

# Instructor's Manual to Accompany **Organizational Behavior 7/e** by Steven L. McShane and Mary Ann Von Glinow



## **Chapter 1: Introduction to the Field of Organizational Behavior**

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# Introduction to the Field of Organizational Behavior

## LEARNING OBJECTIVES

*After reading this chapter, students should be able to:*

1. Define organizational behavior and organizations, and discuss the importance of this field of inquiry.
2. Compare and contrast the four current perspectives of organizational effectiveness as well as the early goal attainment perspective.
3. Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.
4. Discuss the anchors on which organizational behavior knowledge is based.

## CHAPTER GLOSSARY

corporate social responsibility (CSR) -- Organizational activities intended to benefit society and the environment beyond the firm's immediate financial interests or legal obligations

deep-level diversity -- Differences in the psychological characteristics of employees, including personalities, beliefs, values, and attitudes

ethics -- The study of moral principles or values that determine whether actions are right or wrong and outcomes are good or bad

evidence-based management -- The practice of making decisions and taking actions based on research evidence.

globalization -- Economic, social, and cultural connectivity with people in other parts of the world

high performance work practices (HPWP) -- A perspective that holds that effective organizations incorporate several workplace practices that leverage the potential of human capital.

human capital -- The stock of knowledge, skills, and abilities among employees that provide economic value to the organization.

intellectual capital -- A company's stock of knowledge, including human capital, structural capital and relationship capital.

open systems -- A perspective that holds that organizations depend on the external environment for resources, affect that environment through their output, and consist of internal subsystems that transform inputs into outputs.

organizational behavior (OB) -- The study of what people think, feel, and do in and around organizations

organizational effectiveness -- A broad concept represented by several perspectives, including the organization's fit with the external environment, internal subsystems configuration for high-performance, emphasis on organizational learning, and ability to satisfy the needs of key stakeholders.

organizational efficiency -- The amount of outputs relative to inputs in the organization's transformation process.

organizational learning -- A perspective that holds that organizational effectiveness depends on the organization's capacity to acquire, share, use, and store valuable knowledge

organizations -- Groups of people who work interdependently toward some purpose

relationship capital -- The value derived from an organization's relationships with customers, suppliers, and others.

stakeholders -- Individuals, organizations, or other entities who affect, or are affected by, the organization's objectives and actions.

structural capital -- Knowledge embedded in an organization's systems and structures.

surface-level diversity -- The observable demographic or physiological differences in people, such as their race, ethnicity, gender, age, and physical disabilities.

values -- Relatively stable, evaluative beliefs that guide a person's preferences for outcomes or courses of action in a variety of situations.

virtual work -- Work performed away from the traditional physical workplace by means of information technology.

work-life balance -- The degree to which a person minimizes conflict between work and nonwork demands.

## CHAPTER SUMMARY BY LEARNING OBJECTIVE

### **1-1 Define organizational behavior and organizations, and discuss the importance of this field of inquiry.**

Organizational behavior is the study of what people think, feel, and do in and around organizations. Organizations are groups of people who work interdependently toward some purpose. OB theories help people (a) make sense of the workplace, (b) question and rebuild their personal mental models, and (c) get things done in organizations. OB knowledge is for everyone, not just managers. OB knowledge is just as important for the organization's financial health.

### **1-2 Compare and contrast the four current perspectives of organizational effectiveness.**

The open systems perspective views organizations as complex organisms that "live" within an external environment. They depend on the external environment for resources, then use organizational subsystems to transform those resources into outputs, which are returned to the environment. Organizations receive feedback from the external environment to maintain a good "fit" with that environment. Fit occurs by adapting to the environment, managing the environment, or moving to another environment. According to the organizational learning perspective, organizational effectiveness depends on the organization's capacity to acquire, share, use, and store valuable knowledge. Intellectual capital consists of human capital, structural capital, and relationship capital. Knowledge is retained in the organizational memory; companies also selectively unlearn.

The high-performance work practices (HPWP) perspective identifies a bundle of systems and structures to leverage work-force potential. The most widely identified HPWPs are employee involvement, job autonomy, developing employee competencies, and performance-/skill-based rewards. HPWPs improve organizational effectiveness by building human capital, increasing adaptability, and strengthening employee motivation and attitudes. The stakeholder perspective states that leaders manage the interests of diverse stakeholders by relying on their personal and organizational values for guidance. Ethics and corporate social responsibility (CSR) are natural variations of values-based organizations, because they rely on values to determine the most appropriate decisions involving stakeholders. CSR consists of organizational activities intended to benefit society and the environment beyond the firm's immediate financial interests or legal obligations.

### **1-3 Debate the organizational opportunities and challenges of globalization, workforce diversity, and emerging employment relationships.**

Globalization, which refers to various forms of connectivity with people in other parts of the world, has several economic and social benefits, but it may also be responsible for work intensification, reduced job security, and lessening work-life balance. Workforce diversity is apparent at both the surface level (observable demographic and other overt differences in people) and deep level (differences in personalities, beliefs, values, and attitudes). There is some evidence of deep-level diversity across generational cohorts. Diversity may be a competitive advantage that improves decision making and team performance on complex tasks, but it also imposes numerous challenges, such as dysfunctional team conflict and lower team performance. One emerging employment relationship trend is a call for more work-life balance (minimizing conflict between work and nonwork demands). Another

employment trend is virtual work, particularly working from home (tele-work). Working from home potentially increases employee productivity and reduces employee stress, but it also may lead to social isolation, reduced promotion opportunities, and tension in family relations.

**1-4 Discuss the anchors on which organizational behavior knowledge is based.**

The multidisciplinary anchor states that the field should develop from knowledge in other disciplines (e.g., psychology, sociology, economics), not just from its own isolated research base. The systematic research anchor states that OB knowledge should be based on systematic research, consistent with evidence-based management. The contingency anchor states that OB theories generally need to consider that there will be different consequences in different situations. The multiple levels of analysis anchor states that OB topics may be viewed from the individual, team, and organization levels of analysis.

# LECTURE OUTLINE (WITH POWERPOINT® SLIDES)



## Introduction to the Field of Organizational Behavior

Introduction  
Slide 1



## Quicken Loans

Quicken Loans has become one of America's most successful companies through high involvement, a focus on creativity, a strong culture, and other effective organizational behavior practices

Quicken Loans  
Slide 2



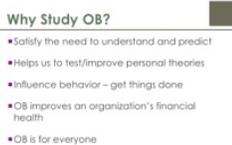
## Organizational Behavior and Organizations

Organizational behavior (OB) -- study of what people think, feel, and do in and around organizations

Organizational Behavior and Organizations  
Slide 3

Organizations defined

- Groups of people who work interdependently toward some purpose
- Collective entities – people interact in an organized way
- Organizations have a collective sense of purpose -- e.g., providing competitive home loans



## Why Study OB?

Personal Benefits

1. Satisfy the need to understand and predict -- figure out why organizational events occur
2. Helps us to test and rebuild personal theories -- corrects false beliefs and refines ambiguous mental models
3. Influence behavior -- Helps us to get things done through knowledge and tools for working with others

- NOTE: Organizational Behavior is for everyone -- these personal benefits are not just for "management"

Organizational benefits

- OB concepts and practices predict a firm's survival and success

Why Study OB?  
Slide 4

Organizational Effectiveness

- The ultimate dependent variable in OB
- Old approach – achieving stated goals
- Problem with goal attainment
  - Could set easy goals
  - Company might achieve wrong goals



Organizational Effectiveness

Slide 5

## Perspectives of Organizational Effectiveness

Organizational effectiveness is considered the ultimate dependent variable in OB

- OB theories and practices ultimately try to improve the organization's effectiveness.

Goal attainment: Old and now discredited definition of organizational effectiveness

- Problem 1: could set easy goals
- Problem 2: Goals might aim the organization in the wrong direction

Four Perspectives of Organizational Effectiveness

- Open Systems Perspective
- Organizational Learning Perspective
- High-Performance WP Perspective
- Stakeholder Perspective

NOTE: Need to consider all four perspectives when assessing a company's effectiveness.

Four Perspectives of Org. Effectiveness

Slide 6

## Four Perspectives of Organizational Effectiveness

Composite of four perspectives

- Open systems: (a) good fit with external environment and (b) efficient/adaptable transformation processes
- Organizational learning: effectively acquire, share, use, store knowledge
- High-performance work practices: develop human capital for more efficient and adaptive internal subsystems
- Stakeholder: satisfy the needs of key stakeholders with values, ethics, and social responsibility

Org effectiveness integrates all four perspectives

Open Systems Perspective

- Organizations are complex systems that "live" within, and depend on, the external environment
- Effective organizations
  - Maintain a close "fit" with changing conditions
  - Transform inputs to outputs efficiently and flexibly
- Foundation for the other three organizational effectiveness perspectives

Open Systems Perspective

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## Open Systems Perspective

Organizations are complex systems that "live" within (and depend upon) the external environment

Effective organizations

- Maintain a close "fit" with those changing conditions
- Transform inputs to outputs efficiently and flexibly

Open systems perspective is the foundation on which the other three effectiveness perspectives are built

Open Systems Perspective



Open Systems Perspective  
Slide 8

## Open Systems Perspective (Model)

External environment – organizations depend on the external environment for resources e.g. raw materials, job applicants, financial resources, etc.

- Affect the environment through their outputs
- Place demands on how the organization should operate e.g. laws

Internal subsystems – transform outputs into inputs e.g. departments, teams, work processes, etc.

### Organization–Environment Fit:

- Effective organizations maintain a good “fit” with environment by:
  1. Anticipate and adapt to external environment changes
  2. Actively manage the external environment
  3. Move into different environments

Internal Subsystems Effectiveness – defines effectiveness on how well the organization transforms inputs to outputs

- Organizational efficiency (productivity)
- Coordination is vital in the relationship among internal subsystems

Organizational Learning Perspective



Organizational Learning Perspective  
Slide 9

## Organizational Learning Perspective

An organization’s effectiveness depends on capacity to acquire, share, use, and store valuable knowledge

Need to consider both stock and flow of knowledge

- Stock of knowledge: intellectual capital
- Flow: org learning processes of acquisition, sharing, and use

Intellectual Capital



Intellectual Capital  
Slide 10

## Intellectual Capital

### Human capital

- Knowledge, skills, and abilities that employees carry around in their heads

### Structural capital

- Knowledge captured and retained in an organization’s systems and structures e.g. documentation, finished products

### Relationship capital

- Value derived from an organization’s relationships with customers, suppliers, and others who provide added mutual value for the organization



High-Performance Work Practices

- Workplace practices that leverage the potential of human capital
- Four HPWPs (likely others)
  - Employee involvement
  - Job autonomy
  - Develop competencies (training, selection)
  - Performance-based rewards
- Need to "bundle" them – work best together

High-Performance Work Practices (HPWPs)

Slide 13

## High Performance Work Practices (HPWPs)

Effective organizations incorporate several workplace practices that leverage the potential of human capital

Four HPWPs recognized in most studies:

1. Employee involvement
2. Job autonomy
  - Both of these strengthen employee motivation, improve decision making, organizational responsiveness, and commitment to change – together often take the form of self-directed teams
3. Employee competence
  - Recruit and select people with relevant skills, knowledge, values and other personal characteristics
  - Invest in employee training and development
4. Performance/skill-based rewards
  - Link performance and skill development to financial and non-financial rewards valued by employees

Note: Organizations excel by introducing a bundle of systems and structures that leverage the potential of their workforce

### HPWP Limitations

- Provides an incomplete picture of organizational effectiveness
- Gaps are mostly filled by the stakeholder perspective

Corporate Social Responsibility at MTN



At MTN Group, Africa's largest mobile (cell) phone company, employees help the community and environment through the company's award-winning "21 Days of Y'ello Care" program. This photo shows MTN employees painting schools during a recent Y'ello Care event.

Corporate Social Responsibility at MTN

Slide 14

## Corporate Social Responsibility at MTN

At MTN Group, Africa's largest mobile (cell) phone company, employees help the community and environment through the company's award-winning "21 Days of Y'ello Care" program. This photo shows MTN employees painting schools during a recent Y'ello Care event.

Stakeholder Perspective

- Stakeholders: entities who affect or are affected by the firm's objectives and actions
- Personalizes the open systems perspective
- Challenges with stakeholder perspective:
  - Stakeholders have conflicting interests
  - Firms have limited resources to satisfy all stakeholder needs



Stakeholder Perspective

Slide 15

## Stakeholder Perspective

Stakeholders: any entity who affects or is affected by the organization's objectives and actions e.g. employees, shareholders, suppliers, unions, government, etc.

Personalizes the open-systems perspective

- Identifies specific people and social entities in the environment
- Stakeholder relations are dynamic i.e. can be managed

Challenges with stakeholder perspective:

- Stakeholders have conflicting interests
- Firms have limited resources to satisfy stakeholders

Stakeholders: Values and Ethics

- Values and ethics prioritize stakeholder interests
- Values
  - Stable, evaluative beliefs, guide preferences for outcomes or courses of action in various situations
- Ethics
  - Moral principles/values, determine whether actions are right/wrong and outcomes are good or bad



Stakeholders: Values and Ethics

Slide 16

## Stakeholders: Values and Ethics

We rely on values and ethics to prioritize stakeholder interests

Values

- Relatively stable, evaluative beliefs that guide our preferences for outcomes or courses of action in various situations
- Shared values – similar values held by groups of people

Ethics

- Study of moral principles/values, determine whether actions are right/wrong and outcomes are good or bad
- Rely on ethical values to determine "the right thing to do"

Stakeholders and CSR

- Stakeholder perspective includes corporate social responsibility (CSR)
- Benefit society and environment beyond the firm's immediate financial interests or legal obligations
- Organization's contract with society
- Triple bottom line
  - Economy, society, environment



Stakeholders and CSR

Slide 17

## Stakeholders and CSR

Stakeholder perspective includes corporate social responsibility (CSR)

- Benefit society and the environment beyond the firm's immediate financial interests or legal obligations
- Organization's contract with society—serve stakeholders beyond shareholders and customers

Triple-bottom-line philosophy

- Economic – survive and be profitable
- Society – maintain or improve conditions
- Environment – becoming "greener"

Globalization

- Economic, social, and cultural connectivity with people in other parts of the world
- Due to better communication and transportation systems
- Effects of globalization on organizations
  - Larger markets, lower costs, more innovation
  - Increasing diversity
  - Increasing work intensification, less work-life balance (9x7 schedule)

Globalization

Slide 18

## Contemporary Challenges for Organizations

### 1. Globalization

Economic, social, and cultural connectivity with people in other parts of the world

- Actively participate in other countries and cultures
- Increased globalization due to improved information technology and transportation systems

Effects of Globalization on Organizations

- Benefits – larger markets, lower costs, greater access to knowledge and innovation
- Effects on teamwork, diversity, cultural values, leadership, etc.
- Increases competitive pressures, work intensification and requires additional knowledge and skills e.g. global mindset

Increasing Workforce Diversity

- Surface-level vs deep-level diversity
- Implications
  - Better knowledge, decisions, representation, financial returns
  - Manage challenges of diversity (e.g. teams, conflict)
  - Ethical imperative of diversity



Increasing Workforce Diversity

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### 2. Increasing Workforce Diversity

Surface-level diversity

- Observable demographic or physiological differences in people (e.g. race, ethnicity, gender, age, physical capabilities)
- Increasing surface-level diversity in many countries

Deep-level diversity

- Differences in the psychological characteristics of employees (e.g. personalities, beliefs, values, and attitudes)
- Example: Differences across age cohorts (e.g. Gen-X, Gen-Y)

Consequences of diversity – opportunities and challenges

- Better knowledge, decisions, representation, financial returns
- Manage challenges of diversity (e.g. teams, conflict)
- Surface-level diversity is a moral and legal imperative

Emerging Employment Relationships

- Work/life balance
  - Minimizing conflict between work and nonwork demands number one indicator of career success
- Virtual work
  - Using information technology to perform one's job away from the traditional physical workplace
  - Telecommuting – issues of social isolation, emphasis on face time, employee self-motivated

Emerging Employment Relationships

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### 3. Emerging Employment Relationships

#### Work-life balance

- Degree to which a person minimizes conflict between work and nonwork demands

#### Virtual Work

- Use of information technology to perform one's job away from the traditional physical workplace
- Telecommuting (teleworking) – working at home rather than commuting to the office improves work-life balance and reduces stress
- Telecommuting concerns: social isolation, reduced promotion opportunities, emphasis on face time
- Telecommuting better suited to people who are self-motivated, organized, work effectively with technology, and fulfill social needs elsewhere
- Virtual work more successful when employees are evaluated by their performance outcomes rather than face time

Organizational Behavior Anchors

- Systematic research anchor
  - OB knowledge is built on systematic research
  - Evidence-based management – rely on research evidence, not fads, untested assumptions
- Multidisciplinary anchor
  - Many OB concepts adopted from other disciplines
  - OB develops its own theories, but scans other fields

Organizational Behavior Anchors

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### Organizational Behavior Anchors

#### Systematic research anchor

- OB knowledge should be based on systematic research
  - ➔ forming research questions, collecting data, and testing hypotheses
- Evidence-based management
  - ➔ Making decisions and taking actions on research evidence
  - ➔ scientific method, not fads and personal beliefs that are untested

#### Multidisciplinary anchor

- Many OB concepts adopted from other disciplines
  - ➔ e.g. psychology (individual and interpersonal behavior); sociology (team dynamics, organizational power); communications; marketing; information systems, etc.
- OB develops its own theories, but also scans other fields



Organizational Behavior Anchors (cont'd)  
Slide 22

## Organizational Behavior Anchors (con't)

### Contingency anchor

- A particular action may have different consequences in different situations – no single solution is best all the time
- Need to understand and diagnose the situation and select the strategy most appropriate under those conditions

### Multiple levels of analysis anchor

- Individual – includes characteristics and behaviors as well as thought processes e.g. motivation, perception, and values
- Team (including interpersonal) – looks at the way people interact e.g. team dynamics, decisions, power
- Organizational – how people structure their working relationships and how organizations interact with their environment
- OB topics usually relevant at all three levels of analysis



Introduction to the Field of OB  
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## Introduction to the Field of Organizational Behavior



## SOLUTIONS TO CRITICAL THINKING QUESTIONS

- 1. A friend suggests that organizational behavior courses are useful only to people who will enter management careers. Discuss the accuracy of your friend's statement.**

This chapter begins by saying that this book is about people working in organizations. Undoubtedly, many individuals will specialize in a distinct field of study and enter careers other than management. However, they too will be members in work organizations. As such, the three main reasons for studying organizational behavior (understanding, predicting, influencing) will benefit them as well. You may think of this technical knowledge/skills as providing "what" you need to know and be able to do to be successful in your chosen field. On the other hand, OB knowledge benefits everyone by addressing the people issues needed to apply technical knowledge and skills. Knowledge of OB provides valuable knowledge of "how" to address these people issues when applying accounting, marketing, engineering and other ideas in organizational settings. Ultimately, an individual's career success is largely determined by his or her ability to understand and apply concepts in motivation, communication, team dynamics and other OB topics.

- 2. A young student from the United States is interested in doing international business across China, India, Brazil, and Russia. Discuss how the knowledge of OB can be useful to the student.**

The study of OB is for anyone who works in an organization. If a student from USA is interested in doing international business across the emerging economies, Brazil, Russia, China and India, s/he will need to work as an individual, in groups and teams or in an organization with those from the other countries. In either case, s/he needs to understand how people think, feel, and do in and around organizations. The study of OB looks at employee behavior, decisions, perceptions and emotional responses at multiple levels, individual, teams and organizations; as well as how organizations interact with the external environment. Thus, knowledge acquired by study of OB can provide the student an understanding of these aspects of organizations and behavior and thus help in getting things done while doing international business.

- 3. After hearing a seminar on organizational learning, a mining company executive argues that this perspective ignores the fact that mining companies could not rely on knowledge alone to stay in business. They also need physical capital (such as digging and ore processing equipment) and land (where the minerals are located). In fact, these two may be more important than what employees carry around in their heads. Evaluate the mining executive's comments.**

Some executives still view land and capital as a company's most valuable assets. They give lip service to the idea that "People are our most value assets" but still don't understand that land and capital have little value without people. For instance, this mining company would not have found land with ore deposits unless it had the knowledge to find those minerals. It could not operate the equipment to extract and refine the ore unless it had enough knowledge.

The executive's comment that companies cannot remain in business with only knowledge is incorrect. On the contrary, some of the wealthiest organizations (including many software companies and consulting firms) have few physical assets. Many firms have sold their headquarters and other buildings because their competitive advantage -- their source of wealth -- is found in knowledge. Mining companies are also outsourcing several aspects of physical assets. Their ships and rail cars are often owned by others. The digging equipment is leased or owned by companies that specialize in drilling. The major oil companies today are mainly in the knowledge business -- prospecting for minerals or marketing what others have found and extracted.

This question also suggests a subtle misunderstanding by the executive about organizational learning. Although much corporate knowledge resides in the brains of its employees (called human capital), it also resides in the organization's systems and structures (known as structural capital).

**4. It is said that the CEO and other corporate leaders are keepers of the organization's memory. Please discuss this.**

The organization's so called "memory" is knowledge gleaned through the storage and preservation of intellectual capital but it also includes knowledge held by key employees. Some of that knowledge is explicit knowledge that core members can access easily, but some of that knowledge is not easily documented, and is called "tacit" knowledge. We believe that knowledge (widely known or tacit) can be transferred through systems, processes, people – which is tantamount to sharing of best practices. However, when those learnings cease to provide any value proposition to the organization, "unlearning" needs to occur. This is essentially a process whereby people, structures, systems, processes erase the knowledge that no longer is a value add to the firm. So replacing dysfunctional policies (i.e., time clocks for knowledge workers engaged in globally distributed work; removing dress codes and other etiquette formalities are examples of erasing old processes that no longer work in our globalized world.

**5. A common refrain among executives is "People are our most important asset." Relate this statement to any two of the four perspectives of organizational effectiveness presented in this chapter. Does this statement apply better to some perspectives than to others? Why or why not?**

This is an open discussion question because the statement can relate to all four perspectives of organizational effectiveness.

Open systems -- probably the least focus on employees of the four perspectives. People represent the internal subsystems of organizations, so are vital in that respect. Some employees are also "boundary spanners" in that they link the organization to the external environment.

Organizational learning -- this perspective views employees as reasonably important because they hold a large portion of intellectual capital (human capital and possibly some forms of relationship capital). People bring knowledge into the organization and are largely responsible for sharing that knowledge. Knowledge use is also ultimately a human endeavor.

High performance work practices -- arguably the perspective that views people (employees) as the most critical resource. HPWPs embrace the human capital model; they consider employees as competitive advantage. HPWPs are practices to leverage or unleash the competitive advantage potential of employees.

Stakeholder -- Employees are one type of stakeholder, so the statement applies to this perspective. It recognizes that employees have a vested interest in the organization and its actions.

**6. Corporate social responsibility is one of the hottest issues in corporate boardrooms these days, partly because it is becoming increasingly important to employees and other stakeholders. In your opinion, why have stakeholders given CSR more attention recently? Does abiding by CSR standards potentially cause companies to have conflicting objectives with some stakeholders in some situations?**

These questions are open to speculation and debate. Many will suggest that CSR has become more important because of global warming, loss of habitat, and other highly visible indicators of problems. In addition, a few might argue that increasing wealth allows society to raise the bar on companies by demanding that they contribute more to society. Still others might suggest that globalization has brought developed world companies closer to people in poverty and countries in need of better health standards.

Students may state that corporate scandals have raised CSR as a priority. Other reasons include the preference of stakeholders wanting to be associated with organizations that are deemed socially responsible. This preference has not gone unnoticed in corporate boardrooms. A growing number of companies are equating social responsibility with increased profitability. As a result, they are changing the way they do business. They reason that CSR can be leveraged as a competitive advantage in the market.

Regarding the conflicting objectives, many students would agree. After all, the textbook states that companies can't satisfy all stakeholders because there are limited resources and stakeholders have conflicting goals. But some corporate leaders have suggested that there is less conflict than assumed. They particularly believe that satisfying communities and the environment ultimately satisfies the needs of shareholders and employees.

**7. Look through the list of chapters in this textbook and discuss how globalization could influence each organizational behavior topic.**

This is an open-ended question which could be used as an exercise activity with subsequent class discussion. The main objective is to help students understand how globalization has profound implications for behavior in organizations.

Here are some of the topics linked to globalization. Students will certainly identify others:

- Teams
- Employee motivation
- Perception
- Values
- Communication
- Stress
- Communicating in organizational settings
- Interpersonal conflict
- Leadership
- Organizational change

**8. “Organizational theories should follow the contingency approach.” Comment on the accuracy of this statement.**

OB theories must be simple, yet accurate. While simplicity calls for universal theories, accuracy usually requires the contingency approach because most human behavior is too complex to understand sufficiently through universal (i.e., one best way) theories. Contingency theories are more refined because they recognize that environmental and personal characteristics moderate most cause-effect relationships. In other words, while it would be preferable to use universal theories for the sake of simplicity, we often must rely on contingency theories to sufficiently understand and predict organizational behavior.

**9. What does “evidence-based management” mean? Describe situations where you have heard about companies practicing evidence-based management, as well as situations where companies have relied on fads that lacked sufficient evidence of their worth.**

There are two parts to this question. The first requires students to define what “evidence-based management” is. The second part asks students to provide an example of fads that lacked evidence, but which companies relied on in the past. Answers to the second part will vary based on individual student experiences.

A sample answer to the first part of the question “evidence-based management” may include the following:

Evidence-based management is the idea that management decisions and initiatives should be based on the systematic research anchor to ensure effective implantation. In other words, we should manage the workplace based on sound evidence gathered as a result of systematic research. This involves using knowledge flowing from the process of: forming research questions, systematically collecting data, and testing hypotheses against those data. Applying evidence-based management would prevent corporate leaders from embracing fads and relying on their pet beliefs before finding out if they actually work.



## CASE STUDY: IMPROVING HEALTH BY GETTING LEAN

### Case Synopsis

This case study describes the application of lean management practices in hospitals. It outlines how hospitals have used this approach and why it has been introduced.

### Suggested Answers to Discussion Questions

- 1. What perspective(s) of organizational effectiveness best describe the application of lean management practices? Describe how specific elements of that perspective relate to the interventions described in this case study.**

Lean management is best described by the open systems perspective of organizational effectiveness. In particular, this activity relates to organizational efficiency -- reducing waste, such that there are fewer inputs relative to outputs. Organizational efficiency specifically pertains to the internal transformational process aspect of open systems thinking.

- 2. Does lean management ignore some perspectives of organizational effectiveness? If so, what are the unintended consequences of these practices that might undermine rather than improve the organization's effectiveness?**

This is an open question for debate, but some information from the other perspectives suggest that the answer is "yes".

High performance work practices -- Lean management might conflict with HPWPs. In particular, HPWPs call for autonomous teams, whereas lean management tends to increase standardization and thereby reduce autonomy.

Stakeholder perspective -- This perspective might also conflict with lean management practices, because some stakeholders might be adversely affected by lean management practices. In particular, there has been criticism that lean management undermines employee well-being. Lean management may also have adverse effects on suppliers (e.g. stress, costs of just-in-time inventory systems).

Organizational learning perspective -- This perspective is fairly consistent with lean management because Kaizen Blitzes and other lean management practices acquire, share, and use knowledge to improve efficiencies. Lean management inherently calls for some experimentation to discover more efficient work practices.

- 3. In what situations, if any, would it be difficult or risky to apply lean management practices? What conditions make these practices challenging in these situations?**

Students should be able to think of work activities where health and safety might be compromised by reducing waste. For example, handling dangerous materials (toxins, radioactive, etc.) may become riskier if lean management reduces some of the "buffer" of safety in practices when using this material. Indirectly, lean management may increase risk by taxing employee concentration/mindfulness. For instance, employees might have more accidents when monitoring several machines rather than monitoring just one or two machines.

It may be more difficult to identify situations where lean management would be difficult to implement. There are several cases of work activity that people claimed could not be improved, yet persistent attention to lean management philosophy actually did improve efficiency by reducing waste. One possible situation would be where the waste itself is valued. For example, reducing wasteful activity from a beachside vacation may result in less of a vacation feeling!



## WEB EXERCISE: DIAGNOSING ORGANIZATIONAL STAKEHOLDERS

### Purpose

This exercise is designed to help students understand how stakeholders influence organizations as part of the open systems anchor.

### Materials

Students need to select a company and, prior to class, retrieve and analyze publicly available information over the past year or two about that company. This may include annual reports, which are usually found on the web sites of publicly-traded companies. Where possible, students should also scan full-text newspaper and magazine databases for articles published over the previous year about the company.

### Instructions

The instructor may have students work alone or in groups for this activity. Students will select a company and will investigate the relevance and influence of various stakeholder groups on the organization. Stakeholders will be identified from annual reports, newspaper articles, web site statements, and other available sources. Stakeholders should be ranked ordered in terms of their perceived importance to the organization. Students should be prepared to present or discuss their organization's rank ordering of stakeholders, including evidence for this rank ordering.

### Discussion Questions

1. What are the main reasons certain stakeholders are more important than others for this organization?
2. On the basis of your knowledge of the organization's environmental situation, is this rank order of stakeholders in the organization's best interest, or should other specific stakeholders be given higher priority?
3. What societal groups, if any, are not mentioned as stakeholders by the organization? Does this lack of reference to these unmentioned groups make sense?

### Comments for Instructors

In this era of web savvy students, this activity fits nicely into student preferences. It allows students to collect information in ways that they have become familiar, yet requires them to engage in active learning by searching for information and critical thinking by evaluating the information they find.

Most instructors will use this activity as a take-home exercise or assignment. However, for those with in-class computer labs (or wireless internet and student laptops), this can be a fun challenge in a one-hour exercise. As long as students understand the concept of stakeholders and perhaps the instructor has confirmed the availability of annual reports and other valuable information for several companies, the in-class version of this activity can prove to be an exciting challenge for students.

There are several places and ways for students to collect stakeholder information for a specific company. Most of the information can be found on the company's web site, but Google and other search engines might assist by identifying relevant articles in newspapers and magazines. In schools where students have access to several full-text databases, the instructor may need to specify whether students should use these sources.

Along with searching and identifying relevant information about stakeholders, this assignment requires students to rank order the importance of these stakeholders. Instructors should expect students to justify their rank ordering, thereby providing a higher-order level of learning in the process.



## SELF-ASSESSMENT: IT ALL MAKES SENSE?

### Purpose

This exercise is designed to help students comprehend how organizational behavior knowledge can help them understand life in organizations.

### Instructions

(Note: This activity may be done as a self-assessment or as a team activity.)

Students are asked to read each of the statements and circle whether the statement is true or false, in their opinion. The class will consider the answers to each question and discuss the implications for studying organizational behavior. After reviewing these statements, the instructor will provide information about the most appropriate answer.

### Comments for Instructors

This exercise addresses the point that common sense isn't always correct. Of course, some students will be counter-intuitive in anticipation that these are "trick" questions. We have included some true statements to complicate the exercise. By reviewing each statement, you can help students to see that organizational behavior systematically studies these issues and helps us to correct or clarify popular misperceptions.

Here are the eleven statements with their correct answers and references to their discussion in the textbook.

**1. A happy worker is a productive worker.**

TRUE. To be more accurate, the answer is "true, to some extent". This is one of those "truths" that students will probably answer correctly and many OB instructors will answer incorrectly because they rely on old organizational behavior research. The latest research indicates that job satisfaction has a moderately strong association with job performance (a correlation of around .30). For details, see Chapter 4 on workplace emotions and attitudes.

**2. A decision maker's effectiveness increases with the number of choices or alternatives available to him or her.**

FALSE. At some point when the number of alternatives increases, the decision maker becomes less efficient and effective in choosing among those alternatives (see Chapter 7). When the number of alternatives is very large, decision makers reduce their motivation to decide such that they avoid thinking about the decision at all! The main reason is that decision makers are able and motivated to process a finite amount of information. As the number of alternatives increases, decision makers are faced with dramatically more information to consider, because each choice has several bits of information about factors to consider. One could argue that having very few choices is also less effective, but this would be true only if the environment offers many choices and the alternatives available to the decision maker are not among the best ones.

**3. Organizations are more effective when they minimize conflict among employees.**

FALSE. Actually, the correct answer is in a state of flux. The dominant OB research indicates that constructive (task-oriented) conflict is often beneficial (such as in decision making) whereas relationship conflict has negative consequences. But research now concludes that even constructive conflict can be a problem because it generates relationship conflict (i.e. difficult to separate them). We discuss this topic in Chapter 11.

**4. Employees have more power with many close friends than with many acquaintances.**

FALSE. Social network research reports that people with many "weak ties" (many acquaintances) tend to have more career success and related outcomes in their lives than those with mainly strong ties (close friends). The main reason is that weak ties provide less redundant social capital. Acquaintances gives us unique information (expert power), unique connections and opportunities (referent power), wider visibility, and so forth. Close friends tend to

give us information faster and give us more opportunities, but these resources tend to be similar across our close friends. See Chapter 10 for details.

**5. Companies are most successful when they have strong corporate cultures.**

FALSE. As with so many organizational behavior concepts, the more precise answer is “it depends.” Chapter 14 explains that there is a weak relationship between corporate culture strength and organizational performance. Three reasons are offered. First, a strong culture can be a problem when the values are inconsistent with the organization’s environment. Second, a very strong culture can blind employees from seeing other perspectives. Third, a very strong culture suppresses dissenting values that may be important in the future as the environment changes.

**6. Employees perform better without stress.**

FALSE. As we learn in Chapter 4, some level of stress is essential for life. We need a certain level of stress to energize us. The problem is that we sometimes (or often) experience stress beyond this beneficial level.

**7. The best way to change people and organizations is by pinpointing the source of their current problems.**

FALSE. This statement refers to the dominant model of problem solving and organizational change, namely, to identify the problem before looking for solutions. In contrast, emerging knowledge suggests that a positive rather than problem-focused approach may be more effective in many or most circumstances. We discuss this first in Chapter 5 under the topic of strengths-based coaching and feedback. Research indicates that focussing on an employee’s weaknesses (problems) creates defensiveness to such an extent that it undermines any potential benefits of such a Discussion. In Chapter 15, we introduce the approach to organizational change called appreciative inquiry. According to this model, dwelling on problems can bog down the change process and degenerate into political quagmires. Instead, change agents need to focus the group on its potential and positive elements.

**8. Female leaders involve employees in decisions to a greater degree than do male leaders.**

TRUE. There is lot of debate about whether men and women lead differently. As we learn at the end of Chapter 12, men and women are mostly similar in their leadership styles. But there is one exception: female leaders involve employees in decisions to a greater degree than do male leaders. Of course, some female leaders are not participative, and some male leaders are very participative. But generally, female leaders are more participative.

**9. The best decisions are made without emotion.**

FALSE. The truth is, all decisions involve emotion and require emotion. Without emotion, people are unable to recognize problems and opportunities, and are unable to make choices. As explained in Chapter 7 (and noted in Chapters 3, 4, and 5), people form emotionally anchored preferences before they consciously think about the issue. Indeed, our “awareness” of a problem or opportunity is an emotional reaction to sensory information. Although our rational thought process can evaluate information, those conclusions must be processed by our emotional center(s) in order to make a choice. An important point here is that emotions are an inherent and essential part of human behavior. This is different from “getting emotional”, which occurs when emotions are so strong that they influence our actions without conscious control.

**10. If employees feel they are paid unfairly, then nothing other than changing their pay will reduce their feelings of injustice.**

FALSE. When it comes to money, people tend to play interesting mind games to avoid feeling overrewarded inequity. Students will read in Chapter 5 that underpaid (underrewarded) employees might reduce the injustice by working less, taking non-monetary resources, changing the comparison other, or leaving the field (such as quitting). This question also needs to consider that “injustice” is affected just as much by procedures as by distribution. Thus, injustice might be reduced by allowing appeals, ensuring the decision maker considers all information, ensuring that the underrewarded employees is treated with respect, and ensuring that he/she is given an opportunity to stated his/her views (voice).