Organizational Behavior

by:
John R. Schermerhorn
James G. Hunt
Richard N. Osborn

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Organizational Behavior Today

High Performance = People, People, People

Of all the available advice on high performing organizations, one message stands out to guide them all: “People are an organization’s most important assets!”

Stanford scholar Jeffrey Pfeffer is a believer and vocal advocate of building organizational performance capabilities through the effective management of people. It isn’t just an emotional or sentimental attachment to the human factor; the “bottom line” returns are there too. His research indicates that organizations that are getting the best from their people gain the competitive advantages of higher productivity and lower turnover. What makes the difference between those that achieve this advantage and those that do not? Pfeffer argues the key is a leadership mindset that views and treats people in organizations as valuable assets, not costs.

Consider the case of Malden Mills. When the plant burned down several years ago, CEO Aaron Feurstein refused to lay off the workers. He paid them while rebuilding, even though insurance picked up only 75 percent of the cost. The maker of Polartec fleece for clothing got back on its feet, only to suffer again when the economy turned down. Facing large debts, Feurstein had to file for Chapter bankruptcy while reorganizing.

What did the employees do when the bad times hit? They stood by the company. Says one engineer: “I would never leave him at a time like this, not for what he’s done for me.” Nine hundred union workers couldn’t agree more. They gave up their next year’s paid personal days to help cut expenses, and agreed to freeze salaries for two years. Saving the company is good for the employees and the community. “Malden Mills is where I want to be,” says one worker.

With a new contract to supply $17 million worth of materials for the U.S. Army and Marines, Malden Mills fought back with the best performance foundations to win the fight—committed people. At Malden Mills, workers stood up for their company and its CEO, just as Pfeffer would have expected.

Aaron Feurstein, featured in the opening example of Malden Mills, offers a powerful lesson. If you act ethically and treat people in organizations well, you can expect them to treat you well in return. The case also shows that the pathways to high performance are complex, challenging, and full of pitfalls. Nothing is guaranteed. Yet even in crisis, Feurstein was able to face the future...
and all of its risks with confidence; he had earned the trust and respect of the employees. Whether your career unfolds in entrepreneurship, corporate enterprise, public service, or any other occupational setting, one thing remains sure: Success for people and organizations requires flexibility, creativity, learning, and a willingness to change. That is the message of today, and it will be the message for tomorrow.

**Study Questions**

Chapter 1 introduces the field of organizational behavior as a useful knowledge base for achieving career success in today’s dynamic environment. As you read the chapter, keep in mind these key questions.

- What is organizational behavior and why is it important?
- How do we learn about organizational behavior?
- What are organizations like as work settings?
- What is the nature of managerial work?
- How do ethics influence human behavior in organizations?

**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. The public 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 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.

Figure 1 shows how *Organizational Behavior 8/E* progresses logically from the current environment—including an emphasis on high performance organizations and implications of globalization, to dimensions of individual and group behavior in organizations, to the nature of organizations themselves, and to core processes of OB—including leadership, power and politics, information and communication, decision making, conflict and negotiation, and change, innovation, and stress.
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. 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 change and uncertainty, and their implications for organizations—just look at the new economic realities and the 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 challenges emerge in the new workplace.

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 work in the new century includes these trends:

- Demise of “command-and-control”—increasing competitiveness in organizational environments has made traditional hierarchical structures too unwieldy, slow, and costly to do well.
- Emergence of new workforce expectations—the new generation of workers is less tolerant of hierarchy, more informal, and concerned more for performance merit than status.
- Commitment to ethical behavior—congressional hearings into the collapse of the Enron Corporation and questionable practices by its auditor Arthur Andersen highlight concerns for ethical behavior in the workplace; there is growing intolerance for breaches of public faith by organizations and those who run them.
- Critical role of information technologies—organizations now depend on computers; the consequent implications for workflows and information utilization are far reaching.
- Belief in empowerment—a 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 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, able-bodiedness and sexual orientation. 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 a core OB theme. It refers to managing and working with others in full respect for their individual differences (see The Effective Manager 1.1). Interpersonal and cultural sensitivity is 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: “Many 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.”9 A 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 12.5 percent of corporate officerships in Fortune 500 companies. They also earn as senior executives only about 72 cents to the dollar earned by the highest-paid men. In the American workforce overall, the wages of black women trail by 13 percent those of white women.10

The Effective Manager 1.1

How to make Diversity Stick

• Focus on getting the best talent.
• Develop career plans for all employees.
• Provide career mentoring by diversity cohorts.
• Promote minorities to responsible positions.
• Maintain accountability for diversity goals.
• Make diversity part of organizational strategy.
• Build diversity into senior management.

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 “learning” 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.11

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.12 Organizations must be able to change continuously and positively while searching for new ideas
and opportunities. The same is true for each of us. We must strive for continuous improvement to maintain career readiness and 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. This book contains a special section, The Organizational Behavior Workbook, designed specifically to help you begin this process. Included in the workbook are many opportunities for you, individually and in study groups, to analyze readings and cases, participate in experiential exercises, and complete skills-assessment inventories to advance your learning.

### High Performance Organization

Organizations that offer learning cultures are highly sought after by today’s college graduates. Ernst & Young, a global accounting and consulting firm with over 80,000 employees and $9 billion in annual revenues, is one of them. Visit the firm’s Global Thought Center and you’ll find insights from a professional staff and facility dedicated to learning. There is no “business as usual,” states the Center’s Web site. “Yesterday’s strategies won’t necessarily make you a success in tomorrow’s world.”

### 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 the early focus was initially on physical working conditions, principles of administration, and industrial engineering principles, the interest had broadened by the 1940s 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. The ultimate goal is to improve the functioning of organizations and the work experiences of their members.
Use of Scientific Methods

OB uses scientific methods to develop and empirically test generalizations about behavior in organizations. Figure 2 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 end-of-book 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. The outcome or dependent variables studied by researchers, for example, include task performance, job satisfaction, job involvement, absenteeism, and turnover. Among the practical questions addressed by the discipline of OB and in this book are: How should rewards such as merit pay raises be allocated? How can jobs be designed for high performance? 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. In Chapter , for example, 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.
Dean Sybil Mobley welcomes corporate visitors to Florida A&M’s business school. And the firms are glad to come. They get the inside track on recruiting the school’s graduates, known for their high caliber and immersion in corporate culture. Says Mobley: “We want them to hit the ground running.” They get great support from a faculty whose commitment to teaching Mobley calls “exceptional.”

**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.” 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 build a winning airline by taking care of our customers.” 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, acquisitions, restructurings, and divestitures found in business today 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. A good plan alone is insufficient to achieve 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. How people work and perform together in organizations is what OB is all about.
At Trilogy Software, Inc., in Austin, Texas, CEO and founder Joe Liemandt says: “There’s nothing more important than recruiting and growing people.” The firm’s values state: “Our people are the backbone of our business…. What’s the best thing about Trilogy? It’s the people.” Trilogy has abandoned the traditional employer-employee relationship in favor of workers becoming shareholders and partners in business. The firm’s perks include fully stocked kitchens, memberships at local gyms, and comprehensive benefits. This focus on people and diverse needs and talents helps give Trilogy an important edge in the competitive market for high-tech talent.21

People and Work Systems

Richard Kovacevic, president and CEO of Wells Fargo, once said: “Our success has to do with execution…talented, professional, motivated people who care…that’s our competitive advantage.”22 Leaders of today’s organizations increasingly recognize the importance of putting people first as they face new and sometimes very difficult times. The very best leaders understand the new significance of an 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.23 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 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.”24

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 Figure 3, 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.

Organization and environment relationships.

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 inside the organization with bosses, peers, subordinates, and subordinates of their subordinates. Externally, it includes working with outsiders such as customers, suppliers, and the like. Managers are communicators. Managers spend a lot of time getting, giving, and processing information in both face-to-face and electronic communications. They participate in frequent formal and informal meetings, with higher level managers typically spending more time in scheduled meetings.

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 performance contributions of human resources should never be lost or compromised 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 performed constantly and often simultaneously. As shown in Figure 4, these four functions of management are planning, organizing, leading, and controlling. They form a framework for managerial action that can be described as follows:
The management process of planning, organizing, leading, and controlling.

- **Planning**—defining goals, setting specific performance objectives, and identifying 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 approach to describe what managers do. He identified 10 roles, falling into three categories as shown in Figure 5, that managers must be prepared to perform on a daily basis. The **interpersonal roles** 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).

Ten roles of effective managers.

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

Managerial Skills and Competencies

A skill is an ability to translate knowledge into action that results in a desired performance. Robert Katz divides the essential managerial skills into three categories: technical, human, and conceptual. He further suggests that the relative importance of these skills varies across the different levels of management. Technical skills are considered more important at entry levels of management, where supervisors and team leaders must deal with job-specific problems. Senior executives are concerned more with issues of organizational purpose, mission, and strategy. Broader, more ambiguous, and longer term decisions dominate attention at these higher levels, and conceptual skills gain in relative importance. Human skills, which are strongly grounded in the foundations of organizational behavior, are consistent in their importance across all managerial levels.

Technical Skills

A technical skill is an ability to perform specialized tasks. Such ability derives from knowledge or expertise gained from education or experience. This skill involves proficiency at using select
methods, processes, and procedures to accomplish tasks. Perhaps the best current example is skill in using the latest communication and information technologies. In the high-tech workplaces of today, technical proficiency in word processing, database management, spreadsheet analysis, e-mail, and communications networks are often hiring prerequisites. Some technical skills require preparatory education, whereas others are acquired through specific training and on-the-job experience.

**Human Skills**

Central to managerial work and team leadership are human skills, or the ability to work well with other people. They emerge as a spirit of trust, enthusiasm, and genuine involvement in interpersonal relationships. A person with good human skills will have a high degree of self-awareness and a capacity for understanding or empathizing with the feelings of others. People with this skill are able to interact well with others, engage in persuasive communications, deal successfully with disagreements and conflicts, and more.

**Operations**

**OB Across Functions**

**Improving Low-Skill Jobs**

It is no secret that communities suffer when they lose jobs as local manufacturers shift operations abroad. Many of those jobs are in low-skill settings, such as garment and shoe manufacturing, where low-cost foreign labor puts U.S. counterparts at a competitive disadvantage. But take a look at New Balance Athletic Shoe's operation in Maine. These workers are winning the battle to keep their jobs at home, and they are doing so with operations efficiency. The keys are high-tech training and progressive management. Workers at the New Balance factory are organized into teams, they swap jobs with one another, and they are trained to do multiple tasks. They also work with the latest technologies, turning out in 24 minutes shoes that might take up to three hours in a foreign plant. In this high-tech setting a worker can run several computerized sewing machines at one time. Owner Jim Davis says: “It's part of the company's culture to design and manufacture here.” He is able to do so through constant innovation in operations management combined with a commitment to people-oriented work practices.

An important new emphasis in this area of human skills is emotional intelligence (EI). Defined by Daniel Goleman as the ability to manage both oneself and one’s relationships effectively, EI is now considered an important leadership competency. Goleman's research suggests that a leader's emotional intelligence contributes significantly to his or her leadership effectiveness. Important dimensions of emotional intelligence that can and should be developed by any manager.
are shown in The Effective Manager 1.2. Human skills such as EI are indispensable in the new age of organizations where traditions of hierarchy and vertical structures are giving way to lateral relations and peer structures.33

**Conceptual Skills**

All good managers are able to view the organization or situation as a whole and to solve problems to the benefit of everyone concerned. This capacity to analyze and solve complex and interrelated problems is a **conceptual skill**. It involves the ability to see and understand how the whole organizational system works, and how the parts are interrelated. Conceptual skill is used to identify problems and opportunities, gather and interpret relevant information, and make good problem-solving decisions that serve the organization’s purpose.

### The Effective Manager 1.2

**Developing your Emotional Intelligence**

- **Self-awareness**—ability to understand your own moods and emotions.
- **Self-regulation**—ability to think before acting and control disruptive impulses.
- **Motivation**—ability to work hard and persevere.
- **Empathy**—ability to understand emotions of others.
- **Social skill**—ability to gain rapport with others and build good relationships.

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**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 choice, however,
is a subject of debate. At least four ways of thinking about ethical behavior in and by organizations can be identified.\textsuperscript{34}

The \textit{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 \textit{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 \textit{not} succeed in the long run because the short-run actions will not be tolerated. Thus, if everyone operated with long-term self-interest in mind, their short-run actions would be ethical.

The \textit{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 \textit{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.\textsuperscript{35} \textbf{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 formal hearings are held for every case submitted for administrative review. \textbf{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 consideration as one filed by a woman against a man. A third issue is \textbf{interactional justice}, or the degree to which the people affected by a decision are treated with dignity and respect.\textsuperscript{36} In a sexual harassment case again, this may mean that both the accused and accusing parties believe they have received a complete explanation of any decision made.

\textbf{Ethical Dilemmas in the Workplace}

An \textbf{ethical dilemma} is a situation in which a person must decide whether or not to do something that, although benefiting them or the organization, or both, may be considered unethical. It is difficult to predict exactly what ethical dilemmas you will someday face. However, research suggests that people at work often encounter such dilemmas in their relationships with superiors, subordinates, customers, competitors, suppliers, and regulators. Common issues underlying the dilemmas involve honesty in communications and contracts, gifts and entertainment, kickbacks,
pricing practices, and employee terminations. More and more organizations are offering ethics training programs that offer advice (see The Effective Manager 1.3) for handling ethical dilemmas. In addition, the training helps participants learn how to identify and deal with these common rationalizations for ethical misconduct:

• Pretending the behavior is not really unethical or illegal.
• Excusing the behavior by saying it’s really in the organization’s or your best interest.
• Assuming the behavior is okay because no one else is expected to find out about it.
• Presuming your superiors will support and protect you if anything should go wrong.

The Effective Manager 1.3
How to Deal with Ethical Dilemmas

1. Recognize and clarify the dilemma.
2. Get all the possible facts.
3. List all of your options.
4. Test each option by asking:
   Is it legal? Is it right? Is it beneficial?
5. Make your decision.
6. Double check your decision by asking:
   How will I feel if my family finds out? How will I feel if this is printed in the newspaper?
7. Then, and only then, take action.

Organizational Social Responsibility

Closely related to the ethics of workplace behavior is social responsibility—the obligation of organizations to behave in ethical and moral ways as institutions of the broader society. This concept suggests that members must ensure that their ethical frameworks extend to the organization as a whole. Managers and leaders should commit organizations to actions that are consistent with both the quest for high productivity and the objective of corporate social responsibility. Unfortunately, it doesn't always turn out this way.

Some years ago, for example, two Beech-nut senior executives were sentenced to jail for their roles in a notorious case of organizational wrongdoing. The scandal involved the sale of adulterated apple juice for infants. Although the bottles were labeled “100% fruit juice,” the
contents turned out to be a blend of chemical ingredients. This case came to public awareness because of a whistleblower—someone within the organization who exposes the wrongdoings of others in order to preserve high ethical standards.40

Now we have the Enron case.41 Employees kept buying shares in the firm for their retirement accounts, unaware that a complex series of limited partnerships was creating financial instability. Those who lost most of their retirement savings when Enron went bankrupt are now probably wishing that someone had publicly “blown the whistle” on the firm’s questionable practices. They had a right to expect, furthermore, that Enron’s auditor Arthur Andersen would have disclosed these practices at the time. By failing to do so and thereby violating its public trust, Andersen—a long-standing and highly reputed accounting firm, lost credibility and its own business viability when major customers canceled contracts with the firm.

Today, the spotlight is on. Corporate executives in America and worldwide will never again be able to so easily hide from public scrutiny. Hopefully, the hard-learned management lessons of Enron and Andersen will have long-term positive consequences for the ethical climates of organizations.

**Work and the Quality of Life**

In many ways, the study of organizational behavior is a search for practical ideas on how to help organizations achieve high performance outcomes while always acting in an ethical and socially responsible manner. A key concern in this quest must be the well being of an organization’s entire workforce—this means everyone, not just the managers. The term **quality of work life**, or QWL, is a prominent indicator in OB of the overall quality of human experience in the workplace. It is a reminder that high performance in any work setting can and should be accomplished by high levels of job satisfaction.
If you go to work in Cary, North Carolina, at SAS Institute, the world’s largest closely held software company, you’re unlikely to leave to take a better job with a competitor. Under the leadership of entrepreneur and co-founder James H. Goodnight, SAS offers impressive benefits. Goodnight says, “I like happy people.” Headquarters employees have a free health clinic, a recreation facility, daily performances by a pianist during lunch, and private offices. SAS promotes families by offering flexible hours, a 35-hour-work schedule, and two on-site day-care centers. Employees get an extra week of paid vacation over the Christmas holiday, and receive a year-end bonus and profit sharing. Not surprisingly, SAS’s turnover is a low 4 percent.  

A commitment to QWL can be considered a core value of OB. The stage was set very early in the life of the discipline by theorists with a strong human orientation, such as Douglas McGregor. He contrasted what he called Theory X assumptions—that people basically disliked work, needed direction, and avoided responsibility, with Theory Y assumptions—that people liked work, were creative, and accepted responsibility. For McGregor, Theory Y assumptions were the most appropriate and tended to create positive self-fulfilling prophecies. That is, when people were treated well at work, the likelihood was that they would respond positively and as expected.

Today the many concepts and theories discussed in OB reflect QWL and Theory Y themes. The hallmarks of excellence in management and organizations now include empowerment—involving people from all levels of responsibility in decision making; trust—redesigning jobs, systems, and structures to give people more personal discretion in their work; rewards—building reward systems that are fair, relevant, and consistent, while contingent on work performance; responsiveness—making the work setting more pleasant and supportive of individual needs and
family responsibilities; and work-life balance—making sure that the demands of the job are a reasonable fit with one’s personal life and nonwork responsibilities.\textsuperscript{44}

A commitment to QWL is consistent with respect for what was earlier called the intellectual capital of an organization. It involves putting people first in any list of organizational priorities. The next chapter will continue to explore how people help to build high performance organizations. For now, consider the leadership challenge posed in these comments made by Jeffrey Pfeffer in his book, \textit{The Human Equation: Building Profits by Putting People First}.\textsuperscript{45}

The key to managing people in ways that lead to profits, productivity, innovation, and real organizational learning ultimately lies in how you think about your organization and its people…. When you look at your people, do you see costs to be reduced?… Or, when you look at your people do you see intelligent, motivated, trustworthy individuals—the most critical and valuable strategic assets your organization can have?

\textbf{Chapter 1 Study Guide}

\textbf{Summary}

1. What is organizational behavior and why is it important?
   \begin{itemize}
   \item Organizational behavior is the study of individuals and groups in organizations.
   \item Dramatic changes signal the emergence of a new workplace with high technology, global competition, demanding customers, and high performance systems.
   \item Valuing diversity and respecting differences is a key theme in OB; workforces are increasingly diverse in terms of gender, race and ethnicity, age, able-bodiedness, and sexual orientation.
   \end{itemize}

2. How do we learn about organizational behavior?
   \begin{itemize}
   \item Organization learning is the process of acquiring knowledge and utilizing information to adapt successfully to changing circumstances.
   \item Learning about organizational behavior involves more than just reading a textbook; it also involves a commitment to continuous and life-long learning from experience.
   \item OB is an applied discipline based on scientific methods and that uses a contingency approach recognizing that management practices must fit the situation.
   \end{itemize}

3. What are organizations like as work settings?
   \begin{itemize}
   \item An organization is a collection of people working together in a division of labor for a common purpose—to produce goods or services for society.
   \end{itemize}
As open systems, organizations interact with their environments to obtain resources that are transformed into outputs returned to the environment for consumption.

The resources of organizations are material—such as technology, capital, and information, as well as human—the people who do the required work.

4. What is the nature of managerial work?
   - Managers in the new workplace are expected to act more like “coaches” and “facilitators” than as “bosses” and “controllers.”
   - An effective manager is one whose work unit, team, or group accomplishes high levels of performance that are sustainable over the long term by enthusiastic workers.
   - The four functions of management are (1) planning—to set directions, (2) organizing—to assemble resources and systems, (3) leading—to create workforce enthusiasm, and (4) controlling—to ensure desired results.
   - Managers fulfill a variety of interpersonal, informational, and decisional roles while working with networks of people both inside and outside of the organization.
   - Managerial performance is based on a combination of essential technical, human, and conceptual skills.

5. How do ethics influence human behavior in organizations?
   - Ethical behavior is that which is accepted as morally “good” and “right” instead of “bad” or “wrong.”
   - Ways of thinking about an ethical behavior include the utilitarian, individualism, moral-rights, and justice views.
   - The workplace is a source of possible ethical dilemmas in which people may be asked to do or are tempted to do things that violate ethical standards.
   - Organizational social responsibility is the obligation of organizations as a whole to act in ethical ways.
   - The insights of OB can help build and maintain high performance organizations that offer their members a high quality of work life.

Self-Test
Multiple Choice

1. The term “workforce diversity” refers to differences in race, age, gender, ethnicity, and _____ among people at work.
a. social status
b. personal wealth
c. able-bodiedness
d. political preference

2. What is the best description of the setting facing organizational behavior today?
   a. Command-and-control is in.
   b. The new generation expects much the same as the old.
   c. Empowerment is out.
   d. Work-life balance concerns are in.

3. The interest of OB researchers in outcome variables such as _____ is an indication that
   the discipline is concerned with practical issues and applications.
   a. absenteeism and turnover
   b. job satisfaction
   c. job performance
   d. all of these

4. The “glass ceiling effect” in organizations is _____ .
   a. a hidden barrier limiting career advancement of minorities and women
   b. an unpublicized limit on wages paid to top managers
   c. an unpublicized limit on wages paid to operating workers
   d. a restriction on the hiring of full-time permanent workers

5. Which statement about OB is most correct?
   a. OB seeks “one-best-way” solutions to management problems.
   b. OB is a unique science that has little relationship to other scientific disciplines.
   c. OB is focused on using knowledge for practical applications.
   d. OB is so modern that it has no historical roots.

6. In the open systems view of organizations, technology, information, and money are
   among the _____ .
   a. products
   b. services
c. inputs
d. outputs

7. The management function of _____ is concerned with creating enthusiasm for hard work.
   a. planning
   b. organizing
   c. controlling
   d. leading

8. Justifying ethical behavior based on the greatest good for the most people is the _____ view.
   a. utilitarian
   b. individualism
   c. moral-rights
   d. justice

9. When someone excuses unethical behavior by pointing out that it is really in the organization's best interest, they are _____.
   a. doing the right thing for themselves
   b. doing the right thing for society
   c. rationalizing the unethical conduct
   d. following the rule of procedural justice

10. When facing an ethical dilemma, final action should be taken only after _____.
    a. recognizing the dilemma
    b. checking whether or not the action will be legal
    c. making sure no one will find out if the action is wrong
    d. double checking to make sure that you are personally comfortable with the decision

True–False

1. Organizational behavior is defined as the study of how organizations behave in different environments.
2. In the statement, “OB seeks to meet the needs of different management situations,” the implication is one of contingency thinking.

3. Organizational learning is a process of acquiring knowledge and using information to adapt to changing circumstances.

4. The external environment is not important to organizations as open systems.

5. When a president holds frequent meetings with a task force to stay informed about its progress, she is fulfilling the planning function of management.

6. Technical skills are probably the most important skills for top-level managers.

7. Managerial work involves major use of interpersonal networks.

8. A team leader who gives a friend special preference under a vacation leave policy is violating distributive justice.

9. A whistleblower is someone who exposes unethical behavior in organizations.

10. Research suggests that organizational superiors are the causes of many ethical dilemmas faced by people at work.

Short Response

1. What does “valuing diversity” mean in the workplace?

2. What is an effective manager?

3. How would Henry Mintzberg describe a typical executive's workday?

4. Why is QWL an issue of ethics and organizational social responsibility?

Applications Essay

1. Juanita Perez faces a dilemma in her role as the accounts manager for a local social service agency. One of the employees has reported to her that another employee is charging meals to his travel expense account even when he is attending a conference where meals are provided. What should Juanita do in this situation that sets the stage so that (a) similar problems will not arise in the future, and that (b) the criteria of both procedural and distributive justice are satisfied?

Explore application-oriented Fast Company articles, cases, experiential exercises, and self-assessments in the OB Skills Workbook

Visit the Schermerhorn Web site to find the Interactive Self-Test and Internet exercises for this chapter.

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