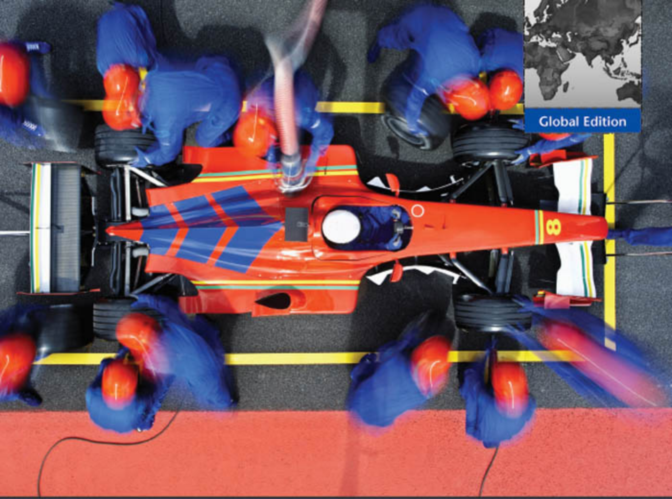

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To Carolyn,
For showing me what people mean when they say,
“I couldn’t have done it without you.”
J.G.

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Preface

Welcome to *Behavior in Organizations,* 10th Edition. As with the tenth iteration of anything, it's a milestone. And, by nature, milestones encourage us to look at where we've been. In this case, I see a book that is entering its fourth decade of publication. This edition hardly could be more different from the first edition—published in the early 1980s—in scope, style, and coverage. But, as the epigram goes, *plus ça change, plus c'est la même chose* ("the more things change, the more they remain the same"). For *Behavior in Organizations*, what remained the same is fundamental—the book's commitment to reflecting the nature of organizational behavior (OB). No matter where the field has been, *Behavior in Organizations* was there to capture its essence. This commitment remains as strong as ever in the current edition, but accomplishing this objective also has been more challenging.

For this I can thank the unprecedented speed with which contemporary organizations have been changing, making them moving targets for scientists intent on studying the behavior of people within them. And as they work to get a grip on the (sometime seismically) shifting terrain of the nature of organizations, so too have I endeavored to characterize what OB scientists and practitioners do. This challenge is one I approach with alacrity because the field's changes have kept it exciting and vibrant. In particular, they have reflected a new focus on issues that are not only scientifically important but that also have considerable practical value. It's science that's relevant to real-world issues, and this makes it incredibly valuable.

OB has positioned itself as the field that provides insight into the dynamic relationships between individuals, groups/teams, and entire organizations and, of course, their interrelationships with the economic, cultural, and social environment. We trade in research and theory, but these tools do not suffer from ivory tower elitism. Instead, the field of OB is focused on applying its highly developed analytical tools to understanding something very real and dynamic—the behavior of people in the workplace. Over the years, I've seen shifts in directions, but OB is now facing the issue of relevance instead of skirting it. Accordingly, this book now provides more insight into what actually is occurring in the workplace. In other words, as the field keeps apace with the workplace, I keep my fingers on its pulse. And those fingers are connected directly to the keyboard from which this book has emerged.

I became well aware of these changes as I researched this edition. Some of our concepts (e.g., justice, trust, diversity) have received more attention than in years past, earning them increased emphasis in this edition. On the other hand, some once-dominant conceptualizations (e.g., Maslow's need hierarchy theory, Herzberg's two-factor theory) have faded from our radar screens, leading me to remove them from the book. These topics are interesting and have had impact, but they are more yesterday than today. As such, they have limited value in a book I claim to be a snapshot of OB as we currently find it.

Perhaps what surprised me most was the huge number of changes in the businesses highlighted as examples in the previous edition. Many of these organizations no longer exist. Even more have been transformed in ways that now make them inappropriate as examples of the practice or phenomena I once associated with them. Inevitably, some of the companies described in this book will have altered their ways of operation still further by the time you read this, making some of my examples imperfect. Unfortunate as this is, it simply is a by product of studying a dynamic field.

Major Objective: To Spotlight Organizational Behavior

People enjoy learning about behavior in organizations. It gives us unique insight into everyday processes and phenomena we often take for granted, knowledge that helps us understand a key part of the world in which we live. For a book such as this, the implication is that the material must be accessible and relevant to readers. I have been very deliberate in my effort to incorporate these qualities into this book.

Accessibility to Readers

In preparing this edition, I have adopted a very simple assumption: Unless readers find the material accessible and engaging, they will fail to get anything out of it—if they even bother to read it at all. With this in mind, I have done several things that may be seen throughout this book.

- As always, I have gone out of my way to use a friendly and approachable writing style, speaking directly to readers in straightforward prose. At the same time, I have done my best to refrain from condescension (by speaking down to readers) and elitism (by going over their heads).
- By carefully selecting material to which students can relate—such as accounts of organizational practices in companies with which they may be familiar—they are likely to find the material engaging. In this edition, for example, organizations such as Facebook and Apple, and cross-functional teams such as the Dave Matthews Band, are mentioned.
- Key points are easy to find because of the way the book is designed and by features such as **key terms** appearing in margins and a **"Summary and Review of Learning Objectives"** appearing at the end of each chapter.
- Graphics are used to enhance explanations of material for visually oriented learners. For example, the **"talking graphics"** I've used for many editions help readers take away the key findings of research appearing in graphs. Using arrows to point directly to the important aspects of research findings is the next best thing to having an instructor present to point them out.

These are among the several key features that help bring the material to life for students by making a fascinating topic readily understandable.

Focusing on Relevance

The field of OB is *not* about curiosity for its own sake. Rather, it's about finding real, scientifically based answers to practical questions. Thus, relevance is vital. Theories and research are important, many students believe, so long as they offer insight into appropriate action—that is, what to do and why. In preparing this book, my mission was to spotlight this relevance in a form that would enlighten the target audience—college students at all levels who desire to learn about the complexities of human behavior in organizations. I do this in three ways.

First, in each chapter I provide concrete information on putting organizational behavior to practical use in special sections titled **"OB in Practice."** This feature describes current practices being used in companies or principles that readily lend themselves to application. Examples include:

- How the "Good Hands People" Use Diversity as a Competitive Weapon (Chapter 6)
- Organizational Design Strategies for the Information Age (Chapter 15)
- Making Changes Stick: Tips from Three Established Organizations (Chapter 16)

A second way in which I attempt to make the material relevant is by highlighting two significant realities of contemporary organizations—shifts in demographic diversity and rapid globalization of the business environment. I do this in sections titled, **"Today's Diverse and Global Organizations."** These sections highlight ways in which differences between individuals with respect to their race, gender, sexual preference, or nationality impact various OB phenomena. Some examples include the following:

- Nike Turns the Tables on Critics of Employee Conditions (Chapter 2)
- Do Men and Women Respond Differently to Stress? (Chapter 5)
- Inequity in Housework: Comparing Married Women and Men (Chapter 7)
- How Does National Culture Affect the Decision-Making Process? (Chapter 10)
- The Changing Economic and Regulatory Factors Influencing Organizational Design (Chapter 15)

The third way in which I focus on relevance is by highlighting a topic that has been occupying the popular press in recent years—ethics (or lack thereof). As ethics scandals proliferate, it is especially important to examine insight offered by the field of OB. I do this in the present book in a special feature called **"The Ethics Angle."** Several such sections are as follows:

- Making a Business Case for Ethical Behavior (Chapter 2)
- Should Doctors Be Paid for Their Performance? (Chapter 7)
- Why Do People Make Unethical Decisions? Bad Apples, Bad Cases, and Bad Barrels (Chapter 10)

A Careful Balancing Act

Throughout this book I found it necessary to balance coverage in two ways: (a) in striking a balance between discussions of basic science and practical application and (b) in presenting material designed to impart knowledge intended to develop skills.

Balancing Basic Science and Practical Application

Because the field of OB is a blend of research, theory, and practical application, so too, quite deliberately, is this book. Indeed, I have taken extensive steps to ensure that it is the best of these seemingly disparate worlds. Consider just a few examples:

- In Chapter 3, I cover theories of learning and how these are involved in such organizational practices as training, organizational behavior management, and discipline.
- In Chapter 6, specific ways in which the various theories of motivation can be put into practice are discussed.
- In Chapter 10, it is not only various scientific studies of decision making that are identified, but also various practices that can be, and are being, followed to enhance the effectiveness of group decisions.

Beyond simply indicating how various research findings and theories may be applied, I also focus on application by adopting a *hands-on approach.* This is done by offering concrete, "how to" suggestions for readers. These are not only useful by themselves, but because they are derived from OB research and theory, they also provide clear illustrations of the field's practical utility. By weaving such recommendations throughout this book, OB is brought to life for readers at every juncture. Just a few examples include how to:

- Properly use communication media (Chapter 9)
- Brainstorm effectively (Chapter 10)
- Promote trust in organizations (Chapter 11)

By focusing on how findings from OB research may be applied in organizations, I am taking what amounts to an *evidence-based approach*. In recent years, so-called "evidence-based" movements have emerged in such applied fields as medicine, nursing, education, and management. The idea underlying these approaches is that guidelines for practice should be based on research findings. Although this idea may be novel to some fields, using research to inform practice is inherent in the nature of OB. For this reason, the practice of applying research and theory to organizational issues (evidence-based practice) and relying on knowledge of practical problems as input into research and theory (practice-based evidence) is a hallmark of the field of OB—and for this reason, it is emphasized in this book.

Balancing Knowledge and Skills

Educators tell us that there is a fundamental distinction between teaching people about something—providing *knowledge*—and showing them how to do it—developing their *skills*. In the field of OB, this distinction becomes blurred. After all, to appreciate fully how to do something, you have to have the requisite knowledge. For this reason, I pay attention to both knowledge and skills in this book. Consider the following illustrations:

- Chapter 5 investigates ways in which stress operates in the workplace. Beyond this, I also present an exercise to help readers recognize how they can build resilience as a way of alleviating the adverse effects of stress.
- Chapter 9 discusses the nature of the communication process. In addition, to help readers become effective communicators I include an exercise designed to promote active listening skills.
- Chapter 13 describes the nature of leadership. With an eye toward helping readers develop their own skills, I present a section that allows people to assess their own styles as leaders.
- Chapter 16 explains not only the reasons underlying individuals' resistance to organizational change but also various ways in which this may be overcome. In addition, I give students an opportunity to practice overcoming resistance to change in an exercise.

By doing these things—not only in these examples, but throughout the book—I intend not only to help readers understand OB, but also to enable them to practice it in their own lives.

New Coverage

In revising this book, I made many changes. Some came in the process of seeking that balance to which I just referred, and others were necessitated by my ongoing commitment to highlighting the latest advances in the field and to updating examples. Many of the changes are subtle, referring only to how a topic is framed relative to others. A good many others are more noticeable and involve the shifting of major sections into new places and the addition of brand new ones.

Here are just a few of the new topics and the chapters in which they appear:

- Compressed workweeks (Chapter 1)
- Idiosyncratic work arrangements (i-deals) (Chapter 1)
- Multifoci approach to organizational justice (Chapter 2)
- Neurological bases of organizational justice (Chapter 2)
- Basking in reflected glory/cutting off reflected failure (Chapter 3)
- Active learning techniques (Chapter 3)
- Cascading model of emotional intelligence (Chapter 4)
- National differences in expressivity (Chapter 5)
- Effects of mood on memory (Chapter 5)
- Preferential and nonpreferential affirmative action (Chapter 6)
- Affinity groups (part of expanded coverage of diversity) (Chapter 6)
- Strongest motivators for people at different organizational levels (Chapter 7)
- Pay-for-performance among physicians (Chapter 7)
- Cross-training (Chapter 8)
- Shared mental models (Chapter 8)
- Role of media richness in recruitment ads (Chapter 9)
- Communicating layoffs via e-mail (Chapter 9)
- Why people make unethical decisions (Chapter 10)
- Indecisiveness (Chapter 10)
- Swift trust (Chapter 11)
- Developing trustworthiness (Chapter 11)
- Straightforwardness (Chapter 12)
- Political skill (Chapter 12)
- Assessment centers (Chapter 13)
- Promoting authentic leadership (Chapter 13)
- Ethical and customer-centered organizational culture (Chapter 14)
- Openness to experience and support for creativity (Chapter 14)
- Strategic approach to organizational design (Chapter 15)
- Communities of practice (Chapter 15)
- Product offshoring, services offshoring, and innovation offshoring (Chapter 16)

Pedagogical Features

Faculty members who have adopted the previous edition of this book have valued its many pedagogical features. They will be pleased to find that these have returned, although updated and revised, of course.

End-of-Chapter Pedagogical Features

Two groups of pedagogical features may be found at the end of each chapter. The first, named **"Points to Ponder,"** includes three types of questions:

- ***Questions for Review.*** These are designed to help students determine the extent to which they picked up the major points contained in each chapter.
- ***Experiential Questions.*** These questions get students to understand various OB phenomena by thinking about experiences in their work lives.
- ***Questions to Analyze.*** The questions in this category are designed to help readers think about the connections between various OB phenomena and/or how they may be applied in organizational situations.

The second category of end-of-chapter pedagogical features is referred to as **"Experiencing OB."** This includes the following three types of experiential exercises.

- ***Individual Exercise.*** Students can complete these exercises on their own to gain personal insight into various OB phenomena.

- ***Group Exercise.*** By working in small groups, students will be able to experience an important OB phenomenon or concept. The experience itself also will help them develop team-building skills.
- ***Practicing OB.*** This exercise is applications-based. It describes a hypothetical problem situation and challenges the reader to explain how various OB practices can be applied to solving it.

Case Features

Each chapter contains two cases. Positioned at the beginning of the chapter, a **Preview Case** is designed to set up the material that follows by putting it in the context of a real organizational event. These are either completely new to this edition or updated considerably. A few examples of new Preview Cases include the following:

- The Talented Chief of Taleo (Chapter 1)
- A Huge Day's Pay for a Seriously Bad Day's Work (Chapter 2)
- In Tune for Success (Chapter 3)
- How to Beat Call-Center Stress (Chapter 5)
- A Second Chance (Chapter 6)
- PAC Engineering: Employee Motivation, Different Priorities for Different Territories (Chapter 7)
- The Woman Who Saved the Chicken Fajitas (Chapter 13)
- The Global Face of Social Networking (Chapter 14)
- Ghosn Overcomes Cultural Barriers at Nissan (Chapter 16)

The end-of-chapter case, **Case in Point,** is designed to review the material already covered and to bring it to life. Specific tie-ins are made by use of discussion questions appearing after each Case in Point feature. These also are new or updated for this edition. Several examples of new cases include the following:

- Floyd's Barbershop: A Cut Above the Rest (Chapter 1)
- HP = Hidden Pretexting? What Did In Dunn? (Chapter 2)
- Domino's Pizza Takes a Bite Out of Turnover (Chapter 6)
- Inside the Peloton: Social Dynamics of the Tour de France (Chapter 8)
- ARM's Virtual Success Story (Chapter 9)
- A New Era for Newark (Chapter 13)
- The Swiss Post: The "Yellow Giant" Moves (Chapter 16)

Updated Supplements Packages

Updating the book has required revising the supplements packages. This was done both for supplements available to faculty members who adopt this book in their classes and for their students.

Supplements for Instructors

At www.pearsonglobaleditions.com/greenberg, instructors can access a variety of print, digital, and presentation resources available with this text in downloadable format. Registration is simple and gives you immediate access to new titles and new editions. As a registered faculty member, you can download resource files and receive immediate access and instructions for installing course management content on your campus server.

If you need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit 247pearsoned.custhelp.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available to adopting instructors (for detailed descriptions, please visit www.pearsonglobaleditions.com/greenberg):

- Instructor's Manual. Materials designed to provide ideas and resources for classroom teaching have been updated and revised.
- Test Item File. Questions that require students to apply the information about which they've read in the text have been revised and updated to support changes in this edition. Questions are also tagged to reflect the AACSB Learning Standards.

- TestGen Test Generating Software. Test management software containing all the material from the Test Item File is available. This software is completely user friendly and allows instructors to view, edit, and add test questions with just a few mouse clicks.
- PowerPoint Presentation. A ready-to-use PowerPoint slideshow has been designed for classroom presentation. Use it as is, or edit content to fit your individual classroom needs.

Supplements for Students

Several supplemental materials are available to help students at this book's companion Web site, **www.pearsonglobaleditions.com/greenberg.** These include the following:

- Learning Objectives. This is a list of the six major learning objectives for each chapter.
- Chapter Quizzes. These are 20-item quizzes that students can use to assess their own familiarity with the content of each chapter. As a helpful feature, online "hints" are provided.
- Internet Exercises. Each chapter contains three exercises that require students to tap resources found on the Internet to expand their understanding of the material in each chapter.
- Student PowerPoints. A set of PowerPoint slides is given for each chapter. These outline the major points covered.

Finally—and Most Importantly—Acknowledgments

Writing is a solitary task. In contrast, the process of turning the millions of bytes of information I generate as a content provider into this beautiful book is anything but solitary. To the contrary, it requires the highly coordinated efforts of a team of dedicated professionals in different professions, all of whom lend their considerable talents toward making this book a reality. In preparing this text, I have been fortunate to work with a variety of hardworking people whose efforts are reflected on every page. Although I cannot possibly thank all of them here, I wish to express my appreciation to those whose help has been most valuable.

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To all these truly outstanding individuals, and to many others too, my warm personal regards.

In Conclusion: An Invitation for Feedback

If you have any questions related to this book, please contact our customer service department online at **http://www.247.prenhall.com.** With all this behind us, now, welcome to the world of organizational behavior.

Jerald Greenberg

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PART 1 Introduction to Organizational Behavior

CHAPTER 1

The Field of Organizational Behavior

Learning Objectives

After reading this chapter, you should be able to:

1. Define the concepts of organization and organizational behavior.
2. Describe the field of organizational behavior's commitment to the scientific method and the three levels of analysis it uses.
3. Trace the historical developments and schools of thought leading up to the field of organizational behavior today.
4. Identify the fundamental characteristics of the field of organizational behavior.
5. Describe how the field of organizational behavior today is being shaped by the global economy, increasing racial and ethnic diversity in the workforce, and advances in technology.
6. Explain how people's changing expectations about the desire to be engaged in their work and the need for flexibility in work have influenced the field of organizational behavior.

Chapter Outline

- Organizational Behavior: Its Basic Nature
- What Are the Field's Fundamental Assumptions?
- OB Then and Now: A Capsule History
- OB Responds to the Rise of Globalization and Diversity
- OB Responds to Advances in Technology
- OB Is Responsive to People's Changing Expectations

Preview Case

■ *The Talented Chief of Taleo*

Ask any executive to identify his or her company's most important asset and chances are good that the response will be "people." It's people who keep businesses alive, making it critical for human assets to be managed as carefully as money, inventory, or any other assets. With this in mind, most companies rely on some type of software to assist in the process of hiring, managing, developing, and compensating their employees. Tracking employee data in this fashion helps organizations keep tabs on who's in their workforces, what they can do, and where they're going.

In the case of 46 of the *Fortune* 100 companies—and over 4,000 others—this process of "talent management" is entrusted to Taleo, a company of only 900 employees located in Burlingame, California. Since its inception in 1996, the company helped organizations select world-class talent by tapping into the power of the Internet. Although this hardly seems unique today, it certainly was revolutionary back then. In those high-tech boom years, Taleo grew quickly and acquired other companies, allowing it to expand its services and to gain an international presence. Not surprisingly, however, the company faced challenges at the end of the first decade of the twenty-first century. The economy was nowhere near as robust as it was just a few years earlier, in the late 1990s. If companies aren't hiring, the need to manage the hiring process online is limited, leading Taleo to face a period of uncertainty.

If you're in the business of helping companies manage people, however, then one would expect you to manage people pretty well yourself. Thanks to Taleo's talented chairman and CEO, Michael Gregoire, the company did in fact manage people effectively even during the depth of the recession in 2008. Gregoire has been credited for single-handedly getting the company through a period in which its employees felt uncertain about their futures, retaining employees and clients at a time when many normally would be inclined to abandon ship.

So, how exactly did Gregoire do it? Experts acknowledge that what saved the day was his keen understanding of the dynamics of people in organizations. He discouraged employees from dwelling on their personal uncertainties and encouraged them to focus on what the company does—service its customers by offering solid products that meet their needs. If clients inquired about the company's problems, the sales force was armed with answers. They were completely open about what was going on behind the scenes but reassured clients that the company would be around to help them in the future. With this in mind, sales reps made it clear what Taleo is all about, describing "our value, our culture, and how we could really help them improve their company, their value, and their customers." As Gregoire described clients, "They buy software based on the relationship you have." And Taleo maintains outstanding relationships with its clients.

The company's approach to doing this involves having its sales reps help customers realize that they have problems and that Taleo could offer solutions. Because most companies weren't hiring, it was essential for them to keep their most talented employees from going to work at one of the few other companies that were hiring and to get as much as possible from the employees they already have. Taleo's solution involved using the company's products to help clients identify the skills that employees had (and that they wished to develop) and then moving them into positions that capitalize on these skills. Underutilizing resources is something that no company can afford today, and Taleo's products help prevent this from happening.

It looks like Michael Gregoire's emphasis on transparency and emphasizing customer solutions has been successful. In the first three quarters of 2009, when most companies' bottom lines were hemorrhaging, Taleo's revenues grew by an eye-popping 31 percent. Gregoire believes that this is the beginning of even more impressive figures to come. We share this optimism, and not just because of the nature and quality of his company's products. There's something more fundamental involved—Gregoire's ability to read people. In fact, his sensitivity to the importance of building relationships with customers and employees is fundamental to Taleo's success.

Gregoire appears to be aware of a key fact: No matter how good a company's products may be, there can be no company without people. From the founder down to the lowest ranking employee, it's all about people. If you've ever run or managed a business, you know that "people problems" can bring an organization down very rapidly. Hence, it makes sense to realize that people are a critical element in the effective functioning—indeed, the basic existence—of organizations. This people-centered orientation is what the field of *organizational behavior* (*OB* for short)—hence, this book—is all about. Simply put, OB is the field specializing in the study of human behavior in organizations.

OB scientists and practitioners study and attempt to solve problems by using knowledge derived from research in the *behavioral sciences,* such as psychology and sociology. Because the field of OB is firmly rooted in science, it relies on research to derive valuable information about organizations and the complex processes operating within them. Such knowledge is used as the basis for helping to solve a wide range of organizational problems. For example, what can be done to make people more productive and more satisfied on the job? When and how should people be organized into teams? How should jobs and organizations be designed so that people best adapt to changes in the environment? These are just a few of the many important questions addressed by the field of organizational behavior.

As you read this text, it will become very clear that OB specialists have attempted to learn about a wide variety of issues involving people in organizations. In fact, over the past few decades, OB has developed into a field so diverse that just about any aspect of what people do in the workplace is likely to have been examined by OB scientists.[1] The fruits of this labor already have been enjoyed by people interested in making organizations not only more productive, but also more pleasant for the individuals working in them.

In the remainder of this chapter, we will give you the background information you will need to understand the scope of OB and its importance. With this in mind, this first chapter is designed to introduce you to the field of OB by focusing on its history and its fundamental characteristics. We will begin by formally defining OB, describing exactly what it is and what it seeks to accomplish. Following this, we will summarize the history of the field, tracing its roots from its origins to its emergence as a modern science. Then, in the final sections of the chapter, we will discuss the wide variety of factors that make the field of OB the vibrant, ever-changing field it is today. At this point, we will be ready to face the primary goal of this book: to enhance your understanding of the human side of work by giving you a comprehensive overview of the field of organizational behavior.

Organizational Behavior: Its Basic Nature

As the phrase implies, OB deals with organizations. Although you already know from experience what an organization is, a formal definition helps to avoid ambiguity. An **organization** is a structured social system consisting of groups and individuals working together to meet some agreed-upon objectives. In other words, organizations consist of people, who alone and together in work groups strive to attain common goals. Although this definition is rather abstract, it is sure to take on more meaning as you continue reading this book. We say this with confidence because the field of OB is concerned with organizations of all types, whether large or small in size, public or private in ownership (i.e., whether or not shares of stock are sold to the public), and whether they exist to earn a profit or to enhance the public good (i.e., *nonprofit organizations,* such as charities and civic groups). Regardless of the specific goals sought, the structured social units working together toward them may be considered organizations.

organization
A structured social system consisting of groups and individuals working together to meet some agreed-upon objectives.

To launch our journey through the world of OB, we will address two fundamental questions: (1) What is the field of organizational behavior all about? and (2) Why is it important to know about OB?

What Is the Field of Organizational Behavior All About?

The field of *organizational behavior* deals with human behavior in organizations. Formally defined, **organizational behavior** is the multidisciplinary field that seeks knowledge of behavior in organizational settings by systematically studying individual, group, and organizational processes. This knowledge is used both by scientists interested in understanding human behavior and by practitioners interested in enhancing organizational effectiveness and individual well-being. In this book we highlight both purposes by focusing on how scientific knowledge has been—or may be—used for these practical purposes.

organizational behavior
The field that seeks to understand individual, group, and organizational processes in the workplace.

Our definition of OB highlights four central characteristics of the field. First, OB is firmly grounded in the scientific method. Second, OB studies individuals, groups, and organizations. Third, OB is interdisciplinary in nature. And fourth, OB is used as the basis for enhancing organizational effectiveness and individual well-being. We will now take a closer look at these four characteristics of the field.

behavioral sciences
Fields such as psychology and sociology that seek knowledge of human behavior and society through the use of the scientific method.

OB APPLIES THE SCIENTIFIC METHOD TO PRACTICAL MANAGERIAL PROBLEMS. In our definition of OB, we refer to seeking knowledge and to studying behavioral processes. This should not be surprising since, as we noted earlier, OB knowledge is based on the **behavioral sciences.** These are fields such as psychology and sociology that seek knowledge of human behavior and society through the use of the scientific method. Although not as sophisticated as many of the "hard sciences," such as physics or chemistry—nor as mature as them—OB's orientation is still scientific in nature. Thus, like other scientific fields, OB seeks to develop a base of knowledge by using an empirical, research-based approach. That is, it is based on systematic observation and measurement of the behavior or phenomenon of interest. As we will describe in Appendix 1, organizational research is neither easy nor foolproof. After all, both people and organizations are quite complex, making it challenging sometimes to get a handle on understanding them. It is widely agreed that the scientific method is the best way to learn about behavior in organizations. For this reason, the scientific orientation should be acknowledged as a hallmark of the field of OB.

As they seek to improve organizational functioning and the quality of life of people working in organizations, managers rely heavily on knowledge derived from OB research. For example, researchers have shed light on such practical questions as:

- How can goals be set to enhance people's job performance?
- How can jobs be designed to enhance employees' feelings of satisfaction?
- Under what conditions do individuals make better decisions than groups?
- What can be done to improve the quality of organizational communication?
- What steps can be taken to alleviate work-related stress?
- What do leaders do to enhance the effectiveness of their teams?
- How can organizations be designed to make people highly productive?

Throughout this book we will describe scientific research and theory bearing on the answers to these and dozens of other practical questions. It is safe to say that the scientific and applied facets of OB not only coexist, but complement one another. Indeed, just as knowledge about the properties of physics may be put to use by engineers, and engineering data can be used to test theories of basic physics, so too are knowledge and practical applications closely intertwined in the field of OB.

OB FOCUSES ON THREE LEVELS OF ANALYSIS—INDIVIDUALS, GROUPS, AND ORGANIZATIONS. To best appreciate behavior in organizations, OB specialists cannot focus exclusively on individuals acting alone. After all, in organizations people frequently work together in groups and teams. Furthermore, people—alone and in groups—both influence and are influenced by their work environments. Considering this, it should not be surprising to learn that the field of OB focuses on three distinct levels of analysis—*individuals, groups,* and *organizations* (see Figure 1.1).

The field of OB recognizes that all three levels of analysis must be considered to comprehend fully the complex dynamics of behavior in organizations. Careful attention to all three levels of analysis—and the relationships between them—is a central theme in modern OB, and this will be reflected fully throughout this text. For example, we will be describing how OB scientists are concerned with individual perceptions, attitudes, and motives. We also will be describing how people communicate with each other and coordinate their activities among themselves in work groups. Finally, we will examine organizations as a whole—the way they are structured and operate in their environments, and the effects of their operations on the individuals and groups within them.

OB IS MULTIDISCIPLINARY IN NATURE. When you consider the broad range of issues and approaches that the field of OB encompasses, it is easy to appreciate the fact that the field is multidisciplinary in nature. By this, we mean that it draws on a wide variety of social science disciplines. Rather than studying a topic from only one particular perspective, the field of OB is likely to consider a wide variety of approaches. These range from the highly individual-oriented approach of psychology, through the more group-oriented approach of sociology, to issues in organizational quality studied by management scientists.

For a summary of some of the key fields from which OB draws, see Table 1.1. If, as you read this book, you recognize some particular theory or approach as familiar, chances are good that you may have learned something about it in another class. What makes OB so special is that it combines these various orientations together into a single field, one that's very broad and exciting.

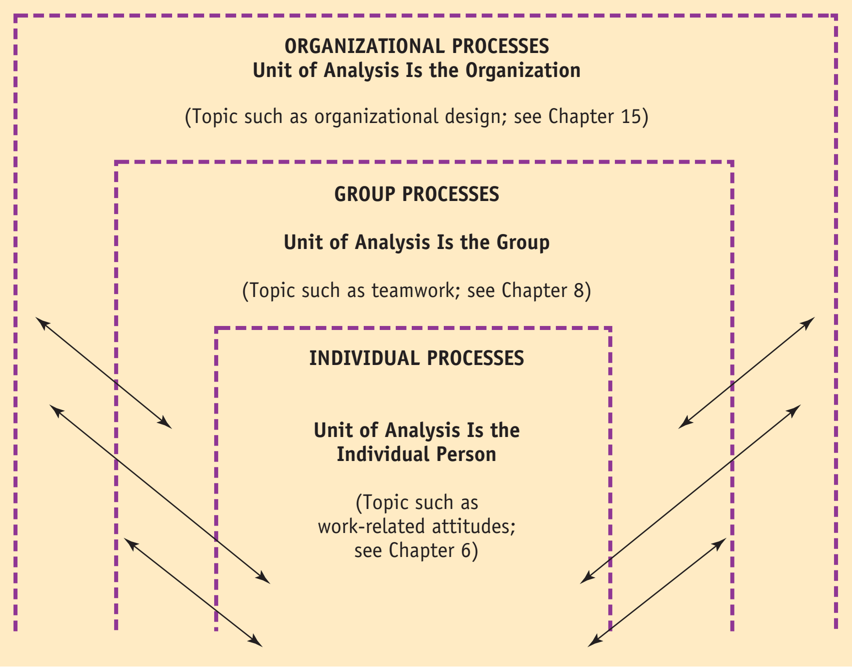

ORGANIZATIONAL PROCESSES
Unit of Analysis Is the Organization
(Topic such as organizational design; see Chapter 15)
GROUP PROCESSES
Unit of Analysis Is the Group
(Topic such as teamwork; see Chapter 8)
INDIVIDUAL PROCESSES
Unit of Analysis Is the Individual Person
(Topic such as work-related attitudes; see Chapter 6)

FIGURE 1.1

The Three Levels of Analysis Used in Organizational Behavior

To fully understand behavior in organizations, we must consider three levels of analysis: processes occurring within individuals, groups, and organizations.

OB SEEKS TO IMPROVE ORGANIZATIONAL EFFECTIVENESS AND THE QUALITY OF LIFE AT WORK. In the early part of the twentieth century, as railroads opened up the western portion of the United States and the nation's population grew rapidly (it doubled from 1880 to 1920!), the demand for manufactured products was great. New manufacturing plants were built, attracting waves of new immigrants in search of a living wage, and laborers were lured off farms by the employment prospects factory work offered. These men and women found that factories were gigantic, noisy, hot, and highly regimented—in short, brutal places in which to work. Bosses demanded more and more of their employees and treated them like disposable machines, replacing those who died from accidents or who quit with others who waited outside factory gates.

Clearly, the managers of a century ago held very negative views of employees. They assumed that people were basically lazy and irresponsible, and treated them with disrespect. This very negativistic approach, which has been with us for many years, reflects the traditional view of management, called a **Theory X** orientation. This philosophy of management assumes that people are basically lazy, dislike work, need direction, and will work hard only when they are pushed.

Today, however, if you asked corporate officials to describe their views of human nature, you'd probably find some more optimistic beliefs. Although some of today's managers still think that people are basically lazy, most would argue that the vast majority of people are capable of

Theory X
A traditional philosophy of management suggesting that most people are lazy and irresponsible, and will work hard only when forced to do so.

TABLE 1.1 The Multidisciplinary Roots of OB

Specialists in OB derive knowledge from a wide variety of social science disciplines to create a unique, multidisciplinary field. Some of the most important parent disciplines are listed here, along with some of the OB topics to which they are related (and the chapters in this book in which they are discussed).

Discipline	Relevant OB Topics
Psychology	Perception and learning (Chapter 3); personality (Chapter 4); emotion and stress (Chapter 5); attitudes (Chapter 6); motivation (Chapter 7); decision making (Chapter 10); creativity (Chapter 14)
Sociology	Group dynamics (Chapter 8); teamwork (Chapter 8); communication (Chapter 9)
Anthropology	Organizational culture (Chapter 14); leadership (Chapter 13)
Political science	Interpersonal conflict (Chapter 11); organizational power (Chapter 12)
Economics	Decision making (Chapter 10); negotiation (Chapter 11); organizational power (Chapter 12)
Management science	Organizational structure (Chapter 15); organizational change (Chapter 16)

working hard under the right conditions. If employees are recognized for their efforts (such as by being fairly paid) and are given an opportunity to succeed (such as by being well trained), they may be expected to put forth considerable effort without being pushed. Management's job, then, is to create the conditions that make people want to perform as they should.

Theory Y
A philosophy of management suggesting that under the right circumstances, people are fully capable of working productively and accepting responsibility for their work.

The approach that assumes that people are not inherently lazy, but that they are willing to work hard when the right conditions prevail, is known as the **Theory Y** orientation. This philosophy assumes that people have a psychological need to work and seek achievement and responsibility. In contrast to the Theory X philosophy of management, which essentially demonstrates distrust for people on the job, the Theory Y approach is strongly associated with improving the quality of people's work lives (for a summary of the differences, see Figure 1.2).

The Theory Y perspective prevails within the field of organizational behavior today. It assumes that people are highly responsive to their work environments, and that the ways they are treated will influence the ways they will act. In fact, OB scientists are very interested in learning exactly what conditions will lead people to behave most positively—that is, what makes work both productive for organizations and enjoyable for the people working in them.

Why Is It Important to Know About OB?

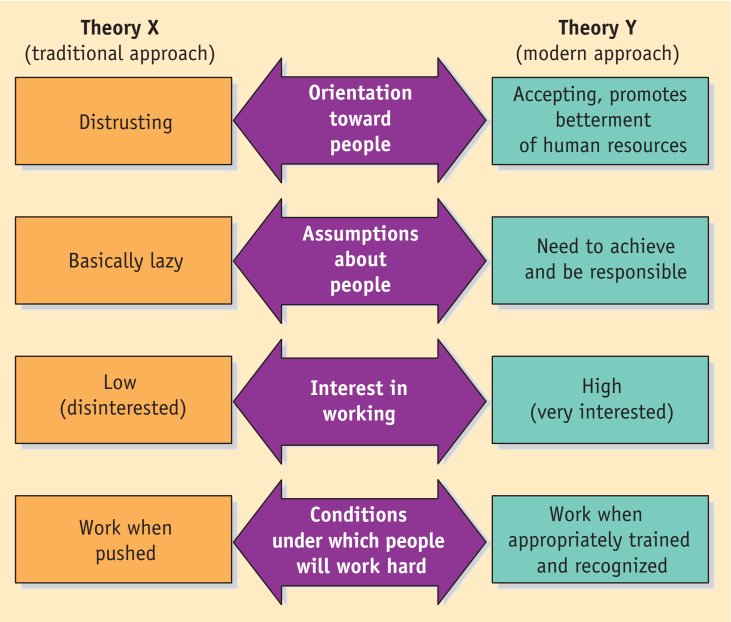
Have you ever had a job where people don't get along, nobody knows what to do, everyone is goofing off, and your boss is—well, putting it politely—unpleasant? We can't imagine that you liked working in that company at all. Now, think of another position in which everyone was friendly, knowledgeable, hard working, and very pleasant. Obviously, that's more to your liking. Such a situation is one in which you are likely to be interested in going to work, doing your best, and taking pride in what you do. What lies at the heart of these differences are all issues that are of great concern to OB scientists and practitioners—and ones we will cover in this book.

The key reason to know about OB is simple—it matters. Indeed, OB makes a very big difference in the world of work. Not only does OB explain how people feel about their work, but importantly, how well they perform. In a survey of a wide range of professional workers, it was found that three factors were related to job performance: (1) management and organization, (2) information technology, and (3) workplace design.[2] Although the topics of information technology and workplace design are the primary focus of other fields, they also are related to OB. As a result, we discuss them both in this chapter and elsewhere in this book (e.g., Chapter 15). The first factor, management and organization, is precisely what OB is all about. Thus, studying OB provides important insight into work performance. And in today's competitive business world, overlooking this knowledge is a luxury no one can be without.

FIGURE 1.2

Theory X Versus Theory Y: A Summary

The traditional, Theory X orientation toward people is far more negativistic than the more contemporary, Theory Y approach, which is widely accepted today. Some of the key differences between these management philosophies are summarized here.


Theory X
(traditional approach)
Theory Y
(modern approach)
Distrusting
Orientation toward people
Accepting, promotes betterment of human resources
Basically lazy
Assumptions about people
Need to achieve and be responsible
Low (disinterested)
Interest in working
High (very interested)
Work when pushed
Conditions under which people will work hard
Work when appropriately trained and recognized

"Okay," you may be asking yourself, "in some companies things are nice and smooth, but in others, relationships are rocky—does it really matter?" As you will see throughout this book, the answer is a resounding *yes!* For now, here are just a few highlights of specific ways in which OB matters to people and the organizations in which they work.

- Companies whose managers accurately appraise the work of their subordinates enjoy lower costs and higher productivity than those that handle their appraisals less accurately.[3]
- People who are satisfied with the way they are treated on their jobs generally are more pleasant to their coworkers and bosses, and are less likely to quit than those who are dissatisfied with the way others treat them.[4]
- People who are trained carefully to work together in teams tend to be happier and more productive than those who simply are thrown together without any organizational support.[5]
- Employees who believe they have been treated unfairly on the job are more likely to steal from their employers and to reject the policies of their organizations than those who believe they have been treated fairly.[6]
- People who are mistreated by their supervisors on the job suffer more mental and physical illnesses than those who are treated with kindness, dignity, and respect.[7]
- Organizations that treat employees well with respect to pay/benefits, opportunities, job security, friendliness, fairness, and pride in the company are, on average, twice as profitable as the Standard & Poor's 500 companies.[8]
- Companies that offer good employee benefits and that have friendly working conditions are more profitable than those that are less people-oriented.[9]

By now, you might be asking yourself: Why, if OB is so important, is there no one person in charge of it in an organization? After all, companies tend to have officials who are responsible for other basic areas, such as finance, accounting, marketing, and production. Why not OB? That's a good question. If you've never heard of a vice president of OB or a manager of OB, it's because organizations do not have any such formal posts. So who is responsible for organizational behavior? In a sense, the answer is *everyone*!

Although OB is a separate area of study, it cuts across all areas of organizational functioning. Managers in all departments have to know such things as how to motivate employees, how to keep people satisfied with their jobs, how to communicate clearly, how to make teams function smoothly, and how to design jobs most effectively. In short, dealing with people at work is everybody's responsibility on the job. So, no matter what job you do in a company, knowing something about OB is sure to help you do it better. This is precisely why it's so vitally important for you to understand the material in this book. (However, many of the things people commonly think about behavior in organizations are untrue. That is, they are inconsistent with the findings of careful research on which the field is based. For a look at some such beliefs, please complete the Individual Exercise at the end of this chapter.)

What Are the Field's Fundamental Assumptions?

The field of OB is guided by two key assumptions—fundamental ideas that are widely accepted by everyone who does scientific research on OB or who puts these findings into practice in the workplace. First, OB recognizes that organizations are dynamic and always changing. Second, the field of OB assumes there is no one best way to behave in organizations, and that different approaches are called for in different situations. Because of their fundamental nature, let's examine these assumptions more closely.

OB Recognizes the Dynamic Nature of Organizations

Although OB scientists and practitioners are interested in the behavior of people, they also are concerned about the nature of organizations. Under what conditions will organizations change? How are organizations structured? How do organizations interact with their environments? These and related questions are of major interest to specialists in OB.

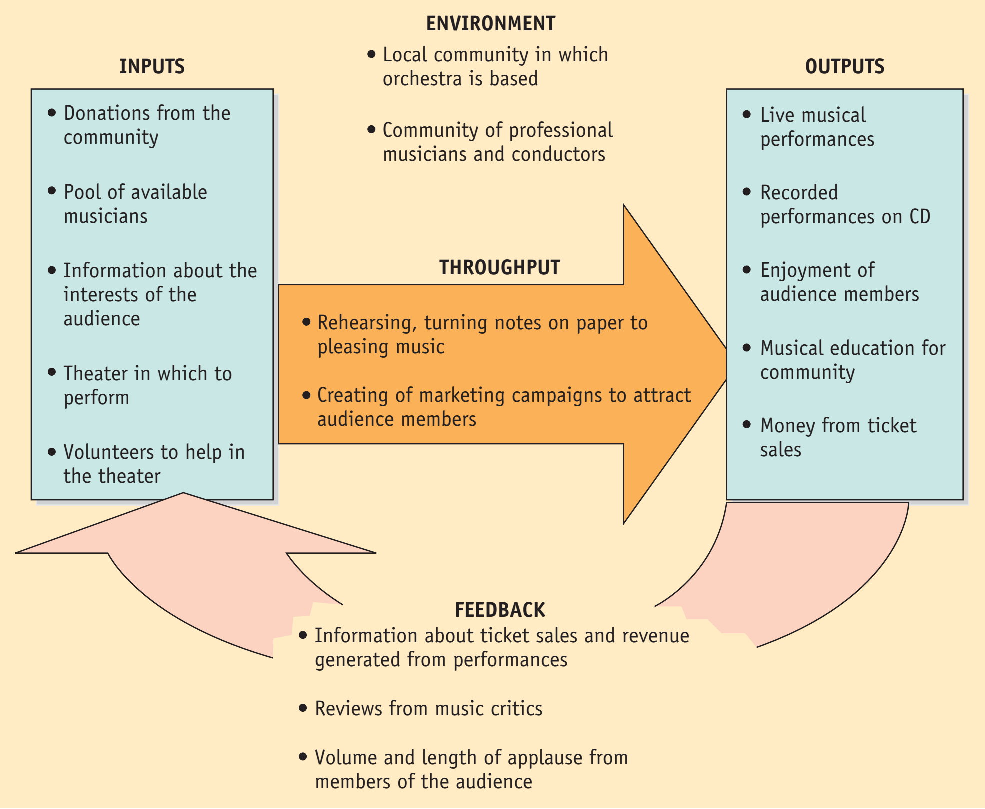
OB scientists recognize that organizations are not static, but dynamic and ever-changing entities. In other words, they recognize that organizations are **open systems**—that is, self-sustaining connections between entities that use energy to transform resources from the environment (such as

open systems
Self-sustaining systems that transform input from the external environment into output, which the system then returns to the environment.

FIGURE 1.3

Organizations as Open Systems: Overview and Example

The open systems approach is characteristic of modern-day thinking in the field of OB. It assumes that organizations are self-sustaining—that is, within the environments in which they operate they transform inputs to outputs in a continuous fashion. This example illustrates the symphony orchestra as an open system, but the same concepts apply to all organizations.


ENVIRONMENT
• Local community in which orchestra is based
• Community of professional musicians and conductors
INPUTS
• Donations from the community
• Pool of available musicians
• Information about the interests of the audience
• Theater in which to perform
• Volunteers to help in the theater
THROUGHPUT
• Rehearsing, turning notes on paper to pleasing music
• Creating of marketing campaigns to attract audience members
OUTPUTS
• Live musical performances
• Recorded performances on CD
• Enjoyment of audience members
• Musical education for community
• Money from ticket sales
FEEDBACK
• Information about ticket sales and revenue generated from performances
• Reviews from music critics
• Volume and length of applause from members of the audience

raw materials) into some form of output (for example, a finished product).[10] Figure 1.3 summarizes some of the key properties of open systems and provides an interesting example.

This diagram illustrates the open systems nature of symphony orchestras, but it applies to all types of organizations. They receive input from their environments and continuously transform it into output. This output gets transformed back to input, and the cyclical operation continues. Consider, for example, how organizations may tap the human resources of the community by hiring and training people to do jobs. These individuals may work to provide a product in exchange for wages. They then spend these wages, putting money back into the community, allowing more people to afford the company's products. This, in turn, creates the need for still more employees, and so on. If you think about it this way, it's easy to realize that organizations are dynamic and constantly changing.

The dynamic nature of organizations can be likened to the operations of the human body. As people breathe, they take in oxygen and transform it into carbon dioxide. This, in turn, sustains the life of green plants, which emit oxygen for people to breathe. The continuous nature of the open system characterizes not only human life, but the existence of organizations as well.

OB Assumes There Is No "One Best" Approach

What's the most effective way to motivate people? What style of leadership works best? Should groups of individuals be used to make important organizational decisions? Although these questions are quite reasonable, there is a basic problem with all of them. Namely, they all assume that there is a simple, unitary answer—that is, one best way to motivate, to lead, and to make decisions.

contingency approach
A perspective suggesting that organizational behavior is affected by a large number of interacting factors. How someone will behave is said to be contingent on many different variables at once.

Today's OB scientists agree that there really is no one best approach when it comes to such complex phenomena. To assume otherwise is not only overly simplistic but, as you will see, grossly inaccurate. When it comes to studying human behavior in organizations, there are no simple answers. For this reason, OB scholars embrace a **contingency approach**—an orientation that recognizes that behavior in work settings is the complex result of many interacting forces. This orientation is a hallmark of modern OB. Consider, for example, how an individual's personal characteristics (e.g., attitudes and beliefs) in conjunction with situational factors (e.g., relations between coworkers) may all work together when it comes to influencing how a particular individual is likely to behave on the job.

With this in mind, explaining OB phenomena often requires saying, "it depends." As our knowledge of work-related behavior becomes increasingly complex, it is difficult to give "straight answers." Rather, it is usually necessary to say that people will do certain things "under some conditions" or "when all other factors are equal." Such phrases provide a clear indication that the contingency approach is being used. In other words, a certain behavior occurs "contingent upon" the existence of certain conditions—hence, the name. We will come across this repeatedly throughout this book.

OB Then and Now: A Capsule History

Although today we take for granted the importance of understanding the functioning of organizations and the behavior of people at work, this was not always the case. In fact, it was only 100 years ago that people first became interested in studying behavior in organizations, and only during the last 50 years that it gained widespread acceptance.[11] To enable you to appreciate how the field of OB got to where it is today, we will outline its history and describe some of the most influential forces in its development.

The Early Days: Scientific Management and the Hawthorne Studies

The first attempts to study behavior in organizations came out of a desire by industrial efficiency experts to improve worker productivity. Their central question was straightforward: What could be done to get people to do more work in less time? This question was posed in a period of rapid industrialization and technological change in the United States. As engineers attempted to make machines more efficient, it was a natural extension of their efforts to work on the human side of the equation—making people more productive too.

SCIENTIFIC MANAGEMENT AND ITS DETRACTORS. Among the earliest pioneers in this area was Frederick Winslow Taylor, an engineer who noticed the inefficient practices of the employees in the steel mill in which he worked and attempted to change them.[12] This led Taylor to study the individual movements of laborers performing different jobs, searching for ways to do them that resulted in the fewest wasted movements. Research of this type was referred to as **time-and-motion studies.** In 1911, Taylor advanced the concept of **scientific management,** which not only identified ways to design manual labor jobs more efficiently, but also emphasized carefully selecting and training people to perform them. Although we take these ideas for granted today, Taylor is acknowledged to be the first person to carefully study human behavior at work.[13] Despite some successes, Taylor's approach was credited with destroying the soul of work and dehumanizing factories by transforming men into automatons. As he saw it, designing jobs to make people work more efficiently was just like designing machines to make them work more efficiently. The problem, of course, is that people are not machines.

Inspired by the prospects of scientific management, but taking a more humanistic approach, other work experts advanced the idea that social factors operating in the workplace are an important determinant of how effectively people work. At the forefront of this effort was Elton W. Mayo, an organizational scientist and consultant widely regarded as the founder of what is called the **human relations movement.**[14] This approach emphasized that the social conditions existing in organizations—the way employees are treated by management and the relationships they have with each other—influence job performance.[15]

THE HAWTHORNE STUDIES. Mayo's orientation was developed in the first investigations of organizational behavior, known as the **Hawthorne studies,** which began in 1927 at Western Electric's Hawthorne Works near Chicago (see Figure 1.4). Mayo and his associates were interested in determining, among other things, how to design work environments in ways that increased performance. With this objective in mind, they systematically altered key aspects of the work environment (e.g., illumination, the length of rest pauses, the duration of the workday and workweek) to see their effects on job performance. What they found was baffling: Productivity improved following almost every change in working conditions.[16] In fact, performance remained extremely high even when

time-and-motion study
A type of applied research designed to classify and streamline the individual movements needed to perform jobs with the intent of finding "the one best way" to perform them.

scientific management
An early approach to management and organizational behavior emphasizing the importance of designing jobs as efficiently as possible.

human relations movement
A perspective on organizational behavior that rejects the primarily economic orientation of scientific management and recognizes, instead, the importance of social processes in work settings.

Hawthorne studies
The earliest systematic research in the field of OB, this work was performed to determine how the design of work environments affected performance.

FIGURE 1.4

The Hawthorne Studies

The earliest studies in the field of OB were conducted beginning in 1927 at Western Electric's Hawthorne Works, a factory outside of Chicago. What this research revealed about human nature on the job proved invaluable and stimulated the scientific study of behavior in organizations.

Baker Library/Harvard Business School.

conditions returned to normal (i.e., the way they were before the study began). However, workers didn't always improve their performance. In another set of studies, workers sometimes restricted their output deliberately. Not only did they stop working long before quitting time, but in interviews, they admitted that they easily could have done more if they desired.

What accounts for these fascinating findings? Mayo recognized that the answer resided in the fact that how effectively people work depends not only on the physical characteristics of the work environment, but also the social conditions encountered. In the first set of studies, where productivity rose in all conditions, people simply were responding favorably to the special attention they received. It was these social factors more than the physical factors that had such positive effects on job performance. Knowing they were being studied made them feel special and motivated them to do their best. In reference to this phenomenon, the general tendency for people to behave differently than they normally would simply because they believe they are being studied has become known as the **Hawthorne effect.**

Hawthorne effect
The tendency for people being studied to behave differently than they ordinarily would.

The same explanation applies to the case in which people restricted their performance. Here, the employees feared that because they were being studied, the company was eventually going to raise the amount of work they were expected to do each day. So as to guard against the imposition of unreasonable standards (and, hopefully, to keep their jobs!), the workers agreed among themselves to keep their output low. In other words, informal rules (referred to as *norms*, which we will describe in Chapter 8) were established about what constituted acceptable levels of job performance. Anyone who violated these rules was pressured strongly by their coworkers to change their ways. Again, the social forces in this setting proved to be more potent determinants of job performance than the physical factors studied.

This conclusion, based on the surprising findings of the Hawthorne studies, is important because it ushered in a whole new way of thinking about behavior at work. It suggests that to understand the way people behave on the job, we must fully appreciate their attitudes and the processes by which they communicate with each other. This way of thinking, so fundamental to modern OB, may be traced back to Elton Mayo's pioneering Hawthorne studies.

Classical Organizational Theory

During the same time that proponents of scientific management got scientists thinking about the interrelationships between people and their jobs, another approach to managing people emerged.

This perspective, known as **classical organizational theory,** focused on the efficient structuring of overall organizations. The idea was that there is an efficient way to organize work in all organizations—much as proponents of scientific management searched for the ideal way to perform particular jobs.

One of the most influential classical organizational theorists was Henri Fayol, a French industrialist who pioneered various ideas about how organizations should be structured. For example, Fayol advocated that there should be a **division of labor,** the practice of dividing work into specialized tasks that enable people to specialize in what they do best. He also argued that in any organization it always should be clear to whom each worker is responsible—that is, which managers have authority over them. Although many of these ideas are regarded as simplistic today, they were considered quite pioneering more than 80 years ago.

Another well-known classical organizational theorist is the German sociologist Max Weber.[17] Among other things, Weber is well known for proposing the **bureaucracy**—a form of organization in which a set of rules are applied that keep higher-ranking organizational officials in charge of lower-ranking workers, who fulfill the duties assigned to them. As the description suggests, bureaucracies are organizations that carefully differentiate between those who give the orders and those who carry them out. A fan of bureaucracies, Henry Ford openly endorsed "the reduction of the necessity for thought on the part of the worker."[18] Making this possible are a set of rules such as those summarized in Table 1.2.

Given your own experiences with bureaucracies, you're probably not surprised to hear that this particular organizational form has not proven to be the perfect way to organize all work. Weber's universal view of bureaucratic structure contrasts with the more modern approaches to organizational design (see Chapter 15), which recognize that different forms of organizational structure may be more or less appropriate under different situations. (This is the contingency approach we described earlier.) Also, because bureaucracies draw sharp lines between the people who make decisions (managers) and those who carry them out (workers), they are not particularly popular today. After all, contemporary employees prefer to have more equal opportunities to make decisions than bureaucracies permit. Still, contemporary OB owes a great deal to Weber for his many pioneering ideas.

classical organizational theory
An early approach to the study of management that focused on the most efficient way of structuring organizations.

division of labor
The practice of dividing work into specialized tasks that enable people to specialize in what they do best.

bureaucracy
An organizational design developed by Max Weber that attempts to make organizations operate efficiently by having a clear hierarchy of authority in which people are required to perform well-defined jobs.

Late Twentieth Century: Organizational Behavior as a Social Science

Based on contributions noted thus far, the realization that behavior in work settings is shaped by a wide range of individual, group, and organizational factors set the stage for the emergence of the science of organizational behavior. By the 1940s, doctoral degrees were awarded in OB and the first textbooks were published, and by the late 1950s and early 1960s, OB was clearly a going concern.[19] In the 1970s, active programs of research were going on—investigations into such key processes motivation and leadership, and the impact of organizational structure.[20]

TABLE 1.2 Characteristics of an Ideal Bureaucracy

According to Max Weber, *bureaucracies* are the ideal organizational form. To function effectively, bureaucracies must possess the characteristics identified here.

Characteristic	Description
Formal rules and regulations	Written guidelines are used to control all employees' behaviors.
Impersonal treatment	Favoritism is to be avoided, and all work relationships are to be based on objective standards.
Division of labor	All duties are divided into specialized tasks and are performed by individuals with the appropriate skills.
Hierarchical structure	Positions are ranked by authority level in clear fashion from lower-level to upper-level.
Authority structure	The making of decisions is determined by one's position in the hierarchy; higher-ranking people have authority over those in lower-ranking positions.
Lifelong career commitment	Employment is viewed as a permanent, lifelong obligation on the part of the organization and its employees.
Rationality	The organization is committed to achieving its ends (e.g., profitability) in the most efficient manner possible. This is considered rational.

Unfortunately—but not unexpectedly for a new field—the development of scientific investigations into managerial and organizational issues was uneven and unsystematic in the middle part of the twentieth century. In response to this state of affairs, the Ford Foundation sponsored a project in which economists carefully analyzed the nature of business education in the United States. They published their findings in 1959 in what became a very influential work known as the *Gordon and Howell report.*[21] This work recommended that the field of management pay greater attention to basic academic disciplines, especially the social sciences. This advice had an enormous influence on business school curricula during the 1960s and promoted the development of the field of organizational behavior. After all, OB draws heavily on the basic social science disciplines that this report recommended for incorporation into business curricula.

It was precisely because of this work that the field of OB rapidly grew into one that borrows heavily from other disciplines (recall Table 1.1 on p. 35), making it the hybrid science that it is today. By the time the twentieth century drew to a close, OB clearly was a multidisciplinary field that was making important contributions to both science and practice.

OB in Today's Infotech Age

A century ago, when scientists first became aware of the importance of managing people, their primary challenge involved getting people to work efficiently, and they did so by treating people like the machines with which they worked—pushing them as hard as possible, sometimes until they broke down. Then, as we became more aware of the importance of the human element in the workplace, it became fashionable to treat people in a more humane fashion. Today, in what has been called *the infotech age,* computer technology has made it possible to eliminate vast amounts of grunt work that laborers used to have to perform. Much boring, monotonous, and dangerous physical labor has been eliminated by computer technology, and this has changed the way people work (see Figure 1.5).

Modern technology also has changed the way managers operate. Traditionally, low-level workers gathered information and fed it to higher-level workers, who carefully analyzed it all and made decisions for lower-level workers to carry out. Today, however, easy access to information in online databases has made it possible for almost any worker to gather the facts needed to

FIGURE 1.5

Technological Advances Affect (Almost) All Jobs

Technology has changed—and continues to change—the way many jobs are performed. We doubt that this will be one of them, but you never can tell.

FORTUNES TOLD HERE
ROSANDICH

"Regular or digital?"

Reprinted by permission of Dan Rosandich.

make his or her own decisions. And, although some managers still make decisions on behalf of their workers, today we are likely to see employees making many of their own decisions with the aid of information stored on computers. Because managers no longer have to be highly involved in their subordinates' work, they are freed to concentrate on the big picture, to come up with innovative ways to improve their whole organizations (see Chapter 14).

At the same time, the best managers have learned that they could use this opportunity, as one observer said, "to tap employees' most essential humanity, their ability to create, judge, imagine, and build relationships."[22] It is this focus that characterizes today's organizations—hence, the field of OB. Today, people are likely to care at least as much about the work they do as the money they make. They are likely to be deeply concerned about what their organization stands for and the extent to which they can make meaningful contributions to it. In short, contemporary OB recognizes that people care more than ever about the interpersonal side of work—recognition, relationships, and social interaction.

Despite the fact that technology has advanced, changing the way employees work, people have changed very little. Although they may take different forms, our needs and desires are pretty much the same. All of us are human, and just because we work differently than before, we should not discard the things about the behavior of people we have learned over the years.[23] Twenty-first-century OB scientists are busily at work cultivating that humanity by doing things that make it possible for people to do work that is more challenging, meaningful, and interesting to them than ever before. Although this focus is not entirely unique to the twenty-first century, it's safe to say that its sharp emphasis is indeed a key characteristic of modern OB.

To appreciate the nature of OB as a contemporary field, it is important to recognize its connection to the various economic, social, and cultural trends and forces that shape today's society. Specifically, these include three prominent trends: (1) the rise of global businesses with culturally diverse workforces, (2) rapid advances in technology, and (3) the rising expectations of people in general. We will discuss these forces in the remainder of this chapter.

OB Responds to the Rise of Globalization and Diversity

When your grandfather went to work, chances are good that he faced a world that was quite different from today. For one, the company he worked for was likely to be headquartered in the United States and faced competition from other U.S.-based organizations. He also was unlikely to find many women on the job—at least, not in high-ranking positions—nor was he likely to find many immigrants working with him. And, when he reached 65, in all likelihood, he retired. As we will describe here, this picture has all but disappeared. Today's organizations are global in nature and are populated by women and people of color, not to mention individuals who are working well into what would have been considered "retirement years." All of this, as we will note, has important implications for OB.

International Business and the Global Economy

To fully understand behavior in organizations, we must appreciate the fact that today's organizations operate within an economic system that is truly international in scope.[24] The nations of the world are not isolated from one another economically; what happens in one country has effects on other countries. As an illustration, consider that when a massive earthquake devastated the Caribbean island nation of Haiti in January 2010, its economic effects (although small because of the country's poor economic base) were felt beyond its borders. For example, the loss of Haiti's textile and apparel businesses have been felt by suppliers and customers throughout the world who counted on Haitian goods to sustain their own businesses.[25] This tendency for the world's countries to be influenced by one another is known as **globalization**—the process of interconnecting the world's people with respect to the cultural, economic, political, technological, and environmental aspects of their lives.[26]

globalization
The process of interconnecting the world's people with respect to the cultural, economic, political, technological, and environmental aspects of their lives.

The trend toward globalization, widespread in recent years, has been driven by three major forces. First, technology has been involved in several ways. Technology has drastically lowered the cost of transportation and communication, thereby enhancing opportunities for international commerce. Technology also has helped companies bridge some of the inevitable cultural gaps (for an interesting example, see the section "Today's Diverse and Global Organizations" p. 46). Second, laws restricting trade generally have become liberalized throughout the world (e.g., in the United States and other heavily industrialized countries, free trade policies have been advocated). Third, developing nations have sought to expand their economies by promoting exports and opening their doors to foreign companies seeking investments.

If international trade is the major driver of globalization, then the primary vehicles are **multinational enterprises (MNEs)**—organizations that have significant operations (typically 25 percent or more of their output capacity) spread throughout various nations but are headquartered in a single nation. As of 2009, the top five largest MNEs in the world were Royal Dutch Shell, Exxon Mobil, Wal-Mart Stores, British Petroleum (BP), and Chevron.[27] Interestingly, not too many years ago, such lists also contained automakers (e.g., General Motors and Ford), but given their financial downturns in recent years, it's not surprising to find that they no longer appear. Still, the companies that sell oil and gasoline to fuel our cars dominate this list.

multinational enterprises (MNEs)
Organizations that have significant operations spread throughout various nations but are headquartered in a single nation.

As you might imagine, the rise of MNEs has resulted in large numbers of people who are citizens of one country but who live and work in another country for some extended periods of time. Such individuals are known as **expatriates,** or **expats** for short (see Figure 1.6). Over the years, the number of expats throughout the world has risen, fallen, and shifted direction along with shifts in economic development throughout the world. As economies grow in various countries, MNEs establish offices there to capitalize on the boom. By the same token, shrinking economies sometimes leave expats without jobs in their newly adopted nations. In 2009 this occurred in Dubai on a very large scale as this once-booming Middle Eastern country went bust. Some 3.62 million expats had to return home after their formerly lucrative jobs dried up, making it impossible for them to maintain the lavish lifestyles they lived in Dubai during the good times.[28]

expatriates (expats)
People who are citizens of one country, but who live and work in another country.

culture
The set of values, customs, and beliefs that people have in common with other members of a social unit (e.g., a nation).

While working abroad, people are exposed to different **cultures**—the set of values, customs, and beliefs that people have in common with other members of a social unit (e.g., a nation).[29] And, when people are faced with new cultures, it is not unusual for them to become confused and disoriented—a phenomenon known as **culture shock.**[30] People also experience culture shock when they return to their native cultures after spending time away from it—a process of readjustment known as **repatriation.** In general, the phenomenon of culture shock results from people's recognition of the fact that others may be different from them in ways that they never imagined, and this takes some getting used to.

culture shock
The tendency for people to become confused and disoriented as they attempt to adjust to a new culture.

repatriation
The process of readjusting to one's own culture after spending time away from it.

FIGURE 1.6

Expats: Away From Home But Right at Home

Although they work in London, these American expatriates felt right at home as they gathered to watch the returns of the 2008 presidential election on CNN. They seem to be quite excited about the results, too.

Richard Baker/Alamy Images.

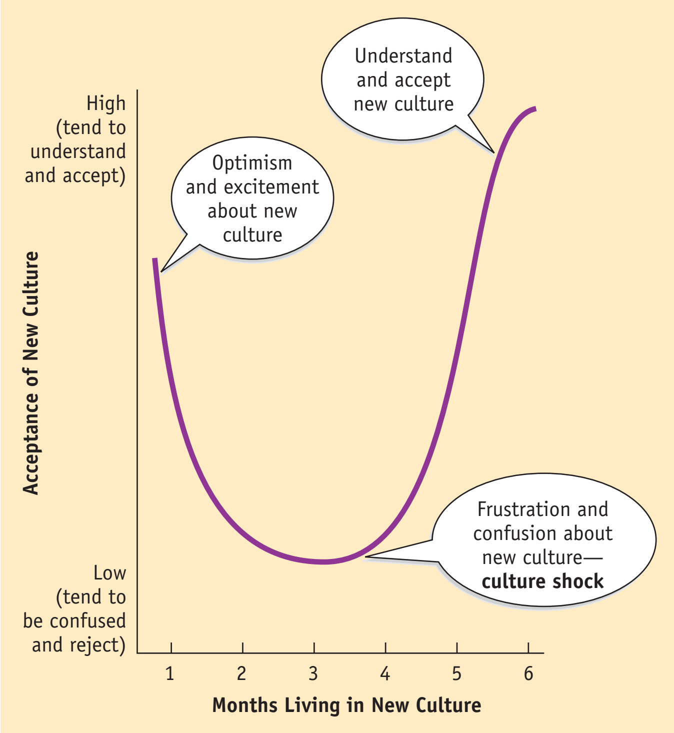


FIGURE 1.7

Adjusting to Foreign Culture: The General Stages

People's adjustment to new cultures generally follows the U-shaped curve illustrated here. After an initial period of excitement, culture shock often sets in. Then, after this period of adjustment (about 6 months), the more time spent in the new culture, the better it is accepted.

Scientists have observed that the process of adjusting to a foreign culture generally follows a U-shaped curve (see Figure 1.7).[31] That is, at first, people are optimistic and excited about learning a new culture. This usually lasts about a month or so. Then, for the next several months, they become frustrated and confused as they struggle to learn their new cultures (i.e., culture shock occurs). Finally, after about six months, people adjust to their new cultures and become more accepting of them and satisfied with them. These observations imply that feelings of culture shock are inevitable. Although some degree of frustration may be expected when you first enter a new country, the more time you spend learning its ways, the better you will come to understand and accept it.[32]

In general, culture shock results from the tendency for people to be highly *parochial* in their assumptions about others, taking a narrow view of the world by believing that there is one best way of doing things. They also tend to be highly *ethnocentric,* believing that their way of doing things is the best way. For example, Americans tend to be highly parochial by speaking only English (whereas most Europeans speak several languages), and ethnocentric by believing that everyone else in the world should learn their language. As we just explained, over time, exposure to other cultures teaches people that there may be many different ways of doing the same thing (making them less parochial), and that these ways may be equally good, if not better (making them less ethnocentric). Although these biases may have been reasonable for Americans over 50 years ago when the United States was the world's dominant economic power (producing three-quarters of its wealth), they would be extremely costly today. Indeed, because the world's economy is global in nature, suggesting that highly parochial and ethnocentric views have no place in contemporary organizations.

Analogously, highly narrow and biased views about the management of people in organizations may severely limit our understanding about behavior in organizations. During the 1950s and 1960s, management scholars tended to overlook the importance of cultural differences in organizations. They made two key assumptions: (1) that principles of good management are universal, and (2) that the best management practices are ones that work well in the United States.[33] This highly inflexible approach is known as the **convergence hypothesis.** Such a biased orientation reflects the fact that the study of behavior in organizations first emerged at a time in which the United States was the world's predominant economic power.

convergence hypothesis
A biased approach to the study of management, which assumes that principles of good management are universal, and that ones that work well in the United States will apply equally well in other nations.

Today's Diverse and Global Organizations

What's in a Name? It Depends Where You Live

In the United States and most English-speaking countries, we know that people named "Margaret" often go by "Peggy," that "Jack" may be "John," "James" may be "Jim," and that "Robert" may be called "Bob," or "Rob." If you know the culture, these alternative names are not surprising. But, if you're doing business on a global scale, such name variations are likely to be as foreign to you as the native language itself.

Besides being polite and avoiding embarrassment in business meetings, why might anyone care about this? To IBM, which in March 2006 purchased Language Analysis Systems (LAS), a company that develops multicultural name recognition technology, there are several reasons.[34] For example, banks and insurance companies attempting to combat money laundering and fraud may need to be aware of criminals attempting to disguise their identities by using variations of their names. The service also is useful to companies whose clients don't have nefarious motives, but who forget what nickname they used on a given occasion. Airlines, for example, find it useful to be able to search for reservations and other information provided using different names. Similarly, hospitals use the technology to avoid duplicating medical procedures administered to patients.

Although the exact way the LAS technology works is highly technical, what it does is straightforward. Drawing on a database of nearly a billion names from around the world, the software verifies the origin, cultural variations, and meaning of names. It focuses on nicknames, titles, format changes, and typographical errors. (Since the first name of the author of this book is "Jerald," you might imagine he has found his name listed as "Gerald" or "Gerold" on more than one occasion.)

IBM's acquisition of LAS was not an isolated move. Rather, it was the seventeenth company acquired in the five years between 2001 and 2006 to help customers use technology to manage and deliver information in today's global business world. In its announcement of this acquisition, IBM's official statement underscores its commitment to such technology:

> *Names are often times overlooked as miniature databases of knowledge, but that's precisely what they are. In our global society, the ability to accurately recognize and manage the building blocks of an individual's name can provide the key to recognizing identities across cultures, genders, and meanings. This is where IBM's global name recognition technology can help.*[35]

To companies around the world, this represents a useful service. To readers of this book, however, the existence of this service reflects a key point: namely, that technology plays a central role in helping today's organizations address the challenges of globalization. Name recognition may seem minor to most of us, but on a global scale it's quite important—and as IBM officials surely hope, big business.

With the ever-growing global economy, it has become clear that an American-oriented approach may be highly misleading when it comes to understanding the practices that work best in various countries. In fact, there may be many possible ways to manage effectively, and these will depend greatly on the individual culture in which people live. This alternative approach, which is widely accepted today, is known as the **divergence hypothesis.** Following this orientation, understanding the behavior of people at work requires carefully appreciating the cultural context within which they operate. For example, whereas American cultural norms suggest that it would not be inappropriate for an employee to question his or her superior, it would be taboo for a worker in Japan to do the same thing. Thus, today's organizational scholars are becoming increasingly sensitive to the ways in which culture influences organizational behavior (this point is illustrated in several places in every chapter of this book).

divergence hypothesis
The approach to the study of management which recognizes that knowing how to manage most effectively requires clear understanding of the culture in which people work.

The Shifting Demographics of the Workforce: Trends Toward Diversity

Thus far, we have been discussing cultural differences between people from companies in different nations. However, widespread cultural differences also may be found *within* organizations in the United States. For example, the prevalence of women in the workforce, and the growing diversity of people from different races and ethnic groups, cannot be missed. Indeed, a broad range of people from both sexes as well as different races, ethnic groups, and nationalities can be found throughout U.S. organizations, and as summarized in Figure 1.8, their proportions have been changing.[36] Modern organizations have taken steps to accommodate—and capitalize on—growing levels of diversity within the workforce. It's also the case that Americans today are living longer, healthier lives than their parents and grandparents, keeping them in the workforce far longer than before. These trends take many forms, all of which have important implications for the field of OB.

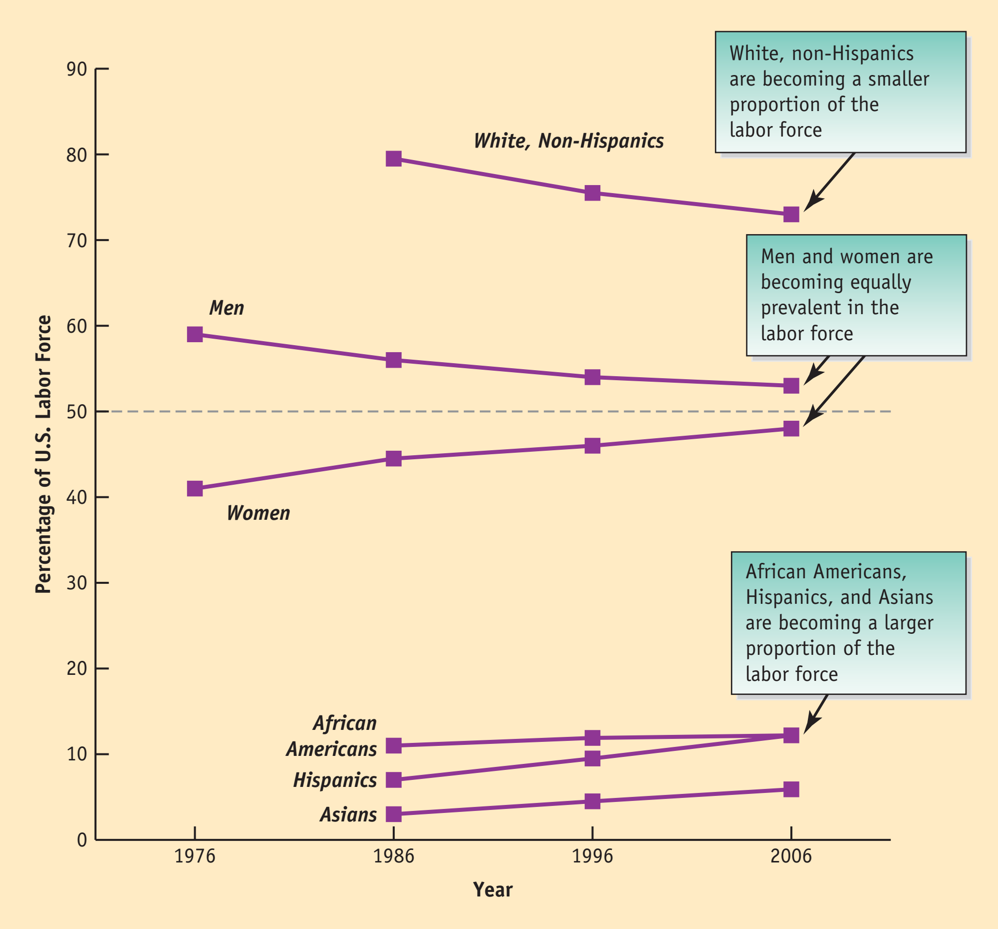


FIGURE 1.8

Demographic Shifts in the U.S. Labor Force

Although White people remain the largest portion of the U.S. labor force, they are becoming a smaller segment as people of other races and ethnic groups are growing in numbers. Additionally, although the numbers differ for various jobs, in 2009 the overall percentage of men and women in the workforce was reported to be equal. (Note that equality in numbers had not yet been reached when the statistics in this graph were reported only three years earlier.)

Source: U.S. Department of Labor, 2009; see Note 37.

MORE WOMEN ARE IN THE WORKFORCE THAN EVER BEFORE. In the 1950s, the "typical American family" was characterized by a man who went to work and his wife who stayed at home and watched the children. Although this profile still may be found, it is far from typical. In fact, women now comprise half of the workforce, a figure that has risen steadily over the years (see Figure 1.8).[37]

This trend stems not only from economic necessity but also from the growing social acceptance of women working outside the home. As women, who traditionally have worked inside the home, have moved to working outside the home, companies have found it beneficial—or even necessary, in some cases—to make accommodations that help make this possible. (For a look at some of the most popular practices in this regard, see Table 1.3.)

RACIAL AND ETHNIC DIVERSITY IS REALITY. Just as yesterday's workers were primarily males, they also were primarily white. However, just as growing numbers of women have made men less of a majority, so too has an influx of people from different racial and ethnic groups and differences in birth rates made white people a smaller majority. Specifically, the U.S. Census Bureau reported as follows:[38]

- Between 1980 and 2000, the population of minority group members grew 11 times as rapidly as the White non-Hispanic population.
- Currently, people of color comprise one-third of the U.S. population, but they are expected to be the majority by 2042.
- By 2050, Hispanics will comprise 30 percent of the U.S. population.
- The number of people in the U.S. who consider themselves to be multiracial is expected to triple from 5.2 million to 16.2 million by 2050.

It is apparent that the trend toward demographic diversity is in full swing today. In fact, so-called "minority" group members, as a whole, currently outnumber traditional majority group members in two U.S. states, California and New Mexico.[39] As these trends suggest, the meaning of the term minority is changing rapidly and is well on the way to becoming obsolete.[40]

TABLE 1.3 Employee Support Policies

With increasing frequency, companies are taking proactive steps to help men and women meet their personal needs and family obligations. In so doing, they make it possible for employees to satisfy the demands imposed by their nonwork lives. This allows companies to draw on the talents of a diverse group of prospective employees who otherwise might not be able to lend their talents to the organization. The three practices identified here have proven especially useful in this regard.

Practice	Description	Example
Child-care facilities	Sites at or near company locations where parents can leave their children while they are working.	At Toyota's Georgetown, Kentucky, plant, a child-care center is open 24 hours a day, offering outstanding services at very reasonable fees.
Elder-care facilities	Centers where aged parents of employees can stay and be cared for while their adult children are working. Given the rapid aging of the population, this benefit is growing in popularity.	At its Armonk, New York, headquarters, IBM has been offering elder care to employees for over two decades. Recently, the company expanded this service by launching an online support group for individuals taking care of elderly parents.
Personal support policies	Widely varied practices that help employees meet the demands of their family lives, freeing them to concentrate on their work.	The Wilton Connor Packaging Co. in Charlotte, North Carolina, offers an on-site laundry, high school equivalency classes, door-to-door transportation, and a children's clothing swap center.

child-care facilities
Sites at or near company locations where parents can leave their children while they are working.

elder-care facilities
Facilities at which employees at work can leave elderly relatives for whom they are responsible (such as parents and grandparents).

personal support policies
Widely varied practices that help employees meet the demands of their family lives, freeing them to concentrate on their work.

PEOPLE ARE LIVING—AND WORKING—LONGER THAN EVER BEFORE. In the years after World War II, the peacetime economy flourished in the United States. With it came a large increase in population as soldiers returned from war and began families. The generation of children born during this period is referred to widely as the **baby boom generation.** Today, this large wave of individuals is approaching retirement age. But, because retirement is no longer automatic at age 65, aged baby boomers will comprise a growing part of the population in the next few years (see Figure 1.9). In fact, by 2030 almost 20 percent of the U.S. population will be at least 65. Already, people over 85 years old are the fastest-growing segment of the U.S. population.[41]

baby boom generation
The generation of children born in the economic boom period following World War II.

Two things occur as a result of this trend. First, older people in the workforce put more of a drain on the health-care system. As healthy as they may be thanks to modern medicine, it's a simple

FIGURE 1.9

People Are Living and Working Longer Than Ever

Don't tell Christy McDermott that the typical retirement age is 65. This 75-year old plans to continue working as a Wal-Mart greeter for as long as his health permits.

L-MART
WALMART
CHRISTY
PEOPLE GREETER
THANKS for STOPPING BY

Zuma/Newscom.

truth that older bodies eventually wear out and require medical attention. And, of course, the physical prowess of older people surely isn't as great as it was when they were younger. This limits the physical nature of the work they can perform, which can be an issue for some manual labor jobs. But because technology has made physical labor less important than it was in years past, this is less of a problem today than it might have been a generation or so ago.

Second—and the other side of the coin—because older people are more experienced on the job, they offer skills that only time alone can provide. In fact, as such individuals retire, it is not unusual for them to leave gaps in the workplace that are difficult to fill. In many organizations, this creates serious problems. When older, top executives retire, for example, they take with them decades of experience that are almost impossible to replace. For this reason, many companies are instituting programs designed to help keep older employees working a little longer before ceasing employment completely. Among these are the following:

- ***Phased-retirement.*** These are plans in which individuals who are approaching the usual retirement age of 65 can make a transition to full retirement by continuing to work, usually with a reduced workload, as a transition to full-time retirement. This arrangement, which presumably allows the best of both work and retirement, can take the form of permitting part-time or seasonal work (in which employees work only on occasion), and offering extended leaves of absence (in which employees can take off time but can return to work when ready to do so).
- ***Deferred retirement option plan (DROP).*** This arrangement allows a person who has reached retirement age to continue working while depositing his or her retirement benefit into a separate account that he or she can claim as a lump sum when formally retired, usually one to five years later. This provides a tax incentive for people who want to extend their working years a bit beyond the usual retirement age.

It is important to recognize that such programs are important not only today, when there are many older individuals in the workplace, but they promise to be even more important when the next generation of workers approaches retirement age. We say this because there has been another recent wave of births: A record number of babies were born in the United States in 2007, over 4.31 million, the most since the middle of the baby boom in 1957.[42] As such, we can expect a large influx of Americans to enter the workplace in the next two decades.

IMPLICATIONS FOR OB. That more women, people of color, and older workers are in the workforce than ever before is not merely an idle sociological curiosity. It also has important implications for OB—ones that we will examine more closely in this book. After all, the more people differ from each other, the more challenges they are likely to face when interacting with one another. How these interactions play out is likely to be seen on the job in important ways. For example, as we will describe, differences in age, gender, and ethnic group membership are likely to bring with them differences in communication style that must be addressed for organizations to function effectively (see Chapter 9). It also is the case that people at different stages of their lives are likely to be motivated by different things (see Chapter 7) and to be satisfied with different aspects of their jobs (see Chapter 7). And, as workers adjust to a wider variety of people in the workplace, issues about their norms and values (see Chapter 8) are likely to come up, as well as their willingness to accept others who are different from themselves (see Chapter 6). This can have important implications for potential stress and conflict in the workplace (see Chapters 5 and 11) and their career choices (see Appendix 2), which may be expected to influence their capacity to work effectively as members of the same work teams (see Chapter 8).

OB Responds to Advances in Technology

Since the Industrial Revolution in the nineteenth century, people have performed carefully prescribed sets of tasks—known as *jobs*—within large networks of workers who answered to those above them—hierarchical arrangements known as *organizations.* This picture, although highly simplistic, does a good job of characterizing the working arrangements that most people had during much of the twentieth century. Today, however, in the twenty-first century, the essential nature of jobs and organizations as we have known them has changed and continues to change all the time (a fact that we will chronicle in Chapter 16). Although many factors are responsible for this, experts agree that a major catalyst is rapidly advancing computer technology, especially the use of the Internet and wireless technology.[43]

As you might imagine, this state of affairs has important implications for organizations—and, hence, the field of OB. After all, as more work is shifted to digital brains, some work that once was performed by human brains becomes obsolete. At the same time, new opportunities arise as people scurry to find their footing amid the shifting terrain of the high-tech revolution. The implications of this for OB are considerable. We will now consider some of the most prominent trends in the world of work that have been identified in recent years. These involve how work is organized and performed, as well as the need for flexibility.

Leaner Organizations: Downsizing and Outsourcing

Technology has made it possible for fewer people to do more work than ever before. *Automation*, the process of replacing people with machines, is not new, of course; it has gone on, slowly and steadily, for decades. Today, however, because it is not large mechanical devices but digital data that are manipulated, scientists refer instead to the *informating* of the workplace.

informate
The process by which workers manipulate objects by "inserting data" between themselves and those objects.

The term **informate** describes the process by which workers use computer information technology to transform a once-physical task into one that involves manipulating a sequence of digital commands.[44] Thanks to this process, for example, today's auto workers can move around large hoods and trunk lids by pressing a few buttons on a keypad instead of physically manipulating them by hand. Likewise, the process of placing sales orders often is informated. Thanks to computer systems analysts, an order entered into a salesperson's laptop computer can trigger a chain of events involving everything associated with the job: placing a sales order, manufacturing the product to exact specifications, delivering the final product, sending out the bill, and even crediting the proper commission to the salesperson's payroll check.

downsizing
The process of adjusting the number of employees needed to work in newly designed organizations (also known as *rightsizing*).

rightsizing
See *downsizing*.

Unlike the gradual process of automation, today's technology—and the process of informating—is occurring so rapidly that the very nature of work is changing as fast as we can keep up. With this, many jobs are disappearing, leaving organizations (at least the most successful ones!) smaller than before.[45] Indeed, organizations have been rapidly reducing the number of employees needed to operate effectively—a process known as **downsizing.**[46] Typically, this involves more than just laying off people in a move to save money. It is directed at adjusting the number of employees needed to work in newly designed organizations, and is therefore also known as **rightsizing.**[47] Whatever you call it, the bottom line is clear: Many organizations need fewer people to operate today than in the past—sometimes, far fewer. It's important to note that we're talking here not about jobs lost due to economic downturns but to changes in the way work is organized that no longer makes certain jobs necessary.

outsourcing
The process of eliminating those parts of organizations that focus on noncore sectors of the business (i.e., tasks that are peripheral to the organization), and hiring outside firms to perform these functions instead.

core competency
An organization's key capability, what it does best.

Another way organizations are restructuring is by completely eliminating those parts of themselves that focus on noncore sectors of the business (i.e., tasks that are peripheral to the organization) and hiring outside firms to perform these functions instead—a practice known as **outsourcing** (see Chapter 16).[48] By outsourcing secondary activities, an organization can focus on what it does best, its key capability—what is known as its **core competency.** Companies like ServiceMaster, which provides janitorial services, and ADP, which provides payroll processing services, make it possible for their client organizations to concentrate on the business functions most central to their missions. So for example, by outsourcing its maintenance work or its payroll processing, a manufacturing company may grow smaller and focus its resources on what it does best, producing goods.

Some critics fear that outsourcing represents a "hollowing out" of companies—a reduction of functions that weakens organizations by making them more dependent on others.[49] Others counter that outsourcing makes sense when the work that is outsourced is not highly critical to competitive success (e.g., janitorial services), or when it is so highly critical that it only can succeed by seeking outside assistance.[50] For example, it is a widespread practice for companies selling personal computers today to outsource the manufacturing of various components (e.g., hard drives, CD-ROMs, and chips) to other companies.[51] Although this practice may sound atypical compared to what occurs in most manufacturing companies, it isn't. In fact, one industry analyst has estimated that 30 percent of the largest American industrial firms outsource over half their manufacturing.[52]

The Virtual Organization

As more and more companies are outsourcing various organizational functions and are paring down to their core competencies, they might not be able to perform all the tasks required to complete a project. However, they certainly can perform their own highly specialized part of it very well. Now, if you put together several organizations whose competencies complement each other and have them work together on a special project, you'd have a very strong group of collaborators. This is the idea behind an organizational arrangement that is growing in popularity—the **virtual organization.** A virtual organization is a highly flexible, temporary organization formed by a group of companies that join forces to exploit a specific opportunity (we will describe them more thoroughly in Chapter 15).[53]

virtual organization
A highly flexible, temporary organization formed by a group of companies that join forces to exploit a specific opportunity.

For example, various companies often come together to work on special projects in the entertainment industry (e.g., to produce a motion picture—see Figure 1.10) and in the field of construction (e.g., to build a shopping center). After all, technologies are changing so rapidly and skills are becoming so specialized these days that no one company can do everything by itself. And so, they join forces temporarily to form virtual organizations—not permanent organizations, but temporary ones without their own offices or organization charts. Although virtual organizations are not yet common, experts expect them to grow in popularity in the years ahead.[54] As one consultant put it, "It's not just a good idea; it's inevitable."[55]

Telecommuting: Going to Work Without Leaving Home

In recent years, the practice of **telecommuting** (also known as **teleworking**) has been growing in popularity. This is the practice of using communications technology to enable work to be performed from remote locations, such as the home or anyplace with e-mail access. Although telecommuting was somewhat experimental at the end of the twentieth century, it's in full swing today. In fact, telecommuting currently is estimated to be used by approximately 14 million American workers on a regular basis.[56] Some companies, such as Booz Allen Hamilton, eBay, Goldman Sachs, the Principal Financial Group, S. C. Johnson & Son, and Yahoo! currently have the most active telecommuting programs.

telecommuting (teleworking)
The practice of using communications technology to perform work from remote locations, such as one's home.

Item not available in this eBook

FIGURE 1.10

Virtual Organizations in the Movie Business

Next time you exit the movie theater, take a close look at the credits. Not only are various actors and actresses listed along with technicians of all types, but also a number of different companies. The making of a modern motion picture, such as James Cameron's instant classic *Avatar*, is a good example of a so-called virtual organization. Various organizations with different areas of expertise (e.g., casting, sound recording, special effects, etc.) join forces long enough to bring a final product to fruition.

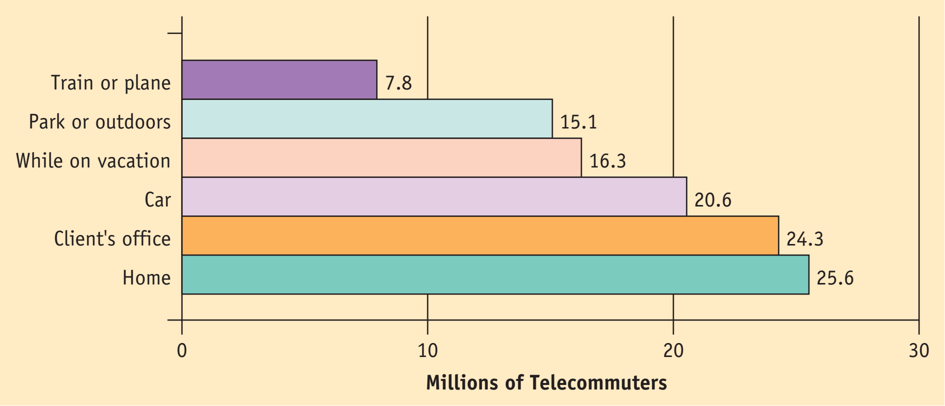


FIGURE 1.11

From Where Do People Telecommute?

Technology makes it possible for many of today's employees to do their work from locations other than their offices. As summarized here, several locations are particularly popular.

Source: IATC, 2009; see Note 57.

As shown in Figure 1.11, there are a wide variety of locations from which people telecommute.[57] Many people rely on more than just one, an average of 3.4 locations, in fact. For many, their local Starbucks represents "the third space" beyond office and home, wherever a notebook computer, a wireless network, and a latte may be found. But, with rapid increases in the availability of broadband connections in people's homes, the home is the fastest-growing location.

Both employees and employers enjoy the benefits of telecommuting. For example, telecommuting makes it possible for employees to avoid the hassle and expenses of daily commuting, which, in an era of congested roads and expensive fuel costs, can be dramatic. Employees working at home also enjoy saving money that they would have spent purchasing work clothing (unless you happen to wear ties or pantyhose around the house) and buying meals in restaurants and from vending machines. In fact, it has been estimated that each teleworker saves tens of thousands of dollars per year, taking into account all expenses.[58] Saving money is not the only reason why most telecommuters like the arrangement. They also enjoy the flexibility it gives them to balance work and family matters.[59]

Telecommuting also makes it possible for companies to save millions of dollars in expenses for office facilities.[60] At Hewlett-Packard, for example, about $230 million is being saved in annual office expenses. This occurs because companies are able to get more work done in the same space. Cisco Systems, for example, has so many teleworkers that it now takes only the physical space of 88 workers to do the work of 140 employees.[61] IBM also has been able to slash its office space by as much as 55 percent in some locations. As you might imagine, the savings are particularly important to small start-up companies, which can hire workforces without having to make large investments in office space.

Importantly, telecommuting allows companies to comply with governmental regulations (e.g., the Federal Clean Air Act of 1990) requiring them to reduce the number of trips made by their employees. In fact, the federal government is a major proponent of telecommuting. The Securities and Exchange Commission (SEC), the State Department, the Department of Justice, and four other large federal agencies now are required by law to offer all eligible workers the opportunity to telecommute.

A particularly interesting and all-too-real reason to use telecommuting is to help organizations get up and running after a disaster strikes. After all, if an organization's assets are spread out—as is the case if they are in the hands of employees who are geographically dispersed—they are less vulnerable to attacks by human threats (e.g., terrorist strikes, arsonists) and natural disasters (e.g., floods, hurricanes, and tornadoes). (For specific recommendations about how to incorporate telecommuting into a plan to prepare for disasters, see the "OB in Practice" section on p. 53.)

Despite these benefits, as you might imagine, telecommuting is not for everyone; it also has its limitations.[62] It works best on jobs that require concentration, have well-defined beginning

OB in Practice

Telecommuting as a Business Continuity Strategy

For the average person, poignant memories of the 9/11 terrorist attacks and Hurricane Katrina tragically linger on, but their toll on business adds another dimension of suffering among the untold thousands whose businesses and livelihoods either were disrupted or vanished in their wakes. As extreme as these acts were, they are but a few of the many disasters of one form or another that disrupt the operations of about one in five American businesses in an average year.[63] Other events—such as toxic spills, earthquakes, water main breaks, or communication cables severed by careless construction workers—also can disrupt business operations, underscoring the need for businesses to have sets of procedures in place to get up and running in the event of such disruptions.

Such preparations, known as **business continuity plans,** are in place in about only 40 percent of small organizations, leaving the others vulnerable in times of crisis. Specifically, these refer to systematic sets of plans designed to help organizations get up and running again in the event of a disruption of some sort. Indeed, although small businesses are the least prepared, they have the most to lose because their limited resources make it difficult, if not impossible, to sustain any disruption. Large organizations are somewhat better prepared, with plans in place in 80 percent. But, given that the average loss per hour of downtime in *Fortune* 1000 firms runs about $78,000, and that disruptions may last for days, weeks, or even months, no organization can afford to ignore preparing for the inevitable.

business continuity plans
Systematic sets of plans designed to help organizations get up and running again in the event of a disruption of some sort.

Telecommuting is a key part of any business continuity plan. The reasons are not hard to understand. Emergencies result in loss of workspace, loss of technology, and loss of staff. In each instance, telework helps reduce the risk because it allows organizations to disperse employees quickly and to set up offices elsewhere. Besides allowing for the speedy resumption of business, teleworking helps in emergencies because it allows employees to remain in the presence of their families, where they desire to be at such times.

Organizations should take the following steps to ensure that telecommuting provides the help needed in emergencies.

1. Keep company records, especially vital ones, on several backup servers. These should be geographically disbursed in the event that a disaster strikes a particular local area.
2. Ensure that workers have a list of locations where they can go to find access to electricity and the Internet. These should be both local and regional in nature.
3. Maintain databases of addresses, phone numbers, e-mail addresses, and emergency addresses (e.g., relatives living elsewhere) where everyone can be contacted.
4. Train all workers to be able to perform at least part of their jobs from distant locations, including how to use computers.
5. Keep training current and thorough. Just because someone once may have been computer-savvy does not ensure that he or she will continue to be so. Thorough training in distance collaboration and peer communication technology is key.
6. Emphasize the business necessity of such a plan so that everyone will take it seriously without being seen as alarmist.

Following these measures, of course, will not ward off disasters. They remain a real and unforeseen risk for all organizations. However, by using telecommuting, businesses will be better prepared to cope with their inevitable aftermath.

and end points, are easily portable, call for minimal amounts of special equipment, and can be done with little supervision.[64] Fortunately, at least some aspects of most sales and professional jobs meet these standards. Even so, making telecommuting work requires careful adjustments in the way work is done. Also, many people just don't have the kind of self-discipline needed to get work done without direct supervision. To see if you and your associates have what it takes to succeed at telecommuting, see the Group Exercise at the end of this chapter.

OB Is Responsive to People's Changing Expectations

OB scientists do not work in a vacuum. Instead, they are highly responsive to people's changing expectations with respect to various aspects of work. This is the case with respect to two particular areas of concern to the field of OB: (1) employees' and employers' desire for *engagement,* and (2) the flexibility employees expect from employers. We now discuss each of these forces and their impact on modern OB.

Employees and Employers Desire Engagement

When referring to people who are preparing to wed, we say that they are "engaged." Typically, such individuals believe in each other, they want to share a bright future together, they are respectful to each other, and they are willing to do what it takes to ensure the other's happiness and success. We also use the term *engagement* to refer to employers and employees who share similar commitments to one another.

engagement
A mutual commitment between employers and employees to do things to help one another achieve each other's goals and aspirations.

In the field of OB, **engagement** refers to a mutual commitment between employers and employees to do things to help one another achieve goals and aspirations.[65] Thus, engagement is a two-way process. Typically, it works like this: Organizations take steps to engage their employees, and employees, in turn, respond by engaging their organizations. This takes several forms, such as the following:

- High levels of pride in the organization
- Pride in the organizations' products and services
- Belief that the organization helps employees do their best
- Willingness to help others on the job
- Understanding "the big picture" and being willing to go beyond formal job requirements when necessary

Because engagement begins with employers, it's important to note what organizations can do to get the ball rolling. Organizations can do several specific things to promote feelings of engagement in their employees. Not surprisingly, these are practices that we will be describing (and recommending) in various places throughout this book. The four key drivers of engagement are as follows:

- Involving employees in making decisions (see Chapter 10)
- Giving employees opportunities to express their ideas and opinions (see Chapter 2)
- Providing opportunities for employees to develop their jobs (see Chapter 7)
- Showing concern for employees' well-being as individuals (see Chapter 6)

Considering this, we may ask, are today's employees engaged in their jobs? An extensive survey by the Gallup Organization revealed that the answer varies for different groups of employees.[66] Only 31 percent were classified as truly *engaged.* These individuals worked with passion and felt deep connections to their companies, helping to move them forward. The majority, however, 52 percent, were classified as *not engaged.* These people "checked out" of their jobs and only went through the motions. They put in time, but displayed very little energy or passion. Finally, 17 percent of the respondents were classified as being *actively disengaged.* Such individuals weren't only unhappy, but acted out their unhappiness on the job. Far too often, they undermined the accomplishments of their highly engaged counterparts (e.g., by sabotaging their work).

Generally, and this comes as no big surprise, people who are not engaged or who are actively disengaged do not enjoy their work experiences. At the same time, such individuals are not helping—and actively are hurting—their organizations. This comes at considerable cost to organizations, not only by making life miserable for everyone, but also financially. Specifically, the Gallup Organization's extensive, representative survey of U.S. workers age 18 and older revealed two disturbing findings (see summary in Figure 1.12): (1) The percentage of employees who are actively disengaged has not been dropping over the years, and (2) the cost of employing such individuals is dramatic—about $400 billion.

As alarming as these figures may be, there is good news: They can be lowered! And, although it's not always easy, the path to doing so is hardly a mystery. In fact, you hold the answer in your hands right now. Following the good management practices revealed by the field of organizational behavior is the key to promoting not only engagement, but a wealth of other beneficial outcomes both for organizations and the people who work in them.

In Search of Flexibility: Responding to Needs of Employees

Earlier, we mentioned that organizations are doing many different things to accommodate workers from two-income families, single-parent households, and people taking care of elderly relatives. Often, what's most needed is not a formal program, but greater flexibility. The diversity of lifestyles demands a diversity of working arrangements. Some organizations have proven to be so flexible that they even accommodate employees taking care of their dogs. Although Fido might not be a common sight in today's offices (even if, as some say, business has "gone to the dogs"), several practices have gained in popularity in recent years that provide the flexibility today's workers need.

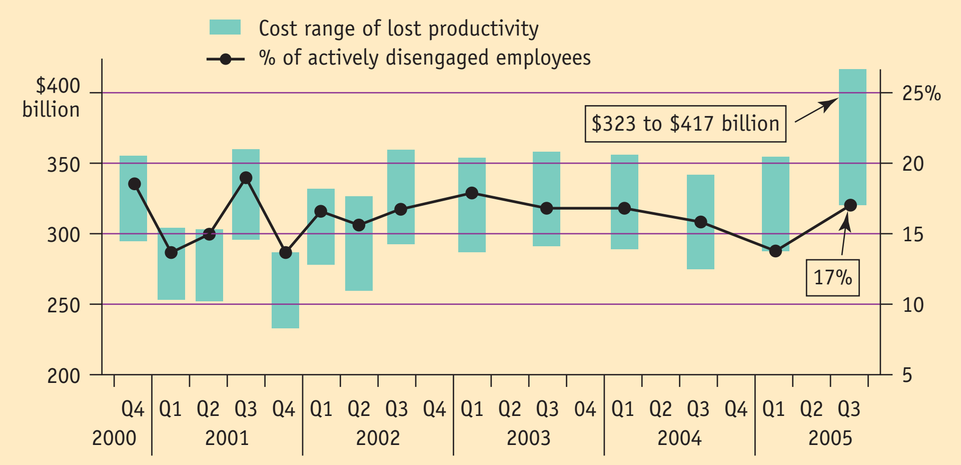


FIGURE 1.12

The High Cost of Active Disengagement

Employees who are actively disengaged at work comprise about 17 percent of the American workforce. These 23.3 million employees cost their organizations between $323 billion and $417 billion annually due to lost productivity.

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THE COMPRESSED WORKWEEK. The eight-hour/five-day workweek has been the traditional standard for many years. However, as employees have demanded more scheduling flexibility so as to have more personal time, companies have experimented with the **compressed workweek,** in which the time spent in a workweek is divided into fewer days. Three popular forms of the compressed workweek alternative schedule have been used (for a summary, see Figure 1.13).[67]

compressed workweek
The practice of working fewer days each week, but longer hours each day (e.g., four 10-hour days).

- ***Four-day workweek.*** Employees work 10 hours per day for four consecutive days, Monday through Thursday. The company is closed from Friday through Sunday. This gives employees three days off each week.
- ***Three-day workweek.*** Two groups of employees are formed, each of which works for three days of 13 hours and 20 minutes per day. One group works Monday through Wednesday, the other works Thursday through Saturday. The company is closed on Sunday. This gives employees four days off each week.
- ***5/4-9 compressed plan.*** Two groups of employees are formed. One works four 9-hour days plus one 8-hour day the first week. In week two, employees work four 9-hour days only. This order is reversed for the second group. The company is closed Saturday and Sunday. This arrangement gives employees two days off one week and three days off the next.

These alternative scheduling arrangements have been enjoyed by employees interested in improving the balance between their work lives and personal lives. They also have received a great deal of attention as a means of reducing the number of commutes to and from work. As gasoline prices have risen in recent years, many city and state governments in the United States have adopted four-day workweeks.[68] Not only does this reduce employees' travel expenses by 20 percent, but keeping buildings closed an extra day also saves energy costs within the facilities.

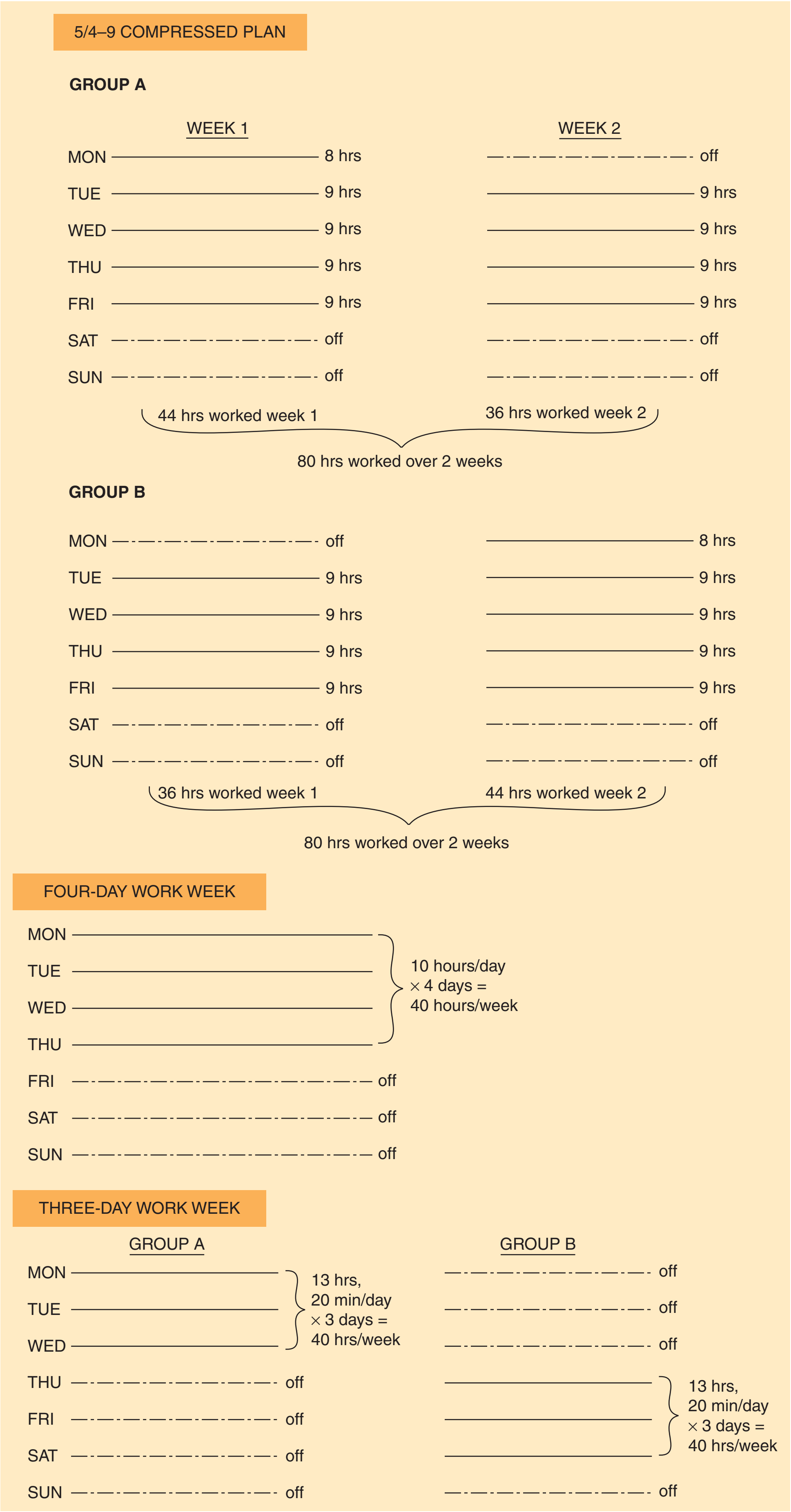
It is important to note, as you might imagine, that these alternative work schedules are not appropriate for all kinds of jobs. Obviously, such arrangements would not work in situations in which work must be performed only at certain times of day, such as when customers and suppliers are available to be contacted. Also, of course, we must consider fatigue. People may grow so tired working longer-than-usual days that their performance and safety may suffer. Under such conditions, lengthened days do not make good business sense. Finally, it's important to note that the benefit of improving balance between work and life schedules assumed to come from

FIGURE 1.13

The Compressed Workweek: Three Specific Schedules

The *compressed workweek* involves scheduling five standard days of work into four or fewer. Three particular schedules for accomplishing this, all used in various organizations, are summarized here.

Source: Adapted from U.S. Office of Personnel Management, 2008, see Note 67.



5/4–9 COMPRESSED PLAN
GROUP A
WEEK 1
WEEK 2
MON 8 hrs off
TUE 9 hrs 9 hrs
WED 9 hrs 9 hrs
THU 9 hrs 9 hrs
FRI 9 hrs 9 hrs
SAT off off
SUN off off
44 hrs worked week 1
36 hrs worked week 2
80 hrs worked over 2 weeks
GROUP B
MON off 8 hrs
TUE 9 hrs 9 hrs
WED 9 hrs 9 hrs
THU 9 hrs 9 hrs
FRI 9 hrs 9 hrs
SAT off off
SUN off off
36 hrs worked week 1
44 hrs worked week 2
80 hrs worked over 2 weeks
FOUR-DAY WORK WEEK
MON
TUE
WED
THU
10 hours/day × 4 days = 40 hours/week
FRI off
SAT off
SUN off
THREE-DAY WORK WEEK
GROUP A
GROUP B
MON off
TUE off
WED off
13 hrs, 20 min/day × 3 days = 40 hrs/week
THU off
FRI off
SAT off
13 hrs, 20 min/day × 3 days = 40 hrs/week
SUN off off

compressed workweeks does not always occur. In particular, parents who have to pick up their children after school find it difficult to work too late into the day.

All things considered, although compressed workweeks are useful in some cases, they certainly are not desirable in all. Still, it's clear that they are not only a viable possibility, but a reality in many of today's organizations—and one that has clear implications for the study of behavior in organizations.

FLEXIBLE HOURS. If you take a look around your workplace, you'll find people at different stages of their lives. Some are single and just getting started in their careers, others may be raising families, and still others may have tried retirement but have chosen to return to work. These different individuals are likely to require different working hours. This has led contemporary organizations to put programs into place that allow for flexibility. One popular way of doing this is by implementing what are known as **flextime programs**—policies that give employees some discretion over when they can arrive at and leave work, thereby making it easier to adapt their work schedules to the demands of their personal lives.

flextime programs Policies that give employees some discretion over when they can arrive at and leave work, thereby making it easier to adapt their work schedules to the demands of their personal lives.

Typically, flextime programs require employees to work a common core of hours, such as 9:00 A.M. to 12 noon and 1:00 P.M. to 3:00 P.M. Scheduling of the remaining hours, within certain spans (such as 6:00 A.M. to 9:00 A.M. and 3:00 P.M. to 6:00 P.M.), is then left up to the employees. (This stands in contrast to compressed workweeks, which do not offer any such options.) Generally, such programs have been well received and have been linked to improvements in performance and job satisfaction, as well as drops in employee turnover and absenteeism.[69] In recent years, many companies, both large and small, have found that flexible work scheduling has helped their employees meet the demands of juggling their work and family lives.[70]

THE CONTINGENT WORKFORCE: "PERMANENT TEMPORARY" EMPLOYEES. Recognizing that not all jobs are required to be performed all the time, many organizations are eliminating permanent jobs and hiring people to perform them whenever required. Such individuals comprise what has been referred to as the **contingent workforce**—people hired by organizations temporarily, to work as needed for finite periods of time.[71] This practice serves not only the needs of companies whose needs for employees grow and shrink over time and cannot afford to have full-time employees, but also individuals who are interested in working only occasionally.

contingent workforce People hired by organizations temporarily, to work as needed for finite periods of time.

The contingent workforce includes not only the traditional part-time employees, such as department store Santas, but also *freelancers* (i.e., independent contractors who are self-employed), *on-call workers* (i.e., people who are called into work only when needed), and workers provided by *temporary help agencies*. As companies have sought to trim expenses in recent years (e.g., by not having fixed office expenses and not giving severance pay to laid off employees), the number of contingent workers has risen dramatically. In 2010, about one in four members of the American workforce was a contingent worker.[72] As shown in Figure 1.14, the specific jobs contingent workers do most frequently are in clerical fields.[73] Such highly flexible arrangements make it possible for organizations to grow or shrink as needed, and to have access to experts with specialized knowledge when these are required.

The current trend of trimming expenses has caused many companies to keep their staff sizes so small that they must frequently draw on the services of one of the nation's thousands of temporary-employment firms for help.[74] As a result, growing numbers of professionals, including lawyers and scientists (many of whom are paid over $250,000 per year), are working on a part-time or freelance basis these days. One temporary employment firm keeps a roster of 1,000 executives who fill in at different companies where needed.[75]

These arrangements come at a cost to employees and employers, however. Contingent employees generally do not receive such valuable fringe benefits as health insurance and contributions to retirement. Salaries take a hit too. People who work half time, for example, typically earn less than half of those who work full time. Managers who earn $3,200 per month working full time can expect to earn as little as $800 to $1,200 per month working half time.[76] On the other side of the coin, these figures represent considerable savings for companies. There is a downside to such arrangements for them as well. The lack of continuity and the time new employees spend "learning the ropes" only to leave shortly thereafter can put serious dents in

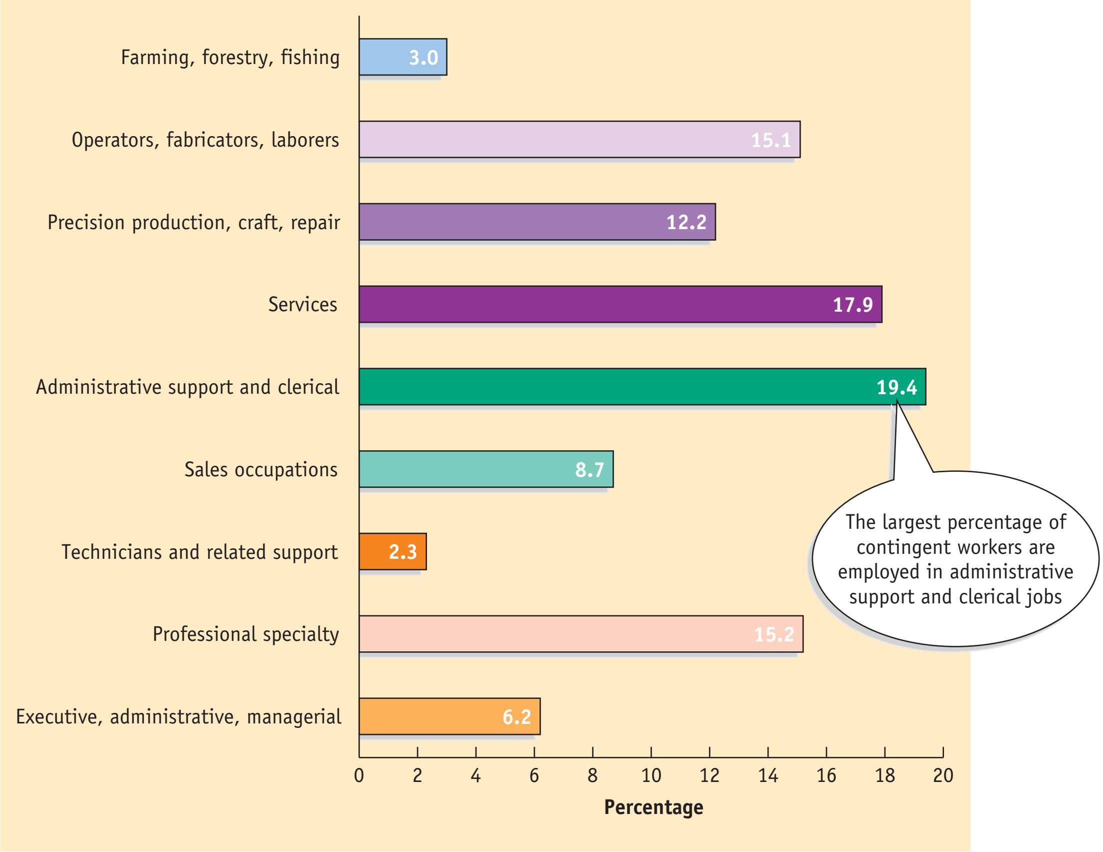


FIGURE 1.14

Contingent Workers: What Kinds of Jobs Do They Do?

As summarized here, contingent workers perform a wide variety of jobs. Most of these are in service businesses and in administrative support and clerical positions.

Source: Based on data from the Bureau of Labor Statistics, 2009; see Note 73.

efficiency. In short, contingent work arrangements have benefits and costs to all parties, and the opportunity to consider these trade-offs is a key characteristic of the contemporary workplace.

IDIOSYNCRATIC WORK ARRANGEMENTS. Traditionally, when new employees were hired, they were offered a standard set of benefits and working arrangements. People in various jobs were paid salaries and had work conditions that were predetermined based on their position. Of course, this still occurs most of the time. But, with increasing frequency, however, the arrangements between today's employers and employees are being negotiated to satisfy the unique interests of each. Such arrangements are known as **idiosyncratic work arrangements,** or more simply, **i-deals.** These are uniquely customized agreements negotiated between individual employees and their employers with respect to employment terms benefiting each party. I-deals may take two forms.

idiosyncratic work arrangements (i-deals)
Uniquely customized agreements negotiated between individual employees and their employers with respect to employment terms benefiting each party.

- *Ex ante i-deals* are negotiated before one begins a job, such as while negotiating the terms of employment (e.g., salary, fringe benefits, etc.).
- *Ex post i-deals* are arrangements about employment terms made once a person already is working in an organization.

Such arrangements are called i-deals because the deals are not only idiosyncratic in nature, but also reflect the fact that these arrangements are intended to be ideal for both employers and employees alike.[77] (Unless both parties benefit, of course, i-deals may not be considered fair. Even when they do, however, such arrangements may seem unfair to existing workers. For a discussion of this dynamic, see "The Ethics Angle" section on p. 59.)

The Ethics Angle

Are I-Deals Unfair?

By their nature, i-deals involve treating people differently. Suppose, for example, a law firm hires a highly regarded attorney who, for personal reasons (e.g., having to take children to school), is allowed to come to the office at 9:30 A.M., an hour after everyone else. Isn't this a form of favoritism, you may ask, because it treats one employee better than others?

Maybe, but not necessarily. To be an i-deal, such arrangements must help everyone. Admittedly, the arrangement might place a burden on paralegals (and possibly other attorneys) who may be called on to address pressing issues on the newly hired attorney's cases while he or she is away from the office. Still, the firm's partners might agree to the i-deal anyway on the grounds that over the long term everyone would benefit from the arrangement. The newly hired attorney benefits, of course, by being given hours that accommodate his or her personal needs. The firm benefits by allowing it to have the expert skills of this individual to service clients, such as by allowing it to broaden the range of cases it handles. Finally, because this individual is so highly regarded, other attorneys in the firm also stand to benefit. This new attorney's reputation may be expected to help attract new business that allows other attorneys to work on cases that are more desirable and/or lucrative. And of course, there's also the gain in prestige that comes from having this person on board. The spotlight on this highly regarded attorney stands to put a glow on everyone, thereby enhancing their own reputations ("She's in the same firm as X, so she must be pretty good"). As a result, everyone stands to benefit.

Although the i-deal need not be a cause for worry among the new person's colleagues, it still might arouse their concerns because they don't fully understand what's going on.[78] As you might imagine, when this special new attorney is initially hired, his or her colleagues are likely to suspect that this individual is being given favorable treatment. This makes sence since i-deals tend to be arranged in one-on-one discussions between employees (present or future) and one or more company officials. It's no wonder that employees may be suspicious about under-the-table deals made behind closed doors. So, given that the arrangement is meant to be beneficial to everyone, it's essential for both managers and the beneficiaries of the i-deals to explain this thoroughly to other employees, who are unlikely to be aware of this.

Managers need to make it clear precisely *why* they agreed to such nonstandard employment terms in the first place, explaining thoroughly how the arrangement stands to benefit everyone. They also should explain any special arrangements being made to minimize any possible burdens placed on other employees due to the i-deal (e.g., rescheduling paralegals). In other words, managers should help employees understand the personal benefits being realized and the personal costs being minimized that makes the i-deal work for all.

At the same time, the beneficiaries of i-deals should be careful about what they say. The fact that they are receiving special treatment is likely to make their colleagues feel jealous (if not also suspicious and insecure). Because of this, it's essential for recipients of i-deals to avoid bragging about their arrangements. They also should go out of their way to help their colleagues, making it clear that they are not prima donnas and that they still can be counted on to be good citizens of their companies.

JOB SHARING. Sometimes, two or more of employees assume the duties of a single job, splitting its responsibilities, salary, and some benefits in proportion to the time worked, a practice known as **job sharing.** Such arrangements are rapidly growing in popularity as people enjoy the kind of work that full-time jobs allow, but require the flexibility of part-time work.

job sharing
A form of regular part-time work in which two or more employees assume the duties of a single job, splitting its responsibilities, salary, and benefits in proportion to the time worked.

It's not unusual for job sharing arrangements to be temporary, such as when people require time off for some personal reason for a fixed period of time. At Xerox, for example, several sets of employees share jobs, including two female employees who once were sales rivals, but who joined forces to share one job when they each faced the need to reduce their working hours so they could devote time to their new families.[79]

Pella (the Iowa-based manufacturer of windows) has found that job sharing is successful in reducing absenteeism among its production and clerical employees.[80] Not surprisingly, job sharing also can be effective in retaining employees who are looking for flexibility in their working hours and in attracting new employees for whom this is important.

Offsetting some of these benefits, two key drawbacks should be noted. First, of course, job sharing does not lend itself to all types of jobs. Unless two people can handle the job as effectively as one, without any problems in coordination, the practice should be avoided. Second, because people sharing jobs may not be counted as full-time employees, important fringe benefits (e.g., eligibility for health insurance) might not be available to them. As a result, although job sharing may be a useful option for many, it is not always a perfect solution to the need for flexibility.

voluntary reduced work time (V-time) programs
Programs that allow employees to reduce the amount of time they work by a certain amount (typically 10 or 20 percent), with a proportional reduction in pay.

VOLUNTARY REDUCED WORK TIME (V-TIME) PROGRAMS. Programs known as **voluntary reduced work time (V-time) programs** allow employees to reduce the amount of time they work by a certain amount (typically 10 or 20 percent), with a proportional reduction in pay. Over the past few years, these programs have become popular in various state agencies in the United

States. For example, various employees of the New York State government have enjoyed having professional careers, but with hours that make it possible for them to also meet their family obligations. Not only does the state benefit from the money saved, but the employees also enjoy the extra time they gain for nonwork pursuits.

Summary and Review of Learning Objectives

1. **Define the concepts of organization and organizational behavior.**
   An organization is a structured social system consisting of groups and individuals working together to meet some agreed-upon objectives. Organizational behavior is the field that seeks knowledge of behavior in organizational settings by systematically studying individual, group, and organizational processes.
2. **Describe the field of organizational behavior's commitment to the scientific method and the three levels of analysis it uses.**
   The field of OB seeks to develop a base of knowledge about behavior in organizations by using an empirical, research-based approach. As such, it is based on systematic observation and measurement of the behavior or phenomenon of interest. The field of OB uses three levels of analysis—individuals, work groups, and entire organizations—all relying on the scientific method.
3. **Trace the historical developments and schools of thought leading up to the field of organizational behavior today.**
   The earliest approaches to organizational behavior relied on scientific management, an approach that essentially treated people like machines, emphasizing what it took to get the most out of them. For example, this approach relied on time-and-motion study, a type of applied research designed to find the most efficient way for people to perform their jobs. As this approach grew unpopular, it was supplanted by the human relations movement, which emphasized the importance of noneconomic, social forces in the workplace—an approach that remains popular to this day. Such factors were demonstrated in the Hawthorne studies, the first large-scale research project conducted in a work organization that demonstrated the importance of social forces in determining productivity. In contrast with scientific management's orientation toward organizing the work of individuals, proponents of classical organizational theory developed ways of efficiently structuring the way work is done. Weber's concept of bureaucracy is a prime example of this approach. Contemporary OB is characterized not by one best approach to management, but by systematic scientific research inspired from several social science disciplines. It takes a contingency approach to OB, recognizing that behavior may be influenced by a variety of different forces at once, thereby rejecting the idea that there is any single most effective approach to managing behavior in organizations.
4. **Identify the fundamental assumptions of the field of organizational behavior.**
   The field of OB assumes: (1) that organizations can be made more productive while also improving the quality of people's work life, (2) that there is no one best approach to studying behavior in organizations, and (3) that organizations are dynamic and ever-changing.
5. **Describe how the field of organizational behavior today is being shaped by the global economy, increasing racial and ethnic diversity in the workforce, and advances in technology.**
   The world's economy is becoming increasingly global, a trend that is affecting the field of OB in several distinct ways. For example, organizations are expanding overseas, requiring people to live and work in different countries, requiring considerable adjustment. As this occurs, much of what we thought we knew about managing people is proven to be limited by the culture in which that knowledge was developed (U.S. culture, in most cases). Racial and ethnic diversity in the workplace is in large part the result of shifting patterns of immigration that have brought more foreign nationals into the workforce. It also is the result of changes in social values and the economy that have made the presence of women common in today's workplace. Also, thanks to modern medicine, people are living longer, hence retiring from work later than ever before. Because technology has made it possible for fewer people to do more work, many organizations

have been growing smaller, downsizing. Furthermore, as technology becomes increasingly specialized, organizations have found it useful to hire other companies to do nonessential aspects of their operations that they once performed themselves—a process known as outsourcing.

6. **Explain how people's changing expectations about the desire to be engaged in their work and the need for flexibility in work have influenced the field of organizational behavior.** Both employers and employees benefit when they are highly engaged with one another—that is, when they are highly committed to satisfying one another's interests. This drives organizations to follow various OB practices so as to avoid the extremely high costs of having actively disengaged workers. Today's employees also desire to have a high degree of flexibility in their work arrangements. This takes several forms: using idiosyncratic work arrangements, offering flexible hours, relying on contingent workers, using compressed workweeks, job sharing, and voluntary reduced work time programs.

Points to Ponder

Questions for Review

1. How can the field of organizational behavior contribute to both the effective functioning of organizations *and* to the well-being of individuals? Are these goals inconsistent? Why or why not?
2. What is the "contingency approach," and why is it so popular in the field of OB today?
3. Explain how the field of organizational behavior stands to benefit by taking a global perspective. What would you say are the major challenges associated with such a perspective?
4. How has the growing quest for quality products and services affected your own work?

Experiential Questions

1. Think about a person with whom you may have worked who happens to be very different from you, such as someone of the opposite sex who also is a member of a different racial group and/or from a different country. In what ways was this experience challenging for you? In what ways did these differences prove to be beneficial? What insight do you believe the field of OB can give you with respect to this experience?
2. How have your own life and the lives of your family members changed because of flexible new working arrangements that have become popular in recent years?
3. Describe some ways in which you may have been treated by your boss that helped you become an engaged employee, a not-engaged employee, or an actively disengaged employee. How did you respond as a result?

Questions to Analyze

1. Although only some people in an organization need to know about marketing or accounting or production, almost everyone benefits by knowing about organizational behavior. Do you agree with this statement? If not, why not? If so, exactly how can knowing OB help you in your own work?
2. The practice of engineering is constantly evolving, but the basic rules of physics on which it rests remain relatively unchanged. Do you think the same relationship exists between technology and OB? In other words, do the things that have made organizations and individuals successful in yesterday's low-tech era remain relevant today, or are they changing along with technology?
3. Although many employees enjoy the flexibility of working lots of part-time jobs or working for a series of employees on a temporary basis, it comes at a cost: Such employees often make low wages, have little security, and cannot count on having fringe benefits. How do you think this trend affects organizations? How are companies helped and how are they harmed by this trend? Do you think this trend has any adverse effects on a company's products?

Experiencing OB

Individual Exercise

How Much Do You Really Know About OB?

Because we've all done some kind of work and know other people who also work, it's not surprising that we assume various things about how people behave on the job. After all, it's something we experience all the time. However, the things we may believe to be true about behavior in organizations based on common sense or experience may be inconsistent with established research findings (many of which are noted in this book). Also, the things we think we know are unlikely to reflect all the complexities and subtle nuances of human behavior that only scientists are prepared to determine. This exercise will help you get a feel for this.

Directions

Answer each of the following questions by marking it either true or false. Please indicate what you really think and not what you suspect "the real" answer may be.

_____ 1. People who are satisfied with one job tend to be satisfied with other jobs too.
_____ 2. "Two heads are better than one," so groups make better decisions than individuals.
_____ 3. The best leaders always act the same, regardless of the situations they face.
_____ 4. Specific goals make people nervous; people work better when asked to do their best.
_____ 5. People get bored easily, leading them to welcome organizational change.
_____ 6. Money is the best motivator.
_____ 7. Today's organizations are more rigidly structured than ever before.
_____ 8. People generally shy away from challenges on the job.
_____ 9. Multiple channels of communication (e.g., written and spoken) tend to add confusion.
_____10. Conflict in organizations is always highly disruptive.

Scoring

Now, the moment of truth: The first statement is true; all the others are false. Give yourself one point for each question you answered correctly. Please note that when we refer to something as being "true," we mean that it has been supported by research. Here is where in this book you'll find information relevant to these statements: Question 1, Chapter 6; Question 2, Chapter 10; Question 3, Chapter 13; Question 4, Chapter 7; Question 5, Chapter 16; Question 6, Chapter 7; Question 7, Chapter 15; Question 8, Chapter 7; Question 9, Chapter 9; Question 10, Chapter 11.

Questions for Discussion

1. How did you score on this quiz? If you answered honestly, you probably didn't get them all correct. If so, don't be surprised. We're not. After all, many of the things people routinely believe about behavior in organizations are only partially true—that is, true under some conditions, but not always. In other words, this topic tends to be far more complex and nuanced than meets the eye. This is precisely why when it comes to studying OB we cannot rely on our common sense as a guide. Instead, we rely on scientific research (see Appendix 1 for a summary of how such research is conducted).
2. Are you surprised to learn of any of the answers we present as being correct? If so, keep in mind that although it's certainly not always perfect, the fact that research is carefully designed to describe and explain behavior in an unbiased fashion enhances our confidence in what it reveals. Indeed, OB is a science, and as such, the things we know about it are based not on what we think or hope or believe to be the case, but rather, on what research reveals. So, as you read this book you can be assured that the things we say are based on the results of careful scientific investigation—even (or especially) if it's not what you'd expect.
3. How did you score relative to your classmates? It may be interesting to see exactly what questions stumped the most people in your class. Then, you can look forward to learning about the topic associated with it later in this book.

Group Exercise

Is Your Team Ready for Telecommuting?

What happens when people who might ordinarily come into contact with one another on their jobs no longer have that social contact? Several things may happen. For example, when employees do not see each other on a regular basis, it is difficult to build the team spirit that is needed to establish quality goods and services in some organizations. As a result, telecommuting does not lend itself to all jobs and to all individuals. This exercise will help you determine if you and members of your work team are ready for telecommuting.

Directions

Working independently, each member of a work team should complete the following questionnaire by indicating the extent to which each statement describes his or her own characteristics or current job situation.

1 = not at all
2 = slightly
3 = moderately
4 = somewhat
5 = greatly

Scale

To what extent . . .

1. Does your job allow you to work independently of others?
2. Is it important for you to see the people with whom you work face-to-face?
3. Are you able to complete jobs without being watched closely?
4. Are you comfortable using computers and high-tech equipment?
5. Is your company able to train you to use technology to do your job?
6. Are you able to manage your own time effectively?
7. Are you capable of finding a safe, secure, and nondistracting place to work?
8. Does your job performance depend on measurable aspects of your individual performance?
9. Would you miss the socializing that goes on in the office if you were away from it?
10. Is it possible for you to have access to the equipment and supplies needed to do your job while away from the office?

Scoring and Interpretation

1. Add together your scores for items 1, 3, 4, 5, 6, 7, 8, and 10.
2. Add together your scores for items 2 and 9. Subtract this sum from 12.
3. Add together the number from step 1 and the number from step 2. You will get a number from 10 to 50. This is your individual score.
4. Higher scores reflect higher degrees of individual readiness for telecommuting. Scores of 15 or lower reflect low degrees of readiness. Scores of 35 or higher reflect high degrees of readiness.
5. Add together the individual scores from all the members of your team. Then divide this number by the number of people in your team. This is your team's average readiness for telecommuting score.
6. Higher scores in step 5 reflect higher degrees of team readiness for telecommuting. Scores of 15 or lower reflect low degrees of team readiness. Scores of 35 or higher reflect high degrees of team readiness.

Questions for Discussion

1. In scoring the scale responses, why do you think questions 2 and 9 were treated differently from the others? How are they different?
2. Does your individual score (step 4) suggest that you are ready for telecommuting? Do you do so already? Might it be possible to telecommute some of the time if you are not doing so already?
3. Does your team score (step 6) suggest that your team is ready for telecommuting? Do some members of the team engage in telecommuting already? If so, how are the other members of the work team affected by this? If not, why do you think this is not already going on?

Practicing OB

When in Rome

You are the regional director of a large U.S.-based import-export company that is expanding international operations. This requires three of your top managers to move to Rome, Italy, for no less than two years, maybe longer. Given their lengthy stay, they will be moving their families along with them and setting up new households.

1. What problems would you anticipate these executives will have as they adjust to their new surroundings?
2. What specific measures could be taken to help these individuals avoid the symptoms of culture shock that are likely to arise?
3. What difficulties might these individuals have when they return to their own country at the end of their assignments? What could be done to minimize these problems?

Case in Point

■ *Floyd's Barbershop: A Cut Above the Rest*

In 2001, when the O'Brien brothers, Paul, Ron, and Bill, opened Floyd's 99 Barbershop in Denver, their only experience in the hair care business was as customers. Lacking tonsorial training, their particular skills, it seems, laid not in grooming hair but grooming loyal, creative, and hard-working employees.

Floyd's, named after the iconic barber from television's classic *Andy Griffith Show*, was conceived to be a friendly neighborhood place like the one owned by its namesake. But that's where the similarity ends. In the O'Briens' vision, Floyd's was not your father's traditional barbershop, nor was it a plush, unisex salon that smelled like hair chemicals. Instead, Floyd's was designed to be a hip and lively place for contemporary men. In many locations—there are now 27 Floyd's 99 Barbershops in six states—popular music is heard (played by live DJs on Saturdays), posters of rock stars adorn the walls, and sporting events are shown on plasma TV screens. The place is so hip that the Floyd's shop in Hollywood, California, was a location for an episode of the HBO series *Entourage*. It's no wonder that Bill O'Brien refers to Floyd's as "Hard Rock meets the barbershop."

Stylists at Floyd's know all the latest, contemporary cuts but also include old-fashioned services such as neck shaves with each haircut, and at reasonable prices ("less than twice the price of lunch" according to Rob O'Brien). Because it's impractical for today's highly mobile young men to commit to making appointments for haircuts, Floyd's doesn't take them. Yet, acknowledging the importance of timely service, customers can phone-in their place in line an hour or so ahead of arriving. But for anyone who does have to wait for his favorite barber (whose working hours be can checked online), it's not so bad because pool tables and computers with Internet access are available to help pass the time.

Not only are the O'Brien brothers attuned to what their customers want, they also are keenly sensitive to their employees. Illustrating this, consider how the O'Briens responded in March 2003 when a blizzard struck Denver. When the nightclub next door collapsed onto their shop, managers pleaded with firemen to rummage through the mounds of debris to retrieve their employees' tools and personal belongings. Unfortunately, the building housing Floyd's had to be demolished due to structural damage, leading to concerns about the business's future. Although the building was broken, the O'Briens' spirit was not broken—and employees came to appreciate this. Until a new shop could be built, complete with chrome and leather chairs and a barber pole out front, current employees were absorbed into other Floyd's locations and nobody lost a job. In fact, a billboard and the company's Web site made light of the events, adding to the belief that all would be well.

Although the O'Briens don't know how to cut hair, they surely know how to trim through layers of uncertainty to assuage their employees' fears. Employees and industry pundits would be hard pressed to challenge Bill's wife, Karen, who said that at Floyd's, "The founders' passion, personalities, and their constant desire to make a positive impact on people, along with the support of a qualified and professional management team, have poised the company for national and international expansion."

Questions for Discussion

1. Would you say that the O'Briens have adopted a Theory X or Theory Y approach to the management of their employees? On what do you base your answer?
2. Do the O'Briens appear to be doing anything to increase the feelings of engagement among their employees? If so, what are they? If not, what might they do?
3. How might Floyd's Barbershop: (a) use technology to enhance its business, and (b) respond to the need for flexibility among its employees?

CHAPTER

2 Organizational Justice, Ethics, and Corporate Social Responsibility

Learning Objectives

After reading this chapter, you should be able to:

1. Identify four different forms of organizational justice and the organizational impact of each.
2. Describe strategies that can be used to promote organizational justice.
3. Explain what is meant by ethical behavior and describe its relation to the law.
4. Describe the individual and situational factors responsible for unethical behavior in organizations and methods for minimizing such behavior.
5. Explain ways of behaving ethically when conducting business internationally.
6. Explain what is meant by corporate social responsibility, describe the forms it takes, and characterize the relationship between responsible behavior and financial profitability.

Chapter Outline

- Organizational Justice: Fairness Matters
- Strategies for Promoting Organizational Justice
- Ethical Behavior in Organizations: Its Fundamental Nature
- Why Do Some People Behave Unethically, at Least Sometimes—and What Can Be Done About It?
- Using Corporate Ethics Programs to Promote Ethical Behavior
- Ethics in the International Arena
- Beyond Ethics: Corporate Social Responsibility

Preview Case

■ *A Huge Day's Pay for a Seriously Bad Day's Work*

For many years, banks and financial institutions had a good thing going—or so it seemed. They issued variable-rate mortgages to people with low income and poor credit, later packaging and reselling these "subprime" loans to unknowing investors as mortgage-backed securities. The profits were enormous, rewarding bank executives with salaries, bonuses, and stock options in the tens, if not hundreds, of millions of dollars. Despite alerts from some economists, greed apparently blinded the bankers. They convinced themselves that they could keep this up forever because home values would continue to rise, allowing consumers to refinance their loans.

The bankers were wrong. In fall 2008, many of the variable interest loans, with their initially low interest rates, which got borrowers in the door (literally), rose to levels that home owners could no longer afford, and they began defaulting. This led the value of the securities to nosedive, and soon the walls came tumbling down. Banks were losing money even faster than they had been making it, leading them to the brink of failure.

Recognizing that keeping the banks afloat was essential to preventing a major collapse of the financial system and a "Second Great Depression," the U.S. government intervened by launching the *Troubled Asset Relief Program* (*TARP*). Through this initiative, the Treasury Department was able to purchase some $23 trillion in "troubled" assets and equity (e.g., losses stemming from home foreclosures) from financial institutions in an effort to stabilize them. As they regained health, the banks were to repay the government.

Although banks were being kept afloat by government bailouts, many executives continued to receive the same large paychecks that they were receiving before they took TARP funds. Some banks were spending millions of taxpayer dollars on bonuses for the very executives whose poor judgment created the problem in the first place. Instead of being forced to resign in disgrace for causing such serious problems, these top officials were, in essence, being rewarded by their victims, the American people.

Among the most egregious abusers was the large insurance company AIG. This firm's officials begged the government for a bailout and received $182.5 billion in return. Then, it used part of this money to pay tens of millions of dollars to its top executives. In March 2009, President Obama expressed his indignation. "People are rightly outraged about these particular bonuses," he said, adding, "But just as outrageous is the culture that these bonuses are a symptom of, that have existed for far too long—a situation where excess greed, excess compensation, excess risk-taking have all made us vulnerable and left us holding the bag."

Following the President's criticism, many AIG executives were shamed into returning their bonuses, although several explained that their particular work had nothing to do with the subprime mortgage crisis and that they deserved their bonuses. It also was explained that unless executives were rewarded with generous bonuses, they would go elsewhere, leaving these companies without competent leaders to get them out of trouble. Some agreed but others countered that the departure of the individuals who got into this mess would not be such a great loss.

From an economic and political standpoint, the situation with AIG is far more complex than depicted in this case. However, from the perspective of OB, the principle involved appears rather straightforward. "A fair day's work for a fair day's wages" is a cherished value in the workplace. Those who do well deserve to be rewarded for their accomplishments, but those who fail do not deserve to benefit. It sounds simple enough, at least in principle. However, the AIG scandal seems to suggest that when it comes to bank or insurance executives, different rules apply. And as President Obama suggested in no uncertain terms, this is unacceptable.

It's clear that people get upset when someone doesn't do the "right thing," although reasonable people don't always agree on precisely what this entails. Given that great philosophers over the years haven't reached consensus about what constitutes appropriate behavior, we shouldn't be too surprised that distinguishing between right and wrong in the workplace can be a complex undertaking.[1] Yet, it's clear from many of the cases that have been in the news at the beginning of the twenty-first century—the Enron scandal and the Bernard Madoff scandal being the most visible—that most people have a good sense of wrongdoing when they see it.[2] Still, whether it's cheating among athletes and sports officials, illicit behavior among politicians, or unabashed greed among corporate officers, recent headlines make it clear that people in organizations seem to face an unending array of ethical obstacles.[3] Not surprisingly, as we will describe in this chapter, the topic of *business ethics* is central to the study of OB. Specifically, OB provides a great deal of insight into why unethical behavior occurs and offers suggestions on how to curtail it.

As a natural outgrowth of the quest to behave ethically, many organizational leaders are going beyond merely doing what's right by proactively attempting to improve the communities in which they operate.[4] Indeed, many of today's organizations are demonstrating what is known as *corporate social responsibility*—not only attempting to meet prevailing legal and ethical standards but also exceeding them by embracing values that promote the greater welfare of society at large. Whether it involves donating money to charities, staffing community welfare projects, or taking steps to make our air and water clean, engaging in socially responsible behavior is of great concern to leaders of today's organizations. Here again, OB specialists have sought to explain this behavior, and their efforts will be outlined in this chapter.

Before focusing on ethics and corporate social responsibility, we begin this chapter by discussing a key concept that is central to understanding these themes—*organizational justice*.[5] People care a great deal about matters of justice on the job. Just ask any worker who feels that the small pay raise he received does not adequately reflect his important contributions, or someone who suspects that the boss is playing favorites by giving one of her coworkers more desirable work assignments. Workers in these cases are bound to cry foul, claiming that they have been treated unfairly. As these illustrations suggest, people are extremely sensitive to matters of justice and injustice in the workplace and are inclined to express their feelings in significant ways. Not surprisingly, when people are asked to describe what makes them angriest on the job, "being treated unfairly" tops the list.[6] Because of its importance, OB scientists have devoted a great deal of attention to studying organizational justice—the topic to which we now turn our attention.

Organizational Justice: Fairness Matters

Suppose you received a failing grade in a course. You don't like it, of course, but can you say that the grade is unfair? To answer this question, you would likely take several things into consideration. For example, does the grade accurately reflect how well you performed in the course? Were your exam scores added accurately and were they computed in an unbiased fashion? Has the professor treated you in a polite and professional fashion when addressing you? Finally, has the professor explained the grading process to you adequately? In judging how fairly you have been treated, questions such as these are likely to be raised—and your answers are likely to have a considerable impact on how you feel about your grade, the professor, and even the school as a whole. Moreover, they are likely to have a profound effect on how you respond, such as whether you quietly accept the grade, complain about it to someone, or even quit school entirely.

Although this example involves you as a student, the same considerations arise in the workplace. In that context, instead of talking about grades from professors, concerns about justice take analogous forms. Does your salary reflect your work accomplishments? How was your performance evaluation determined? Were you treated with dignity and respect by your boss? Were you given important job information in a thorough and timely manner? Matters such as these are relevant to **organizational justice**—the study of people's perceptions of fairness in organizations.

organizational justice
The study of people's perceptions of fairness in organizations.

Our discussion of organizational justice focuses on three key areas—the major forms of organizational justice, the relationships between these forms, and suggestions for promoting justice in organizations. Before we launch into our discussion of organizational justice, there are two important things about it you need to consider.

Two Important Points to Keep in Mind

Unlike philosophers, who attempt to make objective statements about *what justice really is*, OB scientists generally adopt the approach of psychologists, which focuses on *how justice is perceived*. After all, people respond to how they perceive things, which may or may not be based on objective truths. You will come to appreciate this more fully as you venture further into this book (and as we will explain in more detail in Chapter 3). For now, though, it's important to be aware that we are talking about people's perceptions.

Another thing to keep in mind about organizational justice is that it takes into account the particular focus or target of people's perceptions. So, when we speak about organizational justice, we must ask: to whom or what are judgments focused? For example, people may consider the fairness of both individuals (e.g., specific managers) and larger units (e.g., their organizations as a whole), which may or may not be aligned. The notion that people may take into account different foci when assessing fairness is known as the **multifoci approach to justice.**[7]

multifoci approach to justice
A conceptualization of organizational justice recognizing that people take into account both individuals and larger units when assessing fairness.

Now that we've made these points explicit, let's begin. Our discussion of organizational justice will focus on three important considerations—the major forms of organizational justice, the relationships between these forms, and tips for promoting justice in organizations.

Forms of Organizational Justice and Their Effects

The complexity of the notion of organizational justice is reflected by the vast array of questions to which it is applicable. For example, justice is considered in everything from how decisions are made about who will make the office coffee and how much you get paid, to how well you are treated by your boss. Considering its complexity, OB scientists have recognized that organizational justice takes several different forms. These are known as *distributive justice, procedural justice, interpersonal justice,* and *informational justice* (for an overview, see Figure 2.1).[8]

DISTRIBUTIVE JUSTICE. On the job, people are concerned with getting their "fair share" of resources. We all want to be paid fairly for the work we do, and we want to be adequately recognized for our efforts and any special contributions we bring to the job. **Distributive justice** is the form of organizational justice that focuses on people's beliefs that they have received fair amounts of valued work-related outcomes (e.g., pay, recognition, etc.). For example, workers in most Western nations believe that fairness demands getting paid in proportion to job performance, with better performers making more than poor performers. This is in keeping with the notion of "a fair day's wages for a fair day's work"—a cherished value in the United States. (It is the apparent violation of this principle by AIG executives—as described in this chapter's Preview Case on page 66—that triggered cries of injustice by President Obama and many others.)

distributive justice
The form of organizational justice that focuses on people's beliefs that they have received fair amounts of valued work-related outcomes (e.g., pay, recognition, etc.).

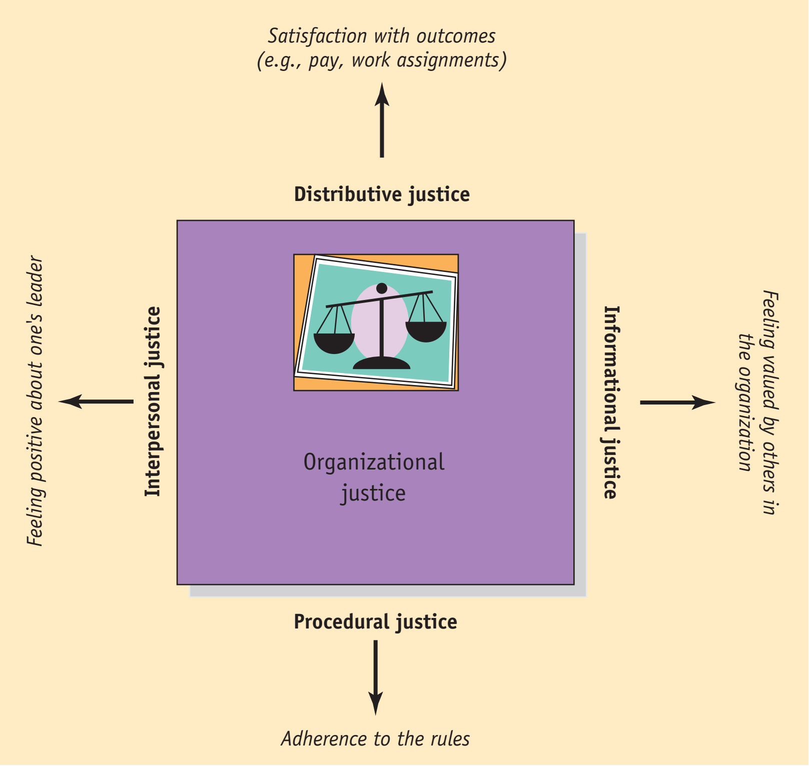
People who believe that they have been dealt a distributive injustice on the job tend to experience high levels of stress (see Chapter 5) and also feel dissatisfied with their jobs and the companies in which they work. (Related to this, as you will see in the discussion of *equity theory* in Chapter 7, feelings of distributive justice can have a great impact on people's motivation to perform their jobs.) As an example of distributive injustice consider a situation that's been discussed in the press a great deal in recent years—the distribution of health-care services and costs. It has been

FIGURE 2.1

Forms of Organizational Justice and Their Effects

Organizational justice takes the four different forms identified here. Each of these forms of justice has been found to have different effects in organizations.

Source: Based on information in Greenberg, 2010; see Note 5.


Satisfaction with outcomes (e.g., pay, work assignments)
Distributive justice
Feeling positive about one's leader
Interpersonal justice
Organizational justice
Informational justice
Feeling valued by others in the organization
Procedural justice
Adherence to the rules

argued that one key problem with the health-care system in the United States is that people in lower-paying jobs pay proportionately more for their health insurance on an out-of-pocket basis, and use it less, than individuals in higher-paying jobs.[9] Whatever the reasons for this—and the way to fix it—may be (a complex topic that lies far beyond the scope of this book), it's clear that people seek a health-care system that is fair and, among other things, this requires *not* putting most of the burden on those who are least able to carry it.

PROCEDURAL JUSTICE. Assuming it's not too painful to do so, recall our example (on page 67) involving receipt of a failing grade. In assessing the fairness of this situation, you would want to know precisely *how* your grade was determined. After all, if the professor made an error in calculating your grade, it would be unfair for you to be penalized. In other words, fairness involves consideration of not only *how much* of various outcomes you receive (i.e., distributive justice) but also the process by which those outcomes are determined—that is, *procedural justice.* Specifically, **procedural justice** refers to people's perceptions of the fairness of the procedures used to determine the outcomes they receive.[10] When people judge procedural justice, they take into account a variety of different criteria. Among the most widely used are summarized in Table 2.1.

procedural justice
People's perceptions of the fairness of the procedures used to determine the outcomes they receive.

Let's consider an illustration. In the spring of 1998, New York City cab drivers went on strike to protest then–Mayor Giuliani's imposition of new safety rules.[11] As it worked out, the drivers had few gripes with the rules themselves. However, they felt it was unfair for the mayor to impose the rules without consulting them. In their eyes, fairness demanded having a voice in the decision-making process, and when they didn't get it they expressed their concerns by striking. How easily this could have been avoided! Clearly, giving people a voice is a major consideration when it comes to procedural justice, which is why it heads the list of criteria shown in Table 2.1.

Concerns about procedural justice are likely to take different forms in various settings. Consider these examples.[12]

- Formal performance appraisals—Workers consider their job performance ratings to be fair to the extent that certain procedures are followed, such as when raters are believed to be familiar with their work and when they believe that the standards used to judge them are applied to everyone equally and consistently (for an example, see Figure 2.2).[13]
- Classroom—As a student, you want to make sure your professor uses fair procedures when grading your exams, such as by applying the same criteria to everyone's exams while grading essays and by not making any arithmetic errors when scoring exams.
- Courtroom—In the United States, laws require that evidence be ignored in court if it has been mishandled or if the police violated established rules to gather it. Likewise, entire cases may be thrown out if certain procedural rules have been violated.

TABLE 2.1 Procedural Justice Criteria

In forming judgments of procedural justice, people take different factors into consideration. Some of the major ones are identified here, along with descriptions and examples of each.

Criterion	Description	Example
• Voice in the making of decisions	Perceptions of procedural justice are enhanced to the extent that people are given a say in the decisions affecting them.	Workers are given an opportunity to explain their feelings about their work to a supervisor who is evaluating their performance.
• Consistency in applying rules	To be fair, the rules used as the basis for making a decision about one person must be applied equally to making a decision about someone else.	A professor must use the same exact standards in evaluating the term papers of each student in the class.
• Accuracy in use of information	Fair decisions must be based on information that is accurate.	A manager calculating the amount of overtime pay a worker is to receive must add the numbers accurately.
• Opportunity to correct errors	Fair procedures are ones in which people have a readily available opportunity to correct any mistakes that have been made	Litigants have an opportunity to have a judge's decision reconsidered in the event that an error was made in legal proceedings.
• Safeguards against bias	A person making a decision must not have any opportunity to bias the results.	Lottery drawings are held in such a manner that each number is selected in a completely random, unbiased fashion.

Source: Based on information in Greenberg, 2010; see Note 5.

Jeff Greenberg/Alamy Images.

FIGURE 2.2

Performance Appraisals Are Now Sweeter at Jelly Belly

The family-owned Jelly Belly Candy Company, headquartered in Fairfield, California, has long been considered a fun place to work. The fun ended, however, when it came to formal performance appraisals. Workers complained that the system was unfair because different procedures were used throughout the company. Although there weren't quite as many procedures as the number of different flavors made, 50, the company's 600 employees were unclear about what was expected of them. This led the company to adopt a sweet new performance appraisal system that could be used for all employees in all three company locations. Shortly afterward, according to HR director Margie Poulos, staff members characterized the new, standardized system as "fair and realistic," a vast improvement over the former ad hoc systems that started from scratch each year.

- Professional football—To ensure that referees' calls are correct, the National Football League allows referees to review via videotape plays in which coaches believe that referees may have made an error.

It is important to note that following unfair procedures not only makes people dissatisfied with their outcomes (as in the case of distributive justice), but also leads them to reject the entire system as unfair.[14] Additionally, procedural justice affects people's tendencies to follow organizational rules: Workers are not inclined to follow an organization's rules when they have reason to believe that its procedures are inherently unfair. And, of course, when this occurs, serious problems are likely to arise. Accordingly, everyone in an organization—especially top officials—would be well advised to adhere to the criteria for promoting procedural justice summarized in Table 2.1.

INTERPERSONAL JUSTICE. Imagine that you were just laid off from your job. You're not happy about it, of course, but suppose that your boss explains this situation to you in a manner that takes some of the sting out of it. Although your boss cannot do anything about this high-level corporate decision, he or she is very sensitive to the harm this causes you and expresses concern for you in a highly sensitive and caring manner. Research has shown that people experiencing situations such as this tend to accept their layoffs as being fair and hold positive feelings about their supervisors (see Figure 2.1). Importantly, such individuals are less inclined to sue their former companies on the grounds of wrongful termination than those who believe they were treated in an opposite manner—that is, an insensitive and disrespectful fashion.[15]

The type of justice demonstrated in this example is known as **interpersonal justice.** This refers to people's perceptions of the fairness of the manner in which they are treated by others (typically, authority figures). You may be wondering what treating people with dignity and respect has to do with fairness. The answer is simple: People believe that they deserve to be treated in such a manner and that it is unfair for this not to happen.

interpersonal justice
People's perceptions of the fairness of the manner in which they are treated by others (typically, authority figures).

INFORMATIONAL JUSTICE. Imagine that you are a heavy smoker of cigarettes and learn that your company has just imposed a smoking ban. Although you may recognize that it's the right thing to do, you are unhappy about it because the ruling forces you to change your behavior and break an addictive habit. Will you accept the smoking ban as fair and do your best to go along with it? Research suggests that you will do so only under certain circumstances—if you are given clear and thorough information about the need for the smoking ban (e.g., the savings to the company and improvements to the health of employees).[16] The form of justice illustrated in this example is known as **informational justice.** This refers to people's perceptions of the fairness of the information used as the basis for making a decision. Because detailed information was provided about the basis for implementing the smoking ban, informational justice was high, leading people to accept the fairness of the smoking ban.

informational justice
People's perceptions of the fairness of the information used as the basis for making a decision.

A key explanation for this phenomenon is that informational justice prompts feelings of being valued by others in an organization. This is known as the **group-value explanation** of organizational justice. The basic idea is that people believe they are considered an important part of the organization when an organizational official takes the time to explain thoroughly to them the rationale behind a decision. And people experiencing such feelings may be expected to believe that they are being treated in a fair manner.

group-value explanation (of organizational justice)
The idea that people believe they are an important part of the organization when an organizational official takes the time to explain thoroughly to them the rationale behind a decision.

A Neurological Basis for Responses to Injustice

Typically, OB scientists focus only on people's perceptions and their behaviors, especially when it comes to organizational justice. Interestingly, however, a recent study found that people's reactions to distributive injustice and procedural injustice manifest themselves differently inside people's brains.[17]

To establish this, a group of scientists had students play a game that involved bargaining with others in the hope of winning a financial award. While completing the bargaining game, participants were lying down inside a machine that used functional magnetic resonance imaging (fMRI) to scan their brains. This equipment uses large magnets to determine activation in the brain in terms of the flow of blood to certain regions while people are engaged in various activities. Here, the researchers were looking to determine the regions of the brain that were activated when participants were victimized by the other players' acts of distributive injustice (taking too much money) and procedural injustice (violating established rules).

Based on previous research, it was expected that different regions of people's brains would respond to procedural injustice and distributive injustice. Procedural injustice, the scientists reasoned, is highly cognitive as people need to process information about what's going on to assess the extent to which various procedural rules have or have not been followed. As such, people experiencing violations of procedural justice were predicted to show signs of activation in the portions of their brains associated with cognition. By contrast, they noted that people respond to distributive injustice in highly emotional ways. For example, they get angry when they believe that someone has not given them what they deserve. Accordingly, the researchers predicted that the brains of people experiencing distributive injustice would show signs of activation in regions known to be associated with emotion. As summarized in Figure 2.3, this is precisely what they found.

These findings are important because they suggest that differences in reactions to distributive injustice and procedural injustice are "real" in the sense that they may be traced neurologically. It looks

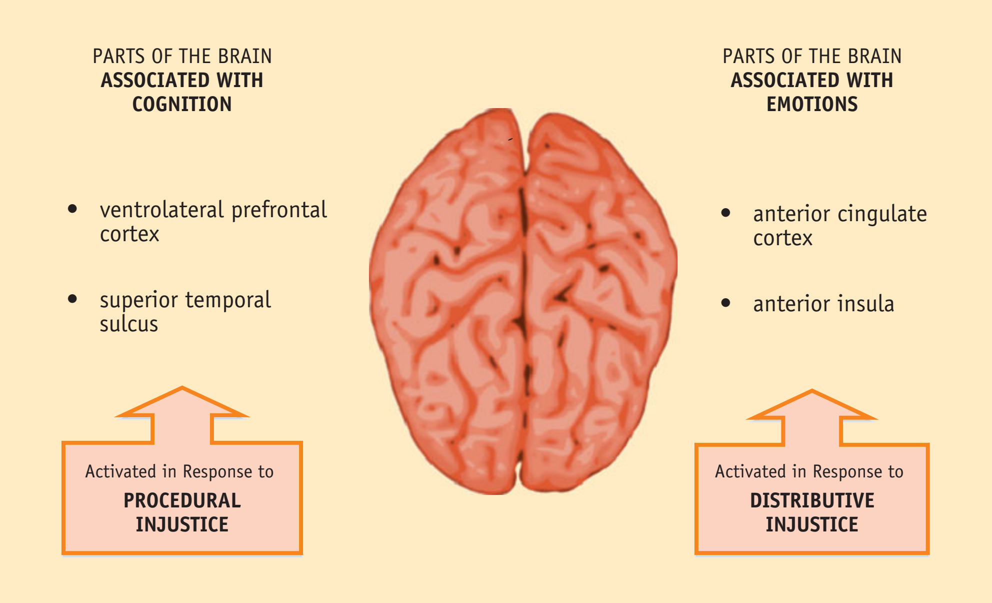

PARTS OF THE BRAIN ASSOCIATED WITH COGNITION
• ventrolateral prefrontal cortex
• superior temporal sulcus
Activated in Response to PROCEDURAL INJUSTICE
PARTS OF THE BRAIN ASSOCIATED WITH EMOTIONS
• anterior cingulate cortex
• anterior insula
Activated in Response to DISTRIBUTIVE INJUSTICE

FIGURE 2.3

Neurological Reactions to Distributive Injustice and Procedural Injustice

Research using neurological imaging (fMRI) has found that people's brains respond differently when they are victims of distributive injustice and procedural injustice. As summarized here, different regions are activated in each case, suggesting that there are biological bases for reactions to unfairness.

Source: Based on suggestions by Dulebohn et al., 2009; see Note 17.

like there is an actual biological basis for people's reactions to injustice. Another intriguing suggestion from the findings is that as a species, people appear to be "hard wired" to be responsive to injustices.

Strategies for Promoting Organizational Justice

Treating people fairly on the job surely is a noble objective. Although many people are concerned about being fair for its own sake, of course, there's also a good practical reason for treating employees fairly. Specifically, individuals who believe they have been unfairly treated in any or all of the ways described respond quite negatively. We know, for example, that people who feel unfairly treated are likely to do such things as work less hard, steal from their employers, do poor-quality work, or even quit their jobs altogether—and then sue their former employers.[18]

Naturally, managers are likely to seek organizational justice to avoid these problems. In addition to minimizing such negative reactions, managers also are likely to seek the positive reactions associated with being perceived as fair. For example, fairness has been associated with such desirable behaviors as helping one's fellow workers and going along with organizational policies.[19]

As if these benefits aren't sufficiently convincing, think about what it would be like if entire departments or work groups were composed of employees who felt unfairly treated. The cumulative impact would be dramatic, and that is precisely what was found by scientists conducting a study in a hotel chain.[20] Analyzing 4,539 employees from 783 departments in 97 different hotels, they found that departments composed of employees who felt unfairly treated suffered significantly higher rates of turnover and lower levels of customer satisfaction than those composed of employees who felt fairly treated. And, of course, these factors have an enormous impact on a hotel's success. In view of these findings, there is good reason for managers to go out of their way to promote justice in the workplace. Fortunately, what we know about organizational justice points to some useful suggestions for doing so.

Pay Workers What They Deserve

The practices of saving a little money by underpaying employees, informally discouraging them from taking vacation days they are due, or asking them to work "off the clock" are doomed to fail.