteria	Time, effort, rank	Skills, results
Cultural orientation	Monocultural, monolingual	Multicultural, multilingual
Primary source of influence	Formal authority	Knowledge (technical and interpersonal)
View of people	Potential problem	Primary resource; human capital
Primary communication pattern	Vertical	Multidirectional
Decision-making style	Limited input for individual decisions	Broad-based input for joint decisions
Ethical considerations	Afterthought	Forethought
Nature of interpersonal relationships	Competitive (win–lose)	Cooperative (win–win)
Handling of power and key information	Hoard and restrict access	Share and broaden access for greater transparency
Approach to change	Resist	Facilitate

The contingency approach encourages managers to view organizational behavior within a situational context. According to this modern perspective, evolving situations, not hard-and-fast rules, determine when and where various management techniques are appropriate. Harvard's Clayton Christensen put it this way: "Many of the widely accepted principles of good management are only situationally appropriate."[66] For example, as discussed in Chapter 16, contingency researchers have determined that there is no single best style of leadership. Organizational behavior specialists embrace the contingency approach because it helps them realistically interrelate individuals, groups, and evolving circumstances inside and outside the organization. Moreover, the contingency approach sends a clear message to managers in today's global economy: Carefully read the situation and then be flexible enough to adapt (see Real World/Real People on page 20).

contingency approach Using management tools and techniques in a situationally appropriate manner; avoiding the one-best-way mentality.

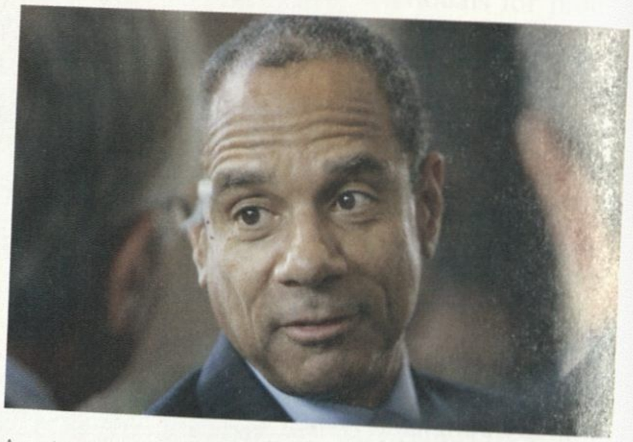
real WORLD // real PEOPLE

Will Happy Employees Mean Happy Customers for American Express?

[L]ast year when [American Express] gave its global customer service division a makeover, it decided to focus on making life better for its 26,000 call-center employees. The theory: Happier employees mean happier customers. "We've learned the importance of the attitude of the employee," says Jim Bush, EVP of world service. AmEx started by asking customer service employees what they wanted to see—and then delivered better pay, flexible schedules, and more career development. It also switched from a directive to keep calls short and transaction-oriented to engaging customers in longer conversations. Collectively, the moves have boosted service margins by 10%. "Great service starts with the people who deliver it," says [CEO Ken] Chenault. "We want American Express to be the company people recommend to their friends."

Based on Table 1–3, what evidence of 21st-century management can you find here?

SOURCE: Excerpted from C Tkaczyk, "American Express," *Fortune*, August 16, 2010, p 14.



American Express CEO Kenneth I Chenault.

TO THE POINT

How can an understanding of Carroll's social responsibility pyramid and the seven moral principles lead to more ethical conduct in the workplace?

The Ethics Challenge

Thanks to highly publicized criminal acts of now-jailed executives from the likes of Enron, Tyco, and WorldCom,[67] corporate officers in the United States became subject to high accountability standards and harsh penalties under the Sarbanes-Oxley Act of 2002.[68] Sadly, instead of improving, business ethics continued to hit new lows, as symbolized by Ponzi schemer Bernard Madoff's 150-year prison sentence in 2009 and Goldman Sachs's record $550 million fine to settle fraud charges in 2010.[69] The general public and elected officials (who have their own criminal hall of shame) continue to call for greater attention to ethical conduct.[70]

Clearly, *everyone* needs to join in the effort to stem this tide of unethical conduct. There are a variety of individual and organizational factors that contribute to unethical behavior. OB is an excellent vantage point for better understanding and improving workplace ethics. If OB can provide insights about managing human work behavior, then it can teach us something about avoiding *misbehavior*.

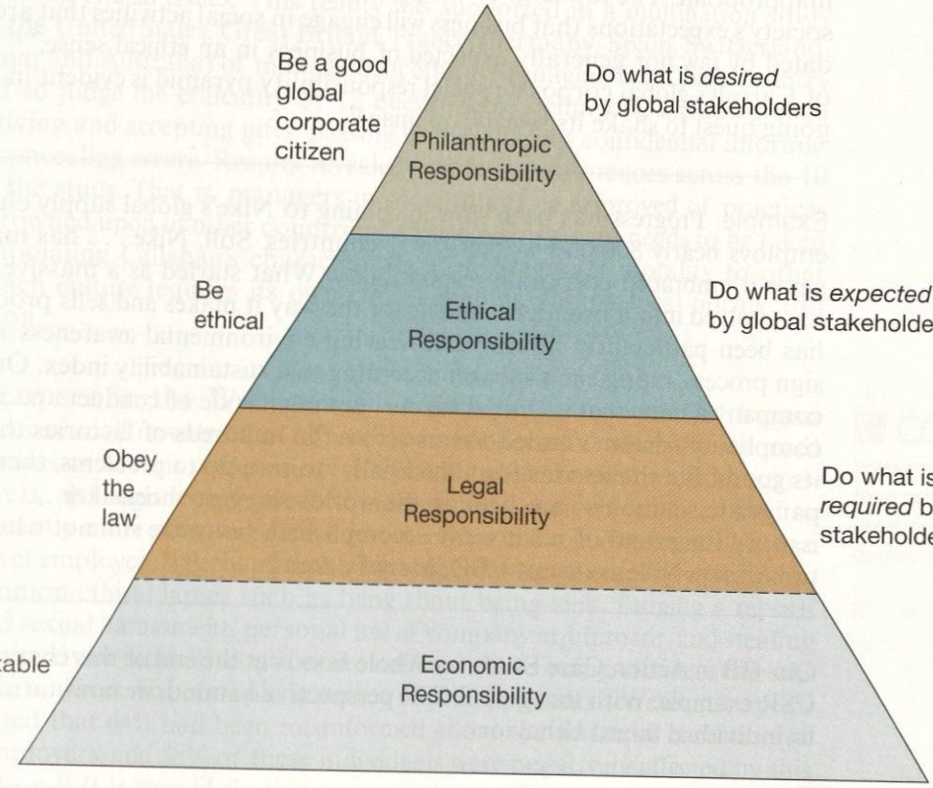
Ethics involves the study of moral issues and choices. It is concerned with right versus wrong, good versus bad, and the many shades of gray in supposedly black-and-white issues. Moral implications spring from virtually every decision, both on and off the job. Managers are challenged to have more imagination and the courage to do the right thing to make the world a better place.

To enhance our understanding of ethics within an OB context, we will discuss (1) a corporate social responsibility model, (2) the general erosion of morality, (3) seven moral principles for managers, (4) how to improve an organization's ethical climate, and (5) a personal call to action.

LO.7

A Model of Global Corporate Social Responsibility and Ethics

Corporate social responsibility (CSR) is defined as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract."[71] CSR challenges businesses to go above and beyond just making a profit to serve the interests and needs of figure 1–3 Carroll's Global Corporate Social Responsibility Pyramid



SOURCE: A B Carroll, *Academy of Management Executive: The Thinking Manager's Source.* Copyright © 2004 by The Academy of Management. Reproduced by permission of The Academy of Management via Copyright Clearance Center.

"stakeholders," including past and present employees, customers, suppliers, and countries and communities where facilities are located.[72] A good deal of controversy surrounds the drive for greater CSR because classical economic theory says businesses are responsible for producing goods and services to make profits, not solving the world's social, political, and environmental ills.[73] What is your opinion?

University of Georgia business ethics scholar Archie B Carroll views CSR in broad terms. So broad, in fact, that he created a model of CSR/business ethics with the global economy and multinational corporations in mind (see Figure 1–3). This model is very timely because it effectively triangulates three major trends: (1) economic globalization, (2) expanding CSR expectations, and (3) the call for improved business ethics. Carroll's global CSR pyramid, from the bottom up, advises organizations in the global economy to

- *Make a profit* consistent with expectations for international businesses.
- *Obey the law* of host countries as well as international law.
- *Be ethical in its practices,* taking host-country and global standards into consideration.
- *Be a good corporate citizen,* especially as defined by the host country's expectations.[74]

connect Go to www.mcgrawhillconnect.com for a video case on Patagonia and their philosophy concerning corporate social responsibility.

ethics Study of moral issues and choices.

corporate social responsibility Corporations are expected to go above and beyond following the law and making a profit.

In keeping with the pyramid idea, Carroll emphasizes that each level needs to be solid if the structure is to stand. A pick-and-choose approach to CSR is inappropriate. The top level of the pyramid, according to Carroll, reflects "global society's expectations that business will engage in social activities that are not mandated by law nor generally expected of business in an ethical sense."[75] The spirit of Carroll's global corporate social responsibility pyramid is evident in Nike's ongoing quest to shake its sweatshop image:

Example. Progress has been slow in coming to Nike's global supply chain, which employs nearly 800,000 workers in 52 countries. Still, Nike . . . has made strides since it embraced corporate responsibility. What started as a massive PR shield has evolved into a broader mandate for the way it makes and sells products. Nike has been particularly inventive at weaving environmental awareness into its design process, rating each sneaker according to a sustainability index. On labor, the company admits that its initial efforts—setting a code of conduct and monitoring compliance—haven't ended abuses across the hundreds of factories that produce its goods. But the lessons from the 1990s—to own up to problems, then find companywide solutions—are helping the world's biggest shoemaker . . . with labor issues. "I'm proud of what we've accomplished, but we're still not where we need to be," says Nike's current CEO, Mark Parker.[76]

Our OB in Action Case Study on Whole Foods at the end of this chapter is a good CSR example. With this global CSR perspective in mind, we now narrow the focus to individual moral behavior.

Back to the Chapter-Opening Case

Where does Zappos.com belong on Carroll's Corporate Social Responsibility Pyramid in Figure 1–3? Explain.

connect Go to www.mcgrawhillconnect.com for an interactive comprehension case exercise to learn about ethics.

An Erosion of Morality?

David Callahan, in his book *The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead,* paints this disturbing picture of modern society:

Example. [T]he character of Americans has changed. Those values associated with the market hold sway in their most caricatured form: individualism and self-reliance have morphed into selfishness and self-absorption; competitiveness has become social Darwinism; desire for the good life has turned into materialism; aspiration has become envy. There is a growing gap between the life that many Americans want and the life they can afford—a problem that bedevils even those who would seem to have everything. Other values in our culture have been sidelined; belief in community, social responsibility, compassion for the less able or less fortunate.[77]

Bolstering this negative view is a 2010 survey in which 72% of Americans polled said corruption had increased in the United States during the past three years.[78] Does this portrayal of a "cheating culture" have merit and, if so, to what extent? Let us examine the OB research evidence for relevant insights.

Taking Local Norms and Conduct into Consideration National culture, as discussed in Chapter 4, affects how people think and act about everything, including ethical issues. This reality was supported in a multination study (including the United States, Great Britain, France, Germany, Spain, Switzerland, India, China, and Australia) of management ethics. Managers from each country were asked to judge the ethicality of 12 questionable behaviors, including such things as giving and accepting gifts, passing blame, sharing confidential information, and concealing errors. Results revealed significant differences across the 10 nations in the study. That is, managers in some countries approved of practices that were frowned upon in other countries.[79] Consequently, care needs to be taken when extrapolating Callahan's characterization of American morality to other cultures. Each culture requires its own ethical analysis, taking local norms into consideration.

Ethical Lapses in the Workplace A nationwide survey of 581 human resource professionals revealed that 62% of the respondents occasionally observed unethical behavior at their companies.[80] Unethical behavior occurs at all organizational levels, although recent research indicates that senior executives tend to have significantly more positive perceptions of ethics in their organizations than do lower-level employees.[81] Perhaps that is because lower-level employees regularly witness common ethical lapses such as lying about being sick, fudging a report, bullying and sexual harassment, personal use of company equipment, and stealing company property or funds. Executives are not immune to being victims of unethical conduct, however. For example, a survey of job applicants for executive positions indicated that 64% had been misinformed about the financial condition of potential employers, and 58% of these individuals were negatively affected by this misinformation.[82] It is very likely that some of those affected individuals moved their families and left their friends only to discover the promise of a great job in a financially stable organization was a lie. Job applicants, for their part, also have ethical lapses. An analysis of 2.6 million background checks by ADP Screening and Selection Services, revealed that "44% of applicants lied about their work histories, 41% lied about their education, and 23% falsified credentials or licenses."[83]

connect Go to www.mcgrawhillconnect.com for a self-assessment to determine your ethical decision-making skills.

Experts estimate that US companies lost about $994 billion to fraud in 2008, much of it at the hands of insiders.[84] On a global scale, the World Bank says, "bribery has become a $1 trillion industry."[85]

Intense Pressure for Results Starts Early Lower-level managers generally want to "look good" for their bosses. In support of this conclusion, many studies have found a tendency among middle- and lower-level managers to act unethically in the face of perceived pressure for results. Further, this tendency is particularly pronounced when individuals are significantly rewarded for accomplishing their goals.[86] By fostering a pressure-cooker atmosphere for results, managers can unwittingly set the stage for unethical shortcuts by employees who seek to please the boss, protect their jobs, and be loyal to the company.[87]

Unfortunately, the seeds of this problem are planted early in life. A survey of 787 youngsters ages 13 to 18 found "that 44% of teens feel they're under strong pressure to succeed in school, no matter the cost. Of those, 81% believe the pressure will be the same or worse in the workplace."[88] Sixty-nine percent of the students admitted to lying in the past year (with 27% confessing they even lied on the survey!).[89] Anonymous surveys by the Josephson Institute of Ethics of 43,321 students ages 15 to 18 from private and public high schools across the United States found 60% admittedly had cheated on a test in 2010 "and 34% did so twice or more. Students at non-religious private schools cited the lowest percentage (33%), while 56% at religious schools said they cheated."[90]

Some believe intense pressure for results by BP managers ultimately was responsible for the 11 deaths and environmental disaster when Transocean's Deepwater Horizon drilling rig exploded and sank into the Gulf of Mexico in 2010.

table 1–4 The Magnificent Seven: General Moral Principles for Managers

1. *Dignity of human life:* The lives of people are to be respected. Human beings, by the fact of their existence, have value and dignity. We may not act in ways that directly intend to harm or kill an innocent person. Human beings have a right to live; we have an obligation to respect that right to life. Human life is to be preserved and treated as sacred.
2. *Autonomy:* All persons are intrinsically valuable and have the right to self-determination. We should act in ways that demonstrate each person's worth, dignity, and right to free choice. We have a right to act in ways that assert our own worth and legitimate needs. We should not use others as mere "things" or only as means to an end. Each person has an equal right to basic human liberty, compatible with a similar liberty for others.
3. *Honesty:* The truth should be told to those who have a right to know it. Honesty is also known as integrity, truth telling, and honor. One should speak and act so as to reflect the reality of the situation. Speaking and acting should mirror the way things really are. There are times when others have the right to hear the truth from us; there are times when they do not.
4. *Loyalty:* Promises, contracts, and commitments should be honored. Loyalty includes fidelity, promise keeping, keeping the public trust, good citizenship, excellence in quality of work, reliability, commitment, and honoring just laws, rules, and policies.
5. *Fairness:* People should be treated justly. One has the right to be treated fairly, impartially, and equitably. One has the obligation to treat others fairly and justly. All have the right to the necessities of life—especially those in deep need and the helpless. Justice includes equal, impartial, unbiased treatment. Fairness tolerates diversity and accepts differences in people and their ideas.
6. *Humaneness:* There are two parts: (*a*) Our actions ought to accomplish good, and (*b*) we should avoid doing evil. We should do good to others and to ourselves. We should have concern for the well-being of others; usually, we show this concern in the form of compassion, giving, kindness, serving, and caring.
7. *The common good:* Actions should accomplish the "greatest good for the greatest number" of people. One should act and speak in ways that benefit the welfare of the largest number of people, while trying to protect the rights of individuals.

SOURCE: From Kent Hodgson, *A Rock and a Hard Place: How to Make Ethical Business Decisions When the Choices Are Tough* © 1992. Reprinted with permission of the author.

In summary, Callahan's earlier characterization of America's cheating culture is an appropriate wake-up call. The challenge to improve is immense because unethical behavior is pervasive.

LO.8 General Moral Principles

Management consultant and writer Kent Hodgson has helpfully taken managers a step closer to ethical decisions by identifying seven general moral principles (see Table 1–4). Hodgson calls them "the magnificent seven" to emphasize their timeless and worldwide relevance. Notions of both justice and care are clearly evident in the magnificent seven, which are detailed and, hence, more practical. Importantly, according to Hodgson, there are no absolute ethical answers for decision makers. The goal for managers should be to rely on moral principles so their decisions are *principled, appropriate,* and *defensible.*[91] (See Real World/Real People.)

How to Improve the Organization's Ethical Climate

Improving workplace ethics is not just a nice thing to do; it also can have a positive impact on the bottom line. Studies in the United States and the United Kingdom demonstrated that corporate commitment to ethics can be profitable. Evidence

real WORLD // real PEOPLE: ethics

Do Billionaire Businesspeople Have an Obligation to "Give Back" to Society?

Bill Gates and Warren Buffett announced . . . [in 2010] that 40 of America's richest people have agreed to sign a "Giving Pledge" to donate at least half their wealth to charity. With a collective net worth said to total $230 billion, that promise translates to at least $115 billion. . . .

Successful entrepreneurs-turned-philanthropists typically say they feel a responsibility to "give back" to society. But "giving back" implies they have taken something. What, exactly, have they taken? Yes, they have amassed great sums of wealth. But that wealth is the reward they have earned for investing their time and talent in creating products and services that others value. They haven't taken from society, but rather enriched us in ways that were previously unimaginable.

What do you think about the issue of giving back? Explain the ethics and general moral principles of your position.

SOURCE: Excerpted from K O Dennis, "Gates and Buffett Take the Pledge," *The Wall Street Journal,* August 20, 2010, p A15.

suggested that profitability is enhanced by a reputation for honesty and corporate citizenship.[92] Ethics also can impact the quality of people who apply to work in an organization. An online survey of 1,020 individuals indicated that 83% rated a company's record of business ethics as "very important" when deciding to accept a job offer. Only 2% rated it as "unimportant."[93]

A team of management researchers recommended the following actions for improving on-the-job ethics.[94]

- *Behave ethically yourself.* Managers are potent role models whose habits and actual behavior send clear signals about the importance of ethical conduct. Ethical behavior is a top-to-bottom proposition and executives are challenged "to simultaneously maximize the so-called triple bottom line, or 'People, Planet, Profit.'"[95]
- *Screen potential employees.* Surprisingly, employers are generally lax when it comes to checking references, credentials, transcripts, and other information on applicant résumés. More diligent action in this area can screen out those given to fraud and misrepresentation. Integrity testing is fairly valid but is no panacea.[96]
- *Develop a meaningful code of ethics.* Codes of ethics can have a positive impact if they satisfy these four criteria:
  1. They are *distributed* to every employee.
  2. They are firmly *supported* by top management.
  3. They refer to *specific* practices and ethical dilemmas likely to be encountered by target employees (e.g., salespersons paying kickbacks, purchasing agents receiving payoffs, laboratory scientists doctoring data, or accountants "cooking the books").
  4. They are evenly *enforced* with rewards for compliance and strict penalties for noncompliance.[97]
- *Provide ethics training.* Employees can be trained to identify and deal with ethical issues during orientation and through seminar, video, and Internet training sessions.[98]
- *Reinforce ethical behavior.* Behavior that is reinforced tends to be repeated, whereas behavior that is not reinforced tends to disappear. Ethical conduct too often is ignored or even punished while unethical behavior is rewarded.

connect™ Go to www.mcgrawhillconnect.com for an interactive exercise to test your knowledge on the model of global corporate social responsibility.

- *Create positions, units, and other structural mechanisms to deal with ethics.* Ethics needs to be an everyday affair, not a one-time announcement of a new ethical code that gets filed away and forgotten. A growing number of large companies in the United States have chief ethics officers who report directly to the CEO, thus making ethical conduct and accountability priority issues.
- *Create a climate in which whistle-blowing becomes unnecessary.* **Whistle-blowing** occurs when an employee reports a perceived unethical and/or illegal activity to a third party such as government agencies, news media, or public-interest groups. Enron's Sherron Watkins was a highly publicized whistle-blower.[99] Organizations can reduce the need for whistle-blowing by encouraging free and open expression of dissenting viewpoints and giving employees a voice through fair grievance procedures and/or anonymous ethics hot lines.

A Personal Call to Action

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In the final analysis, ethics comes down to individual perception and motivation. Organizational climate, role models, structure, training, and rewards all can point employees in the right direction. But individuals first must be **morally attentive**, meaning they faithfully consider the ethical implications of their actions and circumstances.[100]

Second, they must *want* to do the right thing and have the courage to act. Bill George, the respected former CEO of Medtronic, the maker of life-saving devices such as heart pacemakers, gave us this call to action: "Each of us needs to determine . . . where our ethical boundaries are and, if asked to violate (them), refuse. . . . If this means refusing a direct order, we must be prepared to resign."[101] Rising to this challenge requires strong personal *values* (more about values in Chapter 6) and the *courage* to adhere to them during adversity.

TO THE POINT

Which of the five research methodologies is likely to provide the best insights about OB?

Learning about OB: Research and a Road Map

OB is a broad and growing field. We have a lot of ground to cover. To make the trip as instructive and efficient as possible, we use a theory→research→practice strategy. For virtually all major topics in this book, we begin by presenting the underlying theoretical framework (often with graphical models showing how key variables are related) and defining key terms. Next, we tap the latest research findings for valuable insights. Finally, we round out the discussion with illustrative practical examples and, when applicable, how-to-do-it advice.

LO.9 Five Sources of OB Research Insights

OB gains its credibility as an academic discipline by being research driven. Scientific rigor pushes aside speculation, prejudice, and untested assumptions about workplace behavior. We systematically cite "hard" evidence from five different categories. Worthwhile evidence was obtained by drawing on the following *priority* of research methodologies:

- *Meta-analyses.* A **meta-analysis** is a statistical pooling technique that permits behavioral scientists to draw general conclusions about certain variables from many different studies.[102] It typically encompasses a vast number of subjects, often reaching the thousands. Meta-analyses are instructive because they focus on general patterns of research evidence, not fragmented bits and pieces or isolated studies.[103]

- *Field studies.* In OB, a **field study** probes individual or group processes in an organizational setting. Because field studies involve real-life situations, their results often have immediate and practical relevance for managers.
- *Laboratory studies.* In a **laboratory study**, variables are manipulated and measured in contrived situations. College students are commonly used as subjects. The highly controlled nature of laboratory studies enhances research precision. But generalizing the results to organizational management requires caution.
- *Sample surveys.* In a **sample survey,** samples of people from specified populations respond to questionnaires. The researchers then draw conclusions about the relevant population. Generalizability of the results depends on the quality of the sampling and questioning techniques.
- *Case studies.* A **case study** is an in-depth analysis of a single individual, group, or organization, Because of their limited scope, case studies yield realistic but not very generalizable results.

connect Go to www.mcgrawhillconnect.com for an interactive exercise to test your knowledge on the sources of organizational behavior research.

A Topical Model for Understanding and Managing OB

Figure 1–4 is a topical road map for our journey through this book. Our destination is organizational effectiveness through continuous improvement. Four different criteria for determining whether or not an organization is effective are discussed in Chapter 17. The study of OB can be a wandering and pointless trip if we overlook the need to translate OB lessons into an effective and efficient organized endeavor.

At the far left side of our topical road map are managers and team leaders, those who are responsible for accomplishing organizational results with and through others. The three circles at the center of our road map correspond to Parts 2, 3, and 4 of this text. Logically, the flow of topical coverage in this book (following introductory Part 1) goes from individuals, to group processes, to organizational processes. Around the core of our topical road map in Figure 1–4 is the organization. Accordingly, we end our journey with organization-related material in Part 4. Organizational structure and design are covered there in Chapter 17 to establish and develop the *organizational* context of organizational behavior. Rounding out our organizational context is a discussion of organizational change in Chapter 18. Chapters 3 and 4 provide a *cultural* context for OB.

The dotted line represents a permeable boundary between the organization and its environment. Energy and influence flow both ways across this permeable boundary. Truly, no organization is an island in today's highly interactive and interdependent world. Relative to the *external* environment, international cultures

whistle-blowing Reporting unethical/illegal acts to outside third parties.

morally attentive Faithfully considering the ethical implications of one's actions.

meta-analysis Pools the results of many studies through statistical procedure.

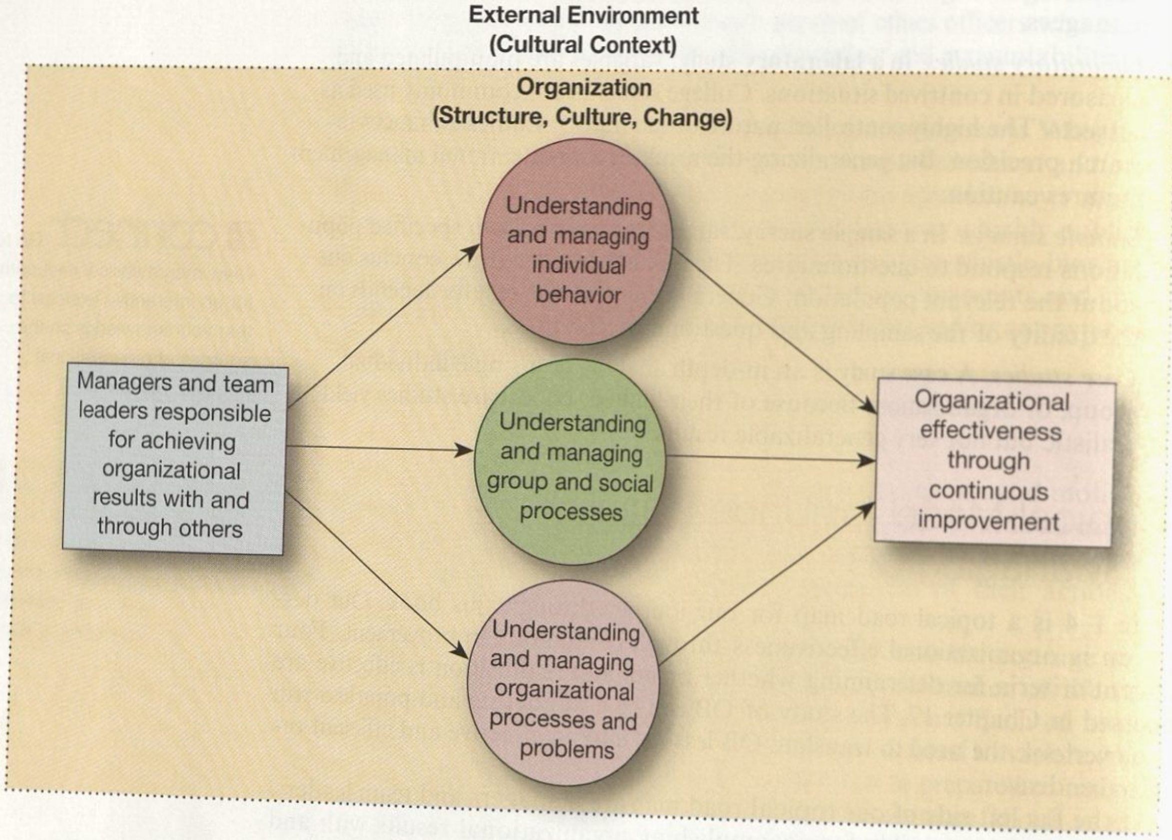
field study Examination of variables in real-life settings.

laboratory study Manipulation and measurement of variables in contrived situations.

sample survey Questionnaire responses from a sample of people.

case study In-depth study of a single person, group, or organization.

figure 1–4 A Topical Model for What Lies Ahead



are explored in Chapter 4. Organization–environment contingencies are examined in Chapter 17.

Chapter 2 examines the OB implications of significant demographic and social trends. These discussions provide a realistic context for studying and managing people at work.

Bon voyage! Enjoy your trip through the challenging, interesting, and often surprising world of OB.

Summary of Key Concepts

1. *Define the term* organizational behavior, *and contrast McGregor's Theory X and Theory Y assumptions about employees.* Organizational behavior (OB) is an interdisciplinary field dedicated to better understanding and managing people at work. It is both research and application oriented. Theory X employees, according to traditional thinking, dislike work, require close supervision, and are primarily interested in security. According to the modern Theory Y view, employees are capable of self-direction, of seeking responsibility, and of being creative.
2. *Identify the four principles of total quality management (TQM).* (*a*) Do it right the first time to eliminate costly rework. (*b*) Listen to and learn from customers and employees. (*c*) Make continuous improvement an everyday matter. (*d*) Build teamwork, trust, and mutual respect.
3. *Define the term* e-business, *and describe the Net Generation.* E-business involves using the Internet to more effectively and efficiently manage every aspect of a business, including virtual teams. Tapscott describes the Net Generation—the 81 million Americans born between the start of 1977 and the end of 1997 who grew up with the Internet—in terms of eight norms: (*a*) value freedom, (*b*) customize everything, (*c*) be skeptical, (*d*) value integrity, (*e*) abide by commitments, (*f*) be a great collaborator, (*g*) thrive on speed, (*h*) love to innovate.
4. *Contrast human and social capital, and explain why we need to build both.* The first involves *individual* characteristics; the second involves *social* relationships. Human capital is the productive potential of an individual's knowledge and actions. Dimensions include such things as intelligence,

visions, skills, self-esteem, creativity, motivation, ethics, and emotional maturity. Social capital is productive potential resulting from strong relationships, goodwill, trust, and cooperative effort. Dimensions include such things as shared visions and goals, trust, mutual respect, friendships, empowerment, teamwork, win–win negotiations, and volunteering. Social capital is necessary to tap individual human capital for the good of the organization through knowledge sharing and networking.

5. *Define the term* management, *and identify at least five of the eleven managerial skills in Wilson's profile of effective managers.* Management is the process of working with and through others to achieve organizational objectives in an efficient and ethical manner. According to the Wilson skills profile, an effective manager (*a*) clarifies goals and objectives, (*b*) encourages participation, (*c*) plans and organizes, (*d*) has technical and administrative expertise, (*e*) facilitates work through team building and coaching, (*f*) provides feedback, (*g*) keeps things moving, (*h*) controls details, (*i*) applies reasonable pressure for goal accomplishment, (*j*) empowers and delegates, and (*k*) recognizes and rewards good performance.

6. *Characterize 21st-century managers.* They will be team players who will get things done cooperatively by relying on joint decision making, their knowledge instead of formal authority, and their multicultural skills. They will engage in life-long learning and be compensated on the basis of their skills and results. They will facilitate rather than resist change, share rather than hoard power and key information, and be multidirectional communicators. Ethics will be a forethought instead of an afterthought. They will be generalists with multiple specialties.

7. *Describe Carroll's global corporate social responsibility pyramid, and discuss the problem of moral erosion.* From bottom to top, the four levels of corporate responsibility in Carroll's pyramid are: *economic* (make a profit); *legal* (obey the law); *ethical* (be ethical in its practices); and *philanthropic* (be a good corporate citizen). Progress needs to be made on all levels. Callahan's claim that America has developed a "cheating culture" is supported by unethical conduct at all organizational levels. An unintended but serious consequence of excessive pressure for results, beginning in school and carrying over to the workplace, is expedient unethical behavior. Moral erosion is evident in high school and workplace surveys about misconduct.

8. *Identify four of the seven general ethical principles, and explain how to improve an organization's ethical climate.* The "magnificent seven" moral principles are (*a*) dignity of human life, (*b*) autonomy, (*c*) honesty, (*d*) loyalty, (*e*) fairness, (*f*) humaneness (by doing good and avoiding evil), and (*g*) the common good (accomplishing the greatest good for the greatest number of people). An organization's ethical climate can be improved by managers being good role models, carefully screening job applicants, creating and firmly enforcing a code of ethics mentioning specific practices, providing ethics training, rewarding ethical behavior, creating ethics-related positions and structures, and reducing the need for whistle-blowing (reporting unethical conduct to outside third parties) through open and honest debate.

9. *Describe the sources of organizational behavior research evidence.* Five sources of OB research evidence are meta-analyses (statistically pooled evidence from several studies), field studies (evidence from real-life situations), laboratory studies (evidence from contrived situations), sample surveys (questionnaire data), and case studies (observation of a single person, group, or organization).

Key Terms

Organization, 5	**Social capital, 15**	**Morally attentive, 26**
Organizational behavior, 6	**Management, 16**	**Meta-analysis, 26**
Theory Y, 9	**Contingency approach, 18**	**Field study, 27**
Total quality management, 11	**Ethics, 20**	**Laboratory study, 27**
E-business, 12	**Corporate social responsibility, 20**	**Sample survey, 27**
Human capital, 15	**Whistle-blowing, 26**	**Case study, 27**

OB in Action Case Study

John Mackey, Cofounder and Co-CEO of Whole Foods Market, Believes in "Conscious Capitalism"[104]

What is conscious capitalism?

First, you have to understand the basic principles that help capitalism flourish. One is property rights. You need the ability to trade your property, and to trade it to pretty much whomever you want. Another is the rule of law—laws and regulations that are well understood so that you can factor them into your business decisions. The rule of law has to be applied equally to everyone. . . . You also need to have conscious businesses—that is, businesses that become conscious of their higher purpose, which is not just about maximizing profits and shareholder value.

Second, you have to recognize the stakeholder model: Customers, employees, investors, suppliers, larger communities, and the environment are all interdependent. You operate the business in such a way that it's not a zero-sum game.

Third, you need what we call conscious leadership. You could also call it servant leadership. Leaders identify their own flourishing with the flourishing of the organization. They're trying to serve the organization and its purpose.

Fourth, you have to create a conscious culture—a culture that allows the organization to fulfill its higher purpose, implements the stakeholder model, and enables conscious leadership to flourish.

So, what are the core principles of Whole Foods, and where do they come from?

I think business enterprises are like any other communities. They can aspire to the highest values that have inspired humans throughout time. You can use different value models, but I like Plato's the good, the true, and the beautiful. Add the heroic to that—meaning changing and improving the world and standing up for what you believe is true and right and good. I think Whole Foods' highest purpose is a heroic one: to try to change and improve our world. That is what animates me personally. That is what animates the company. I resisted that purpose for a long time, by the way. I actually thought we were in some variant of service—that it was really about fulfilling the good. The team members consistently told me I was wrong, that we had a different purpose. It was this more heroic purpose.

In terms of the age-old debate about whether companies exist for the shareholders or for something else, is there one group? Is it customers? Is it employees? Or is it this purpose?

That gets back to the second principle of conscious capitalism—the stakeholder model. I think it's kind of deep in human nature to think in terms of the zero sum. If one stakeholder is winning, someone else must be losing. It comes from sports, where there is one winner and lots of losers, and this idea of a fixed pie, where if someone is getting a bigger piece, someone else has to be getting a smaller piece, and what's needed for social justice is to make sure people get equal pieces. But a conscious business recognizes that you can have an expanding pie, and potentially everyone can get a larger piece.

I'll give you a simple example: Management's job at Whole Foods is to make sure that we hire good people, that they are well trained, and that they flourish in the workplace, because we found that when people are really happy in their jobs, they provide much higher degrees of service to the customers. Happy team members result in happy customers. Happy customers do more business with you. They become advocates for your enterprise, which results in happy investors. That is a win, win, win, win strategy. You can expand it to include your suppliers and the communities where you do business, which are tied in to this prosperity circle. A metaphor I like is the spiral, which tends to move upward but doesn't move in a straight line.

Questions for Discussion

1. What role, if any, does McGregor's Theory Y play at Whole Foods? Explain.
2. How does Whole Foods build human and social capital?
3. How does this case bring the profile of the 21st-century manager (Table 1–3) to life? Explain.
4. Where would you locate Whole Foods on Carroll's global corporate social responsibility pyramid in Figure 1–3? Explain.
5. Which of the seven moral principles in Table 1–4 appear to be in force at Whole Foods? Explain.
6. What appeals to you (or does not appeal to you) about working at Whole Foods? Explain.

Legal/Ethical Challenge

School Reform Advocate Michelle Rhee Wants to Put Students First

"There are lots of problems with seniority-based layoffs. The *L.A. Times* looked at which teachers were recently laid off in Los Angeles and bumped that list up against the teacher-performance data they have there. Many who were laid off were in the top quartile. That's just insane! The union president says this is the only way to do it that's fair. But it's in direct contradiction to what's right for kids. If they had done it by quality, not seniority, it would have been more cost effective and better for stability; you would have laid off fewer teachers. Those are the kinds of policies we're going after—and they exist everywhere."[105]

As a parent, school board member, or school administrator, what position would you take on this ethics-laden issue?

1. By virtue of their many years of service, senior teachers have earned the right to be protected from a layoff. (What is your ethical reasoning for this view?)
2. Like students, teachers should be graded and rewarded in terms of documented performance. (What general

criteria should be applied to determine who gets laid off? What is your ethical argument?)

3. Younger, lower-paid teachers are in a better position to survive a layoff than their longer-tenured colleagues. (What is your ethical argument?)
4. The only truly fair approach is to have a lottery drawing to determine who gets laid off. (What are the ethical arguments for and against this approach?)
5. Invent other interpretations or options. Discuss.

Web Resources

For study material and exercises that apply to this chapter, visit our website, **www.mhhe.com/kreitner10e**