UNDERSTANDING AND MANAGING ORGANIZATIONAL BEHAVIOR

Delta Publishing

DELTA PUBLISHING COMPANY

P.O. Box 5332, Los Alamitos, CA 90721-5332

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CHAPTER 1
AN INTRODUCTION TO ORGANIZATIONAL BEHAVIOR

LEARNING OBJECTIVES

After reading this chapter you will be able to*:*

- Define organizational behavior.
- Trace the historical roots of organizational behavior.
- Discuss the emergence of contemporary organizational behavior, including its precursors, the Hawthorne studies, and the human relations movement.
- Describe contemporary organizational behavior—its characteristics, concepts, and importance.
- Identify and discuss contextual perspectives on organizational behavior.

What is an organization? An *organization* is defined as a collection of people who work together to achieve a wide variety of goals. *Organizational behavior* is defined as the actions and attitudes of people in organizations. The field of organizational behavior (OB) covers the body of knowledge derived from these actions and attitudes. It can help managers understand the complexity within organizations, identify problems, determine the best ways to correct them, and establish whether the changes would make a significant difference.

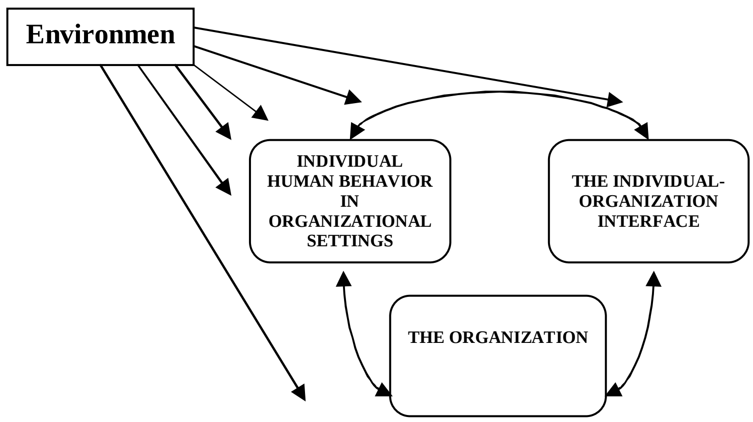
In this chapter, we begin with a comprehensive definition of organizational behavior and a framework for its study. We then trace the field's historical roots and its emergence as an independent field. Next, we discuss contemporary organizational behavior and present an overview of the rest of this book. Finally, we examine several contextual perspectives that provide the general framework from which we can develop a more comprehensive examination of human behavior at work.

The Meaning of Organizational Behavior

Organizational behavior (OB) is the study of human behavior in organizational settings, how human behavior interacts with the organization, and the organization itself. Although we can focus on any one of these three areas independently, we must remember that all three are ultimately connected and necessary for a comprehensive understanding of organizational behavior. For example, we can study individual behavior (such as the behavior of a company's CEO or of one of its employees) without explicitly considering the organization. But because the organization influences and is influenced by the individual, we cannot fully understand the individual's behavior without knowing something about the organization. Similarly, we can study an organization without focusing specifically on each individual within it. But again, we are looking at only one piece of the puzzle. Eventually, we must consider the other pieces to understand the whole.

Exhibit 1 illustrates this view of organizational behavior. It shows the linkages among human behavior in organizational settings, the individual-organization interface, the organization, and the environment surrounding the organization. Each individual brings to an organization a unique set of personal characteristics, experiences from other organizations, and personal background. Therefore, organizational behavior must look at the unique perspective that each individual brings to the work setting. For example, suppose that Texas Instruments hires a consultant to investigate employee turnover. As a starting point, the consultant might analyze the types of people the firm usually hires. The goal of this analysis would be to learn as much as possible about the nature of the company's workforce from the standpoint of the individual—their expectations, their personal goals, and so forth.

EXHIBIT 1
THE NATURE OF ORGANIZATIONAL BEHAVIOR



But individuals do not work in isolation. They come in contact with other people and with the organization in a variety of ways. Points of contact include managers, coworkers, the formal policies and procedures of the organization, and various changes implemented by the organization. Over time, the individual changes as a function of both personal experiences and maturity and of work experiences with the organization. The organization, in turn, is affected by the presence and eventual absence of the individual. Clearly, then, the study of organizational behavior must consider the ways in which the individual and the organization interact. Thus, the consultant studying turnover at Texas Instruments might choose to look at the orientation procedures for newcomers to the organization. The goal of this phase of the study would be to understand some of the dynamics of how incoming individuals interact within the broader organizational context.

An organization, of course, exists before a particular person joins it and continues to exist long after he or she has left. Therefore, the organization itself represents a crucial perspective from which to view organizational behavior. For instance, the consultant studying turnover would also need to study the structure and culture of Texas Instruments. An understanding of factors such as the performance evaluation and reward systems, the decision-making and communication patterns, and the design of the firm itself can provide additional insight into why some people decide to stay while others elect to leave.

Clearly, the field of organizational behavior can be both exciting and complex. Myriad variables and concepts impact the interactions described, and together these factors can greatly complicate a manager's ability to understand, appreciate, and manage others in an organization. However, they can also provide unique opportunities to enhance personal and organizational effectiveness. The key, of course, is understanding. To provide some groundwork for understanding, we look first at the historical roots of organizational behavior.

Historical Roots of Organizational Behavior

Many disciplines, such as physics and chemistry, are literally thousands of years old. Management has also been around in one form or another for centuries. For example, the writings of Aristotle and Plato abound as references and examples of management concepts and practices. But because serious interest in the study of management did not emerge until the turn of the twentieth century, organizational behavior is only a few decades old.

One reason for the relatively late development of management as a scientific field is that very few large business organizations existed until around a hundred years ago. Although management is just as important to a small organization as it is to a large one, large firms provided both a stimulus and a laboratory for management research. Second, many of the initial players interested in studying organizations were economists. Economists initially assumed that management practices are by nature efficient and effective; therefore, they concentrated on higher levels of analysis such as national economic policy and industrial structures rather than on the internal structure of companies.

Scientific Management

One of the first approaches to the study of management, popularized during the early 1900s, was scientific management. Individuals who helped develop and promote scientific management included Frank and Lillian Gilbreth (whose lives are portrayed in a book and a subsequent movie, Cheaper by the Dozen), Henry Gantt, and Harrington Emerson. But the person commonly associated with scientific management is Fredric W. Taylor.

Early in his life, Taylor developed an interest in efficiency and productivity. While working as a foreman at Midvale Steel Company in Philadelphia from 1878 to 1890, he noticed a phenomenon, which he named "soldiering"—employees' working at a pace much slower than their capabilities. Because managers had never systematically studied jobs in the plant and, in fact, had very little idea on how to gauge worker productivity, they were completely unaware of this phenomenon.

To counteract the effects of soldiering, Taylor developed several innovative techniques. First, he scientifically studied all the jobs at the Midvale plant and developed a standardized method for performing each one. He also installed a piece-rate pay system in which each worker was paid for the amount of work he completed during the workday rather than for the time spent on the job. (Taylor believed that money was the only significant motivational factor in the workplace.) These two innovations resulted in a marked increase in productivity and serve as the foundation of scientific management as we know it.

After leaving Midvale, Taylor spent several years working as a management consultant for industrial firms. At Behlehem Steel Company, he developed several efficient techniques for loading and unloading rail cars. At Simonds Rolling Machine Company, he redesigned jobs, introduced rest breaks to combat fatigue, and implemented a piece-rate pay system. In every case, Taylor claimed his ideas and methods greatly improved worker output. His book, Principles of Scientific Management, published in 1911, was greeted with enthusiasm by practicing managers and quickly became a standard reference.

Scientific management quickly became a mainstay of business practice. It facilitated job specialization and mass production, consequently influencing the U.S. business system in profound ways. Taylor had his critics, though. Laborers opposed scientific management because of its explicit goal of getting more output from workers. Congress investigated Taylor's methods and ideas because some argued that his incentive system would dehumanize the workplace and reduce workers to little more than drones. Later theorists recognized that Taylor's views on employee motivation were inadequate and narrow. And recently there have been allegations that Taylor falsified some of his research findings and paid someone to do his writing for him. Nevertheless, scientific management represents an important milestone in the development of management thought.

Classical Organization Theory

During the same era, another perspective on management theory and practice was also emerging. Generally referred to as classical organization theory, this perspective is concerned with structuring organizations effectively. Whereas scientific management studied how individual workers could be made more efficient, classical organization theory focused on how a large number of workers and managers could be most effectively organized into an overall structure.

Major contributors to classical organization theory included Henri Fayol, Lyndall Urwick, and Max Weber. Weber, the most prominent of the three, proposed a "bureaucratic" form of structure that he believed would work for all organizations. Although today the term bureaucracy conjures up images of paperwork, red tape, and inflexibility, Weber's model of bureaucracy embraced logic, rationality, and efficiency. Weber assumed that the bureaucratic structure would always be the most efficient approach. (Such a blanket prescription represents what is now called a universal approach.) A bureaucracy is an organizational structure in which tasks are specialized under a given set of rules and a hierarchy of authority. Division of labor is the separation of work loads into small segments to be performed by one or more people. In a bureaucracy, tasks are assigned through the division of labor. A set of outlined procedures exists for each job. Because these procedures are invariable, the tasks assigned for each job become routine for the employee. Thus, creativity is low.

In a bureaucracy, the standards for evaluating job performance do not need to be updated because required tasks never change. However, this lack of variation leads to an impersonal work environment, lacking incentives for extraordinary task performance and ultimately limiting the growth potential of individual employees.

In contrast to Weber's views, contemporary organization theorists recognize that different organizational structures may be appropriate in different situations. As with scientific management, however, classical organization theory played a major role in the development of management thought, and Weber'' ideas and the concepts associated with his bureaucratic structure are still interesting and relevant today.

THE EMERGENCE OF ORGANIZATIONAL BEHAVIOR

The central themes of both scientific management and classical organization theory are rationality, efficiency, and standardization. The roles of individuals and groups in organizations were either ignored altogether of given only minimal attention. A few early writers and managers, however, recognized the importance of individual and social processes in organizations.

PRECURSORS OF ORGANIZATIONAL BEHAVIOR

In the early nineteenth century, Robert Owen, a British industrialist, attempted to improve the condition of industrial workers. He improved working conditions, raised minimum ages for hiring children, introduced meals for employees, and shortened working hours. In the early twentieth century, the noted German psychologist Hugo Munsterberg argued that the field of psychology could provide important insights into areas such as motivation and the hiring of new employees. Another writer in the early 1900s, Mary Parker Follett, believed that management should become more democratic in its dealings with employees. An expert in vocational guidance, Follett argued that organizations should strive harder to accommodate their employees' human needs.

The views of Owen, Mansterberg, and Follett, however, were not widely shared by practicing managers. Not until the 1930s did notable change occur in management's perception of the relationship between the individual and the workplace. At that time, a series of now classic research studies led to the emergence of organizational behavior as a field of study.

THE HAWTHORNE STUDIES

The Hawthorne studies were conducted between 1927 and 1932 at Western Electric's Hawthorne plant near Chicago. (General Electric initially sponsored the research but withdrew its support after the first study was finished.) Several researchers were involved, the best known being Elton Mayo and Fritz Roethlisberger, Harvard faculty members and consultants, and William Dickson, chief of Hawthorne's Employee Relations Research Department.

The first major experiment at Hawthorne studied the effects of different levels of lighting on productivity. The researchers systematically manipulated the lighting in the area in which a group of women worked. The group's productivity was measured and compared with that of another group (the control group) whose lighting was left unchanged. As lighting was increased for the experimental group, productivity went up—but, interestingly, so did the productivity of the control group. Even when lighting was subsequently reduced, the productivity of both groups continued to increase. Not until the lighting had become almost as dim as moonlight did productivity start to decline. This led the researchers to conclude that lighting had no relationship to productivity—and at this point General Electric withdrew its sponsorship of the project!

In another major experiment, a piecework incentive system was established for a nine-man group that assembled terminal banks for telephone exchanges. Proponents of scientific management expected each man to work as hard as he could to maximize his personal income. But the Hawthorne researchers found instead that the group as a whole established an acceptable level of output of its members. Individuals who failed to meet this level were dubbed "chiselers," and those who exceeded it by too much were branded "rate busters." A worker who wanted to be accepted by the group could not produce at too high or too low a level. Thus, as a worker approached the accepted level each day, he slowed down to avoid overproducing.

After a follow-up interview program with several thousand workers, the Hawthorne researchers concluded that the human element in the workplace was considerably more important that previously believed. The lighting experiment, for example, suggested that productivity might increase simply because workers were singled out for special treatment and thus perhaps felt more valued or more pressured to perform well. In the incentive system experiment, being accepted as a part of the group evidently meant more to the workers than earning extra money. Several other studies supported the general conclusion that individual and social processes are too important to ignore.

Like the work of Taylor, the Hawthorne studies have recently been called into question. Critics cite deficiencies in research methods and offer alternative explanations of the findings. Again, however, these studies were a major factor in the advancement of organizational behavior and are still among its most frequently cited works.

HUMAN RELATIONS MOVEMENT

The Hawthorne studies created quite a stir among managers, providing the foundation for an entirely new school of management thought that came to be known as the human relations movement. The basic premises underlying the human relations movement are that people respond primarily to their social environment, that motivation depends more on social needs than on economic needs, and that satisfied employees work harder than unsatisfied employees. This perspective represented a fundamental shift away form the philosophy and values of scientific management and classical organization theory.

The behavioral theory of management holds that all people (including employees) have complex needs, desires, and attitudes. The fulfillment of needs is the goal toward which employees are motivated. Effective leadership matches need-fulfillment rewards with desired behaviors (tasks) that accomplish organizational goals.

The values of the human relationists are perhaps best exemplified by the works of Douglas McGregor and Abraham Maslow. McGregor is best known for his classic book The Human Side of Enterprise, in which he identified two opposing perspectives that he believed typified managerial views of employees. Some managers, McGregor said, subscribed to what he labeled Theory X. *Theory X,* which takes a pessimistic view of human nature and employee behavior, is in many ways consistent with the tenets of scientific management. A much more optimistic and positive view of employees is found in Theory Y. *Theory Y,* which is generally representative of the human relations perspective, was the approach McGregor himself advocated. Assumptions of Theory X and Theory Y are summarized in Exhibit 2.

EXHIBIT 2
THEORY X AND THEORY

Theory X Assumptions	*Theory Y Assumptions*
1. People do not like work and try to avoid it.	1. People do not naturally dislike work; work is a natural part of their lives.
2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.	2. People are internally motivated to reach objectives to which they are committed.
3. People prefer to be directed, to avoid responsibility, to want security; they have little ambition.	3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives.
	4. People will seek and accept responsibility under favorable conditions.
	5. People have the capacity to be innovative in solving organizational problems.
	6. People are bright, but under most organizational conditions their potential are underutilized.

In 1943, Abraham Maslow published a pioneering psychological theory applicable to employee motivation that became well known and widely accepted among mangers. Maslow's theory assumes that motivation arises from a *hierarchical* series of needs. As the needs of each level are satisfied, the individual advances to the next level.

Although the Hawthorne studies and the human relations movement played major roles in developing the foundations for the field of organizational behavior, some of the early theorists' basic premises and assumptions were found to be incorrect. For example, most human relationists believed that employee attitudes such as job satisfaction are the major causes of employee behaviors such as job performance. However, this is usually not the case at all. Also, many of the human relationists' views were unnecessarily limited and situation specific. As a result, there was still plenty of room for refinement and development in the emerging field of human behavior in organizations.

Toward Organizational Behavior

Most scholars would agree that organizational behavior began to emerge as a mature field of study in the late 1950s and early 1960s. That period saw the field's evolution from the simple assumptions and behavioral models of the human relationists to the concepts and methodologies of a scientific discipline. Since that time, organizational behavior as a scientific field of inquiry has made considerable strides, although there have been occasional steps backward as well. Many of the ideas discussed in this book have emerged over the past two decades. We turn now to contemporary organizational behavior.

CONTEMPORARY ORGANIZATIONAL BEHAVIOR

Contemporary organizational behavior has two fundamental characteristics that warrant special discussion. It also generally accepts a set of concepts to define its domain.

CHARACTERISTICS OF THE FIELD

Researchers and managers who use concepts and ideas from organizational behavior must recognize that it has an interdisciplinary focus and a descriptive nature; that is, it draws from a variety of fields and attempts to describe behavior (as opposed to prescribing how behavior can be changed in consistent and predictable ways).

An Interdisciplinary Focus In many ways, organizational behavior synthesizes several other fields of study. Psychology, especially organizational psychology, is perhaps the greatest contributor to the field of organizational behavior. Psychologists study human behavior, whereas organizational psychologists specifically address the behavior of people in organizational settings. Many of the concepts that interest psychologists, such as individual differences and motivation, are also central to studying of organizational behavior.

Sociology also has had a major impact on the field of organizational behavior. Sociologists study social systems such as families, occupational classes, and organizations. Because a major concern of organizational behavior is the study of organization structures, the field clearly overlaps with areas of sociology that focus on the organization as a social system.

Anthropology is concerned with the interactions between people and their environments, especially their cultural environment. Culture is major influence on the structure of organizations as well as on the behavior of individual people within organizations.

Political science also interests organizational behaviorists. We usually think of political science as the study of political systems such as governments. But themes of interest to political scientists include how and why people acquire power, political behavior, decision making, conflict, the behavior of interest groups, and coalition formation. These are also major areas of interest in organizational behavior.

Economists study the production, distribution, and consumption of goods and services. Organizational behaviorists share the economist's interest of topics such as labor market dynamics, productivity, human resource planning and forecasting, and cost-benefit analysis.

Engineering has also influenced the field of organizational behavior. Industrial engineering in particular has long been concerned with work measurement, productivity measurement, work flow analysis and design, job design, and labor relations. Obviously these areas are also relevant to organizational behavior.

Most recently, medicine has influenced organizational behavior in connection with study of human behavior at work, specifically in the area of stress. Increasing research is showing that controlling the causes and consequences of stress in and out of organizational settings is important for the well-being of the individual as well as that of the organization.

A Descriptive Nature A primary goal of organizational behavior is to describe relationships between two or more behavioral variables. The theories and concepts of the field, for example, cannot predict with certainty that changing a specific set of workplace variables will improve an individual employee's performance by a certain amount. At best, theories can suggest that certain general concepts or variables tend to be related to one another in particular settings. For instance, research might indicate that in one organization, employee satisfaction and individual perceptions of working conditions correlate positively. Nevertheless, we may not know if better working conditions lead to more satisfaction, if more satisfied people see their jobs differently from unsatisfied people, or if both satisfaction and perceptions of working conditions are actually related through other variables. Also, the observed relationship between satisfaction and perceptions of working conditions may be considerably stronger, weaker, or nonexistent in other settings.

Organizational behavior is descriptive for several reasons: the immaturity of the field, the complexities inherent in studying human behavior, and the lack of valid, reliable, and accepted definitions and measures. Whether the field will ever be able to make definitive predictions and prescriptions is still an open question. But the value of studying organizational behavior nonetheless is firmly established. Because behavioral processes pervade most managerial functions and roles, and because the work of organizations is done primarily by people, the knowledge and understanding gained from the field can help managers in significant ways.

The Importance of Organizational Behavior

Although the importance of organizational behavior may be clear, we should still take a few moments to emphasize certain points. People are born and educated in organizations, acquire most of their material possessions from organizations, and die as members of organizations. Many of our activities are regulated by organizations called governments. And most adults spend the better part of their lives working in organizations. Because organizations influence our lives so powerfully, we have every reason to be concerned about how and why those organizations function.

In our relationships with organizations, we may adopt any one of several roles or identities. For example, we can be consumers, employees, or investors. Because most readers of this book are either present of future managers, we adopt a managerial perspective throughout. Organizational behavior can greatly clarify the factors that affect how managers manage. It is the field's job to describe the complex human context in which managers work and to define the problems associated with that realm. The value of organizational behavior is that it isolates important aspects of the manager's job and offers specific perspectives on the human side of management: people as organizations, people as resources, and people as people.

Contextual Perspectives on Organizational Behavior
Several contextual perspectives have increasingly influenced organizational behavior: the systems approach and contingency perspectives, the interactional view, and the popular-press perspectives. Many of the concepts and theories we discuss in the chapters that follow reflect these perspectives; they represent basic points of view that influence much of our contemporary thinking about behavior in organizations.

Systems and Contingency Perspectives
The systems and contingency perspectives take related viewpoints on organizations and how they function. Each is concerned with interrelationship among organizational elements and between organizational and environmental elements.

The Systems Perspective The systems perspective, or the theory of systems, was first developed in the physical sciences, but it has been extended to other areas, such as management. A system is an interrelated set of elements that function as a whole.

An organizational system receives four kinds of inputs form its environment: material, human, financial, and informational. The organization then combines and transforms the inputs and returns them to the environment in the form of products or services, profits or losses, employee behaviors, and additional information. Finally, the system receives feedback from the environment regarding these outputs.

As an example, we can apply systems theory to an oil company. Material input includes pipelines, crude oil, and the machinery used to refine petroleum. Financial input includes the money received form oil and gas sales, stockholder investment, and so forth. Human input includes the effort put forth by oil field workers, refinery workers, office staff, and other people employed by the company. Finally, the company receives information input from forecasts about future oil supplies, geological surveys on potential drilling sites, sales projections, and similar analyses.

Through complex refining and other processes, these inputs are combined and transformed to create products such as gasoline and motor oil. As outputs, these products are sold to the consuming public. Profits from operations are fed back into the environment through taxes, investments, and dividends; losses, when they occur, hit the environment by reducing stockholders' incomes. In addition to having on-the-job contacts with customers and suppliers, employees live in the community and participate in a variety of activities away from the workplace. In varying degrees, at least some part of this behavior is influenced by their experiences as workers. Finally, information about the company and its operations is also released into the environment. The environment, in turn, responds to these outputs and influences future inputs. For example, consumers many buy more or less gasoline depending on the quality and price of the product, and banks may be more or less willing to lend the company money based on financial information about the company.

The Contingency Perspective Another useful viewpoint for understanding behavior in organizations comes from the contingency perspective. In the early days of management studies, managers searched for universal answers to organizational questions. They sought prescriptions that could be applied to any organization under any conditions. For example, early leadership researchers tried to discover forms of leadership behavior that would always increase employee satisfaction and effort. Eventually, however, researchers realized that the complexities of human behavior and organizational settings make universal conclusions virtually impossible. They discovered that in organizations, most situations and outcomes are contingent; that is, the relationship between any two variables is likely to be influenced by other variables.

Exhibit 3 distinguishes universal and contingency perspectives. The *universal approach*, shown at the top of the exhibit presumes a direct cause-and-effect linkage between variables. For example, it suggests that whenever a manager encounters a certain problem or situation (such as motivating employees to work harder), a universal approach exists that will lead to the desired outcome (such as raising pay or increasing autonomy). The *contingency approach*, on the other hand, acknowledges several other variables that alter the direct relationship. In other words, appropriate managerial actions in any given situation depend on elements of that situation.

EXHIBIT 3
UNIVERSAL VERSUS CONTINGENCY APPROACHES

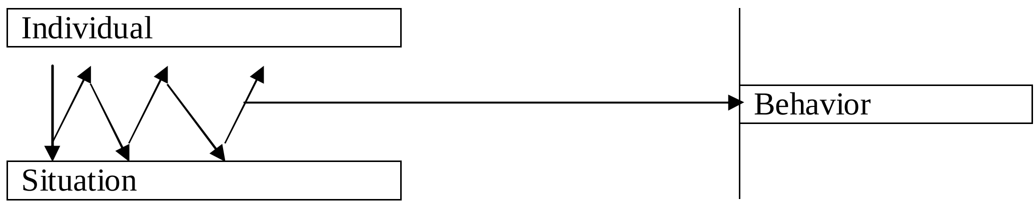
Universal Approach		
Organizational problems or situations determine…	→	The one best way of responding.
Contingency Approach		
Organizational problems or situations must be evaluated in terms of …	Elements of the situation, which then suggest…	Contingent ways of responding.

Interactionalism
Interactionalism is a relatively new approach to understanding behavior in organizational settings. First presented in terms of interactional psychology, this view assumes that individual behavior results from a continuous and multidirectional interaction between the characteristics of a person and characteristics of a situation. More specifically, interactionalism attempts to explain how people select, interpret, and change various situations. Exhibit 4 illustrates this perspective. Note: the individual and the situation are presumed to interact continuously. This interaction is what determines the individual’s behavior.

The interactional view implies that simple cause-and-effect descriptions of organizational phenomena are not enough. For example, one set of research studies may suggest that job changes will lead to improved employee attitudes. Another set of studies may propose that attitudes influence how people perceive their jobs in the first place. Both positions are probably incomplete: employee attitudes may influence job perception, but these perceptions may in turn influence future attitudes. Because interactionalism is a fairly recent contribution to the field, it is less prominent in the chapters that follow than the systems and contingency theories. Nonetheless, the interactional view appears to offer many promising ideas for future development in the field.

While some of the evidence provided by current research is open to a variety of different interpretations, they have focused popular attention on many of the important issues and problems confronting business today. As a result, managers of the 1990s better appreciate both their problems and their prospects in working toward more effective organizational practices in the years to come.

EXHIBIT 4
THE INTERACTIONIST PERSPECTIVE ON BEHAVIOR IN ORGANIZATIONS



CHAPTER 2
MANAGING PEOPLE AND ORGANIZATIONS

LEARNING OBJECTIVES

After reading this chapter you will be able to

- Explain managerial perspectives on organizational behavior.
- Describe the manager's job in terms of managerial functions, roles, and skills.
- Describe the four main forces in the environment that post the most opportunities and problems for organizations today
- Discuss how to manage for effectiveness from the perspective of organizational behavior.

Sweeping change threatens to make yesterday's manager obsolete. But an awareness of that change and how to capitalize on it offer tomorrow's manager untold opportunity. Although the nature of managerial work varies from company to company and continues to evolve, one common thread permeates virtually all managerial activity: interacting with other people. Indeed, the "typical" day for most managers is almost entirely devoted to interacting with others. Thus, the management process and behavior of people in organizations are undeniably intertwined.

This chapter relates the general field of management to the more specific field of organizational behavior. We start by developing managerial perspectives on organizational behavior. Then we characterize the manager's job in terms of its functions, roles, and requisite skills. Next, we identify and discuss a variety of managerial, organizational, and competitive challenges and relate them to organizational behavior. Finally, we discuss how to manage for organizational effectiveness in the context of organizational behavior.

MANAGERIAL PERSPECTIVES ON ORGANIZATIONAL BEHAVIOR

Virtually all organizations have managers with titles like marketing manager, director of public relations, vice president for human resources, and plant manager. But probably no organization has a position called organizational behavior manager. The reason for this is simple: organizational behavior is not an organizational function or area. Instead, it is best described as a perspective or set of tools that all managers can use to carry out their jobs more effectively.

By understanding organizational behavior concepts, managers can better understand and appreciate the behavior of those around them. For example, most managers in an organization are directly responsible for the work-related behaviors of a set of other people—their immediate subordinates. Typical managerial activities in this area include motivating employees to work harder, ensuring that their jobs are properly designed, resolving conflicts, evaluating their performance, and helping them set goals to achieve rewards. The field of organizational behavior abounds with theory and research regarding each of these functions.

Unless they happen to be CEOs, managers also report to others in the organization (even the CEO reports to the board of directors). In working with these individuals, understanding basic issues associated with leadership, power and political behavior, decision making, organization structure and design, and organization culture can also be extremely beneficial. Again, the field of organizational behavior provides numerous valuable insights into these processes.

Managers can also use their knowledge from the field of organizational behavior to better understand their own behaviors and feelings. For example, understanding personal needs and motives, how to improve decision-making capabilities, how to respond to and control stress, how to better communicate with others, and the way in which career dynamics unfold can all be of enormous benefit to individual managers. Organizational behavior once again provides useful insights into these concepts and processes.

Managers must also interact with a variety of colleagues, peers, and coworkers inside the organization. Understanding attitudinal processes, individual differences, group dynamics, inter-group dynamics, organization culture, and power and political behavior can help managers handle such interactions more effectively. Many useful ideas from the field of organizational behavior have provided a variety of practical insights into these processes.

Finally, managers also interact with various individuals from outside the organization, including suppliers, customers, competitors, government officials, representatives of citizens' groups, union officials, and potential joint venture partners. Virtually all of the behavioral processes already noted can be relevant. In addition, special understanding of the environment, technology, and, increasingly, international issues is also of value. Here again, the field of organizational behavior offers managers many different insights into how and why things happen.

Thus, management and organizational behavior are interrelated in many ways. Understanding and practicing management without considering the field of organizational behavior is essentially impossible. And organizational behavior itself can provide a useful set of tools and perspectives for managing organizations more effectively. We now turn to the nature of the manager's job in more detail.

MANAGEMENT FUNCTIONS, ROLES, AND SKILLS

Management is defined as the process of working with and through others to achieve organizational objectives in a changing environment. The job of a contemporary manager can be conceptualized in many different ways. The most widely accepted approaches, however, are from the perspectives of basic managerial functions, common managerial roles, and fundamental managerial skills.

MANAGERIAL FUNCTIONS

The four basic managerial functions in organizations are planning, organizing, leading, and controlling. By applying these functions to the various organizational resources—human, financial, physical, and informational—the organization achieves different levels of effectiveness and efficiency.

Planning The managerial function of planning is the process of determining the organization's desired future position and deciding how best to get there. The planning process at Sears, Roebuck, for example, includes scanning the environment, deciding on appropriate goals, outlining strategies for achieving those goals, and developing tactics to execute the strategies. Behavioral processes and characteristics pervade each of these activities. Perception, for instance, plays a major role in environmental scanning, and creativity and motivation influence how managers set goals, strategies, and tactics for their organization.

Organizing The managerial function of organizing is the process of designing jobs, grouping jobs into manageable units, and establishing patterns of authority among jobs and groups of jobs. This process designs the basic structure, or framework, of the organization. For large organizations like Sears, the structure can be extensive and complicated. As noted earlier, the processes and characteristics of the organization itself are a major theme of organizational behavior.

Leading Leading is the process of motivating members of the organization to work together toward the organization's goals. A manger must hire and train employees. Major components of leading include motivating employees, managing group dynamics, and leadership per se, all of which are closely related to major areas of organizational behavior.

Controlling A final managerial function, controlling, is the process of monitoring and correcting the actions of the organization and its people to keep them headed toward their goals. A manger has to control costs, inventory, and so on. Again, behavioral processes and characteristics play an important role in carrying out this function. Performance evaluation and reward systems for example, are all aspects of controlling.

MANAGERIAL ROLES

In an organization, as in a play or a movie, a role is the part a person plays in a given situation. Managers often play a number of different roles. Much of our knowledge about managerial roles comes from the work of Henry Mintzberg.

Mintzberg identified ten basic managerial roles clustered into three general categories.

Interpersonal Roles Mintzberg's interpersonal roles are primarily social in nature; that is, they are roles in which the manger's main task is to relate to other people in certain ways. The manager sometimes many serve as a figurehead for the organization. Taking visitors to dinner and attending ribbon-cutting ceremonies are part of the figurehead role. In the role of leader, the manager works to hire, train, and motivate employees. Finally, the liaison role consists of relating to others outside the group or organization. For example, a manger at Intel might be responsible for handling all price negotiations with a major supplier of electronic circuit boards. Obviously, each of these interpersonal roles involves behavioral processes.

Informational Roles Mintzberg's three informational roles involve some aspects of information processing. The monitor actively seeks information that might be of value to the organization in general or to specific managers. The manager who transmits this information to others is carrying out the role of disseminator. The spokesperson speaks for the organization to outsiders. For example, the manager chosen by Apple Computer to appear at a press conference announcing a merger or other major deal, such as a recent decision to undertake a joint venture with Microsoft, would be serving in this role. Again, behavioral processes are part of these roles because information is almost always exchanged between people.

Decision-making Roles Finally, Mintzberg identified four decision-making roles. The entrepreneur voluntarily initiates change, such as innovations or new strategies, in the organization. The disturbance handler helps settle disputes between various parties, such as other mangers and their subordinates. The resource allocator decides who will get what—how resources in the organization will be distributed among various individuals and groups. The negotiator represents the organization in reaching agreements with other organizations, such as contracts between management and labor unions. Again, behavioral processes are clearly crucial in each of these decisional roles.

MANAGERIAL SKILLS

Still another important element of managerial work is the set of skills necessary to carry out basic functions and fill fundamental roles. In general, most successful managers have a strong combination of technical, interpersonal, conceptual, and diagnostic skills.

Technical Skills Technical skills are those skills necessary to accomplish specific tasks within the organization. Assembling a computer, developing a new formula for a frozen food additive, and writing a press release each require technical skills. Hence, these skills are generally associated with the operations employed by the organization in its production processes.

Interpersonal Skills Interpersonal skills comprise the manager's ability to communicate with, understand, and motivate individuals and groups. As we have already noted, managers spend a large portion of their time interacting with others. Thus, it is clearly important that they be able to relate to, and get along with other people.

Conceptual Skills Conceptual skills refer to the manager's ability to think in the abstract. A manger with strong conceptual skills is able to see the "big picture." That is, she or he can see potential or opportunity where others see road-blocks or problems. Managers with strong conceptual skills can see opportunities that others miss

Diagnostic Skills Most successful managers also bring diagnostic skills to the organization. Diagnostic skills allow the manager to better understand cause-and-effect relationships and to recognize the optimal solution to problems.

Of course, not every manager has an equal allotment of these four basic skills. Nor are equal allotments critical. For example, the optimal skills mix tends to vary with the manager's level in the organization. First-line mangers generally need to depend more on their technical and interpersonal skills and less on their conceptual and diagnostic skills. Top managers tend to exhibit the reverse combination—a greater emphasis on conceptual and diagnostic skills and a somewhat lesser dependence on technical and interpersonal skills. Middle managers require a more even distribution of skills.

MANAGERIAL CHALLENGES

Beyond its inherent pervasiveness in managerial work, organizational behavior has several implications for various managerial, organizational, and global challenges. From the managerial perspective, any number of critical issues might be discussed, but we focus on four major challenges that affect organizational behavior. They are outlined below.

Challenge 1: The Changing Social and Cultural Environment

Forces in the social and cultural environment are those that are due to changes in the way people live and work—changes in values, attitudes, and beliefs brought about by changes in a nation's culture and the characteristics of its people. *National culture* is the set of values or beliefs that a society considers important and the norms of behavior that are approved or sanctioned in that society. Organizations must be responsive to the changes that take place in a society for this affects all aspects of their operations.

Developing Organizational Ethics and Well-Being

Recently, huge ethical scandals have plagued hundreds of U.S. companies. Ethics is now taking center stage in Corporate America. Organizational ethics are the beliefs, moral rules, and values, which guide managers and staff to behave so as to enhance the well-being of the individuals and groups within the organization, the organization itself, and the community. Unethical organization behavior will damage the company's reputation and cost the company the goodwill of customers and employees. These losses could result in the economic and financial ruin of the organization. Organizations and their managers must establish an ethical code that describes acceptable behaviors and create a system of rewards and punishments to enforce ethical codes. To some organizations, being socially responsible means performing any action, as long as it is legal. Developing a code of ethics helps organizations protect their reputation and maintain the goodwill of their customers and employees. The challenge is to create an organization whose members resist the temptation to behave in illegal and unethical ways that promote their own interests at the expense of the organization or promote the organization's interests at the expense of the organization or of people and groups outside the organization.

An Increasingly Diverse Work Force

A second social and cultural challenge is to understand how the diversity of a workforce affects organizational behavior. *Diversity* refers to differences in age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background, and capabilities/disabilities. The numbers of minorities and women being hired by organizations is increasing; U.S. diversity is also increasing. Diversity is an important issue because the demographic composition of employees has changed drastically as more minorities and female employees enter the workforce. To be successful, organizations need diverse employees as a resource to improve performance. Experience has shown that the quality of decision making in terms of diverse employees is richer and broader. Work, promotions, and rewards must be allocated in a fair and equitable manner. Managers must interact with employees who differ widely on a number of characteristics, while avoiding conflict and mistrust among the team members. There is a need to develop minority and female employees for top management positions to increase the organization's ability to manage diverse teams.

There is a challenge to be sensitive to the needs of different kinds of employees and to try to develop flexible employment approaches to increase their well being. Examples include:

1. New benefits packages customized to the needs of different employees.
2. Flextime.
3. Job sharing.
4. Designing jobs and buildings to accommodate handicapped employees and customers.
5. Creating management programs designed to provide constructive feedback to employees about their personal styles of dealing with minority employees.
6. Establishing mentoring relationships to support minority employees.
7. Establishing informal networks among minority employees to provide social support.

Challenge 2: The Evolving Global Environment

Managers must understand how cultural differences influence organizational behavior in different countries. Management functions become more complex as the organization's activities expand globally, and coordination of decision-making and organizational issues becomes a necessity. Managers must understand the requirements of foreign markets and how cultural differences impact organizational issues such as compensation packages, evaluation, and promotion policies. Two important challenges facing global organizations are to appreciate the differences between countries and then to benefit from this knowledge to improve an organization's behaviors and procedures.

Understanding Global Differences

Companies must learn about many different kinds of factors when they operate globally.

1. There are problems related to understanding organizational behavior in different global settings. Organizational behavior becomes especially complex at a global level because the attitudes, aspirations, and values of the work force differ from country to country.
2. Problems of coordinating the activities of an organization to match its environment become much more complex as an organization's activities expand across the globe.
3. In many cases, global organizations locate in a particular country abroad because this allows them to operate more effectively, but in doing so, also has major effects on their home operations.

Global Learning

Global learning is the process of acquiring and learning the skills, knowledge, and organizational behaviors and procedures that have helped companies abroad become major global competitors. To respond to the global challenge, more and more companies are rotating their employees to their overseas operations so they can learn firsthand the problems and opportunities that lie abroad. *Expatriate employees* are those who live and work for companies located abroad. These employees assist their organizations by:

1. Learning about the sources of low-cost inputs and the best places to assemble their products throughout the world.
2. Expatriate managers in functions such as research and development, manufacturing, and sales can take advantage of their presence in a foreign country to learn the skills and techniques those companies have to offer.

Challenge 3: Advancing Information Technology

One kind of technology that is posing a major challenge for organizations today is information technology. Information technology (IT) consists of the many different kinds of computer and communications hardware and software, and the skills designers, programmers, managers, and technicians bring to them. IT is used to acquire, define, input, arrange, organize, manipulate, store, and transmit facts, data, and information to create knowledge and promote organizational learning. Organizational learning occurs when members can manage information and knowledge to achieve a better fit between the organization and its environment. Two important effects include (a) those behaviors that increase effectiveness by helping an organization improve the quality of its products and lower its costs; (b) those behaviors that increase effectiveness by promoting creativity and organizational learning and innovation.

IT and Organizational Effectiveness

The Internet and the growth of *intranets,* a network of information technology inside an organization that links its members, have dramatically changed organizational behavior and procedures. IT allows for the easy exchange of know-how and facilitates problem solving. IT has allowed organizations to become much more responsive to the needs of their customers. Integrating and connecting a company's employees through electronic means is becoming increasingly important to global organizations.

IT, Creativity, and Organizational Learning

Creativity is the generation of novel and useful ideas. One of the outcomes of creativity is *innovation*, an organization's ability to make new or improved goods and services or improvements in the way they are produced. Innovation is an activity that requires the constant updating of knowledge and the constant search for new ideas and technological developments that can be used to improve a product over time. Typically, innovation takes place in small groups or teams. Virtual teams may also be used to stimulate creativity.

OB IN ACTION — Telemarketing Turns-off Customers

Information technology helped the growing telemarketing industry in the 1990s target customers by automatically dialing their phone numbers repeatedly until they answered. Once answered, the customer was confronted with an aggressive salesperson. IT helped the consumer avoid such intrusions by providing them with Caller ID and other gadgets intended to thwart the telemarketers' efforts. The FTC even created the welcomed "do not call" list. Telemarketers had to re-think their strategies. One answer was the return of the door-to-door salesperson to help consumers "re-connect" with companies. However, these "new" approaches have met with just as much criticism as the old telemarketing approach. It seems this kind of organizational behavior is not leading to increased effectiveness either.

The turnoff behavior can be identified easily as calling at all times, annoying recordings, questionable sales tactics, aggressive sales personnel, and door-to-door selling that is confrontational. New strategies should attempt to build connections and relationships, use IT in a non-threatening way (such as viewing Web pages), focus on opt-in or opt-out approaches, etc.

Challenge 4: Shifting Work and Employment Relationships

In recent years, changes on organizational behavior have taken many forms with respect to work and employee relationships. Forms of change include a shortening employment relationship because of downsizing, the growth of a number of contingent or temporary employees, outsourcing, and people no longer spending their entire careers with one organization. One reason for this is layoffs. *Downsizing* is the process by which organizations layoff managers and workers to reduce costs. Employees that remain after a downsizing often work under increased stress. The increasing tendency to downsize and layoff workers affect the employment relationship between employees and organizations. To keep their jobs, employees must keep their job skills and knowledge sharp and be on the lookout for new job prospects.

1). Other trends include the increasing use of empowered self-managed teams and contingent or temporary workers, and outsourcing.

a. *Empowerment* is the process of giving employees throughout an organization the authority to make important decisions and to be responsible for their outcomes.
b. Self-managed teams are work groups who have been empowered, and given responsibility for leading themselves and ensuring that they accomplish their goals.

2). As organizations have downsized, they have also increased the number of contingent workers they work with to keep costs down.

a. *Contingent workers* are people who are employed for temporary periods by an organization and who receive no benefits such as health insurance or pensions.
b. Contingent workers may work by the day, week, or month performing some functional task, or they may contract with the organization for a fee to perform a specific service to the organization.
c. It is estimated that 20 percent of the U.S. work force today consists of part-time employees.
d. Part-time employees pose a special challenge to managers because they cannot be motivated by the prospect of rewards such as job security, promotion, or a career within an organization.

3). Organizations are increasing the amount of outsourcing being done.

a. *Outsourcing* is the process of employing people and groups outside the organization, or other organizations, to perform specific jobs or types of work activities that used to be performed by the organization itself.
b. Jobs like bookkeeping, computer support, or web design are often performed by *freelancers*—independent individuals who contract with an organization to perform specific tasks.

4). Many of the changes that have occurred within organizations with respect to creative employment practices have occurred to meet the challenges presented by domestic and global competitors.

MANAGING FOR EFFECTIVENESS

A final set of issues we address in this chapter relates to the consequences of management. More specifically, what are the outcomes of different types of and approaches to management? Three basic levels of outcomes determine organizational effectiveness: individual-, group-, and organization-level outcomes. Developing management skills provides some additional perspectives on the importance of these outcomes.

Individual-Level Outcomes
Several different outcomes at the individual level are important to managers. Given the focus of the field of organizational behavior, it should not be surprising that most of these outcomes are directly or indirectly addressed by various theories and models.

Individual Behaviors First, several individual behaviors result from a person's participation in an organization. One important behavior is productivity. Productivity, as defined in terms of an individual, is an indicator of an employee's efficiency and is measured in terms of the products or services (or both) created per unit of input. For example, if Bill makes 100 units of a product in a day and Sara makes only 90 units in a day, then, assuming that the units are of the same quality and Bill and Sara make the same wages, Bill is more productive than Sara.

Performance, another important individual-level outcome variable, is a somewhat broader concept. It is made up of all work-related behaviors. For example, even though Bill is highly productive, he may also refuse to work overtime, express negative opinions about the organization at every opportunity, and do nothing unless it falls precisely within the boundaries of his job. Sara, on the other hand, may always be willing to work overtime, is a positive representative of the organization, and goes out of her way to make as many contributions to the organization as possible. Bases on the full array of behaviors, then, we might conclude that Sara actually is the better performer.

Two other important individual-level behaviors are absenteeism and turnover. Absenteeism is a measure of attendance. Whereas virtually everyone misses work occasionally, some people miss far more than others. Some look for excuses to miss work and call in sick regularly just for some time off; others miss work only when absolutely necessary. Turnover occurs when a person leaves the organization. If the individual who leaves is a good performer or if the organization has invested heavily in training the person, turnover can be costly.

Individual Attitudes Another set of individual-level outcomes influenced by managers consists of individual attitudes. Levels of job satisfaction or dissatisfaction, organizational commitment, and organizational involvement are all important in organizational behavior.

Stress Stress is another important individual-level outcome variable. Given its costs, both personal and organizational, it should not be surprising that stress is becoming an increasingly important topic for both researchers in organizational behavior and practicing managers.

Group- and Team-Level Outcomes
Another set of outcomes exists at the group and team level. In general, some of these outcomes parallel the individual-level outcomes just discussed. For example, if an organization makes extensive use of work teams, team productivity and performance are important outcome variables. On the other hand, even if all the people in a group or team have the same or similar attitudes toward their jobs, the attitudes themselves are individual-level phenomena. Individuals, not groups, have attitudes.

But groups or teams also have unique outcomes that individuals do not share. For example, groups develop norms that govern the behavior of individual group members. Groups also develop different levels of cohesiveness. Thus, mangers need to assess both common and unique outcomes when considering individual- and group-level outcomes.

Organization-Level Outcomes

Finally, a set of outcome variables exists at the organization level. As before, some of these outcomes parallel those at the individual and group levels, but others are unique. For example, we can measure and compare organizational productivity. We can also develop organization-level indicators of absenteeism and turnover. But financial performance is generally assessed only at the organization level.

In terms of financial performance, organizations are commonly assessed on stock price, return on investment, growth rates, and the like. They are also evaluated in terms of their ability to survive and the extent to which they satisfy important constituents such as investors, government regulators, employees, and unions.

Clearly, then, the manager must balance different outcomes across all three levels of analysis. In many cases, these outcomes appear to contradict one another. For example, as illustrated earlier in developing management skills, paying workers high salaries can enhance satisfaction and reduce turnover, but it also may detract from bottom-line performance. Thus, the manager must look at the full array of outcomes and attempt to balance them in an optimal fashion. The manager's ability to do this will be a major determinant of the organization's success.

CHAPTER 3
MOTIVATION

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Define motivation.
- Explain need hierarchy theory and how it applies in organizations.
- Describe equity theory's approach to motivation in the workplace.
- Outline the basic assumptions of expectancy theory and its implications in organizations.
- Explain how goals can be set to motivate high levels of job performance.
- Describe ways in which jobs can be designed so as to enhance motivation.
- Understand the implications of the social information processing model.

Would you continue to work if you already had enough money on which to live? Although many might say "no," in reality, for most, the answer appears to be "yes." Surveys have found that most of us would continue to work even if we didn't need the money, suggesting that people are motivated by more than just a paycheck. The quest to find success in an interesting career is a major goal for many. What's more, this appears to be the case all around the world, making the motivation to work a universal phenomenon.

But, what exactly does it take to motivate today's workers? This question has been the focus of a great deal of attention among both practicing managers and organizational scientists. In our attempt to answer this question, we will examine five different approaches. Specifically, we will focus on motivation through: (1) meeting basic human needs, (2) rewarding people fairly, (3) enhancing beliefs that desired rewards can be attained, (4) setting goals, and (5) designing jobs so as to make them more desirable. Before we turn our attention to these specific orientations we must first consider the very basic matter of precisely what we mean by the term, motivation.

WHAT IS MOTIVATION? A DEFINITION

Scientists have defined motivation as *the process of arousing, directing, and maintaining behavior toward a goal.* As this definition suggests, motivation involves three components. The first component, *arousal,* has to do with the drive, or energy behind our actions. For example, when we are hungry, we are driven to seek food. The *direction* component involves the choice of behavior made. A hungry person may make many different choices--eat an apple, have a pizza delivered, go out for a burger, and so on. The third component, *maintenance,* is concerned with people's persistence, their willingness to continue to exert effort until a goal is met. The longer you would continue to search for food when hungry, the more persistent you would be.

Putting it all together, it may help to think of motivation by using the analogy of driving a car. In this manner, arousal may be likened to the energy generated by the car's engine and fuel system. The direction it takes is dictated by the driver's manipulation of the steering wheel. And finally, maintenance may be thought of as the driver's determination to stay on course until the final destination is reached.

While motivation, in general, can be described by this simple analogy, it is really a highly complex concept. This is reflected by the fact that people often are motivated by many things at once, sometimes causing internal conflicts. For example, a factory worker may be motivated to make a positive impression on his supervisor by doing a good job, but at the same time he may be motivated to maintain friendly relations with his co-workers by not making them look bad. This example has to do with job performance, and indeed, motivation is a key determinant of performance. However, it is important to note that motivation is not synonymous with performance. In fact, as we will explain later, even the most highly motivated employee may fall short of achieving success on the job--especially if he or she lacks the required skills or works under unfavorable conditions. Clearly, while motivation does not completely account for job performance, it is an important factor. More importantly, it is a factor that managers may have some control over. This chapter covers the different approaches for motivating people on the job.

MOTIVATING BY MEETING BASIC HUMAN NEEDS

As our definition suggests, people are motivated to fulfill their needs—whether it is a need for food, as in our example, or other needs, such as the need for social approval. Companies that help their employees in this quest are certain to reap the benefits. Organizational behaviorists claim that companies that strive to meet the needs of their employees attract the best people and motivate them to do excellent work.

MASLOW'S NEED HIERARCHY THEORY

Some insight into how to achieve this is provided by Abraham Maslow's need hierarchy theory. Maslow's basic idea was simple: People will not be healthy and well-adjusted unless they have all of their basic needs met. This idea applies whether we're talking about becoming a functioning member of society, Maslow's original focus, or a productive employee of an organization, a later application of his work. Specifically, Maslow identified five different types of needs which, he claimed, are activated in a hierarchy, beginning at the lowest, most basic needs, and working upward to the next level. Furthermore, these needs are not aroused all at once or in random fashion. Rather, each need is triggered step by step, only after the one beneath it in the hierarchy has been satisfied. The specific needs, and the hierarchical order, in which they are arranged, are mapped out in Exhibit 1. Each of Maslow's five categories of needs is explained below.

Physiological Needs

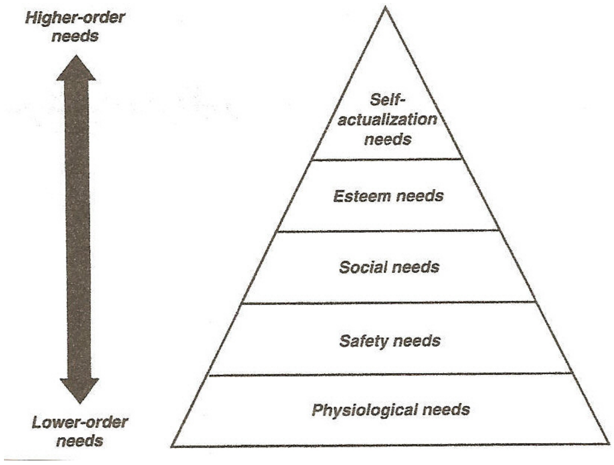
The lowest-order is defined by *physiological needs*, those that satisfy fundamental biological drives, such as the need for air, food, water, and shelter. These are understandably primary to humans, as even newborn babies express these basic needs. For this reason, they are depicted at the base of the triangle in Exhibit 1.

There are many things that companies do to help meet their employees' basic physiological needs. Probably the simplest involves paying them a living wage, money that can be exchanged for food and shelter. But, there's more to satisfying physiological needs than giving employees a paycheck. There are also coffee breaks and opportunities to rest. Even the cruelest, slave-driving bosses know the importance of giving workers time to relax and recharge their systems.

Staying physically healthy involves more than just resting; it also requires exercise, something that the sedentary nature of many of today's technologically advanced jobs does not permit. With this in mind, thousands of companies are providing exercise facilities for their employees. By keeping the workforce healthy and fit they are paving the way for people to become productive. Some companies, such as Southern California Edison and Hershey Foods, have gotten creative with this concept. They offer insurance rebates to employees who live healthy lifestyles (e.g., physically fit nonsmokers) and raise the premiums of those at greater risk for illness. In this manner, not only are the insurance burdens distributed fairly, but the incentives encourage wellness activities that promise to benefit both employers and employees.

EXHIBIT 1
NEED HIERARCHY THEORY

Maslow's need hierarchy specifies that the five needs shown here are activated in order, from low-est to highest. Each need is triggered after the one immediately below it in the hierarchy is satisfied.



Safety Needs
After physiological needs have been satisfied, the next level of needs is triggered--*safety needs.* These are concerned with the need to operate in an environment that is physically and psychologically safe and secure, one free from threats of harm.

Organizations help satisfy their employees' safety needs in several ways. For example, they protect shop workers from hazards in the environment by fitting them with goggles and hard hats. Even seemingly safe work settings, such as offices, can be swamped with safety hazards. This is why efforts are made to spare office workers from eyestrain, wrist injuries (such as the increasingly prevalent carpal tunnel syndrome), and back pain, by using specially designed computer monitors, desks, and chairs. Physical safety may also involve such basic tools as security and fire-prevention. Today's organizations show considerable interest in protecting the safety of their employees. Although government regulations dictate many safety practices, it is safe to say that employers independently recognize the motivational benefits related to providing safe work environments.

Social Needs
Once physiological and safety needs have been satisfied, the *social needs* are activated. These refer to the need to be liked and accepted by others. As social animals, we want to be with others and to have them approve of us.

Many companies provide health club facilities for their employees. Besides keeping employees healthy, it's easy to see how such opportunities also help satisfy social needs. "Playing hard" with those whom we also "work hard" provides good opportunities to fulfill social needs on the job.

Esteem Needs
Not only do we need to be liked by others socially, but we also need to gain their respect and approval. In other words, we have a need for *self-esteem*—that is, to achieve success and have others recognize our accomplishments. Consider, for example, reserved parking spots or plaques honoring the "employee of the month." Both are ways of promoting esteem within individual employees. So too are awards banquets in which worthy staff members' contributions are recognized. The same thing is frequently done in print by recognizing one's organizational contributions on the pages of a corporate newsletter.

The practice of awarding bonuses to people making suggestions for improvement is another highly successful way to help employees' satisfy their esteem needs. A genuine "thank you" can be enough recognition to foster respect and esteem. Or, as Mark Twain said, "I can live for two months on a good compliment." Some companies are highly creative in their efforts to show recognition.

Self-Actualization Needs
What happens after all an employee's lower-order needs are met? According to Maslow, people will strive for *self-actualization*—that is, they will work to become all they are capable of being. When people are self-actualized they perform at their maximum level of creativity and become extremely valuable assets to their organizations. For this reason, companies are interested in paving the way for their employees to self-actualize by meeting their lower-order needs.

As this discussion clearly suggests, Maslow's theory provides excellent guidance with respect to the needs that workers are motivated to achieve. Indeed, many organizations have taken actions directly suggested by the theory, and have found them to be successful. For this reason, the theory remains popular with organizational practitioners. Scientists, however, have noted that specific elements of the theory—notably, the assertion that there are only five needs and that they are activated in a specific order—have not been supported fully. Despite this shortcoming, the insight that Maslow's theory provides into the importance of recognizing human needs in the workplace makes it a valuable approach to motivation.

ALDERFER'S ERG THEORY
Clayton Alderfer's existence-relatedness-growth (ERG) theory builds on some of Maslow's thinking but reduces the number of universal needs from five to three—growth needs, relatedness needs, and existence needs—and is more flexible on movement between levels. Alderfer lifts the restriction imposed by Maslow in which lower-order needs must be addressed before a higher-level need becomes a motivator. Alderfer breaks with Maslow on the consequence of need frustration. Needs at more than one level can be motivators at any time. Alderfer proposes that when an individual is motivated to satisfy a higher-level need but has difficulty doing so, the person's motivation to satisfy lower-level needs will increase.

EQUITY THEORY: THE IMPORTANCE OF BEING FAIR
There can be little doubt about the importance of money as a motivator on the job. However, it would be overly simplistic and misleading to say that people only want to earn as much money as possible. Even the highest-paid executives, sports figures, and celebrities sometimes complain about their pay despite their multi-million-dollar salaries. Are they being greedy? Not necessarily. Often, the issue is not the actual amount of pay received, but rather, pay fairness, or equity.

Organizational scientists have been actively interested in the difficult task of explaining exactly what constitutes fairness on the job, and how people respond when they believe they have been unfairly treated. The major concept addressing these issues is known as equity theory.

Balancing Outcomes and Inputs

Equity theory proposes that people are motivated to maintain fair, or equitable, relationships between themselves and others, and to avoid those relationships that are unfair, or inequitable. To make judgments of equity, people compare themselves to others by focusing on two variables: *outcomes*—what we get out of our jobs (e.g., pay, fringe benefits, prestige, etc.)—and *inputs*—the contributions made (e.g., time worked, effort exerted, units produced). It helps to think of these judgments as ratios—that is, the outcomes received relative to the inputs contributed (e.g., $1,000 per week in exchange for working 40 hours). It is important to note that equity theory deals with outcomes and inputs as they are perceived by people, not necessarily by objective standards. As you might imagine, well-intentioned people sometimes disagree about what constitutes equitable treatment.

According to equity theory, people make equity judgments by comparing their own outcome/input ratios to the outcome/input ratios of others. This so-called "other" may be someone else in one's work group, another employee in the organization, an individual working in the same field, or even oneself at an earlier point in time – in short, almost anyone against whom we compare ourselves. These comparisons can result in one of three different states: *overpayment inequity, underpayment inequity,* or *equitable payment.*

Let's consider an example. Imagine that Andy and Bill work together as copywriters in an advertising firm. Both men have equal amounts of experience, training and education, and work equally long and hard at their jobs. In other words, their input is equivalent. But, suppose Andy is paid an annual salary of $60,000 while Bill is paid only $50,000. In this case, Andy's ratio of outcomes/input is higher than Bill's, creating a state of *overpayment inequity* for Andy (since the ratio of his outcomes/input is higher), but *underpayment inequity* for Bill (since the ratio of his outcomes/input is lower). According to equity theory Andy, realizing that he is paid more than an equally qualified person doing the same work, will feel *guilty* in response to his *overpayment.* By contrast, Bill, realizing that he is paid less than an equally qualified person for doing the same work, will feel *angry* in response to his *underpayment.* Guilt and anger are negative emotional states that people are motivated to change. As a result, they will seek to create a state of *equitable payment,* in which their outcome/input ratios are equal, leading both of them to feel *satisfied.*

How can inequitable states be turned into equitable ones? The answer lies in adjusting the balance of outcomes and/or input. Among people who are underpaid, equity can be created by raising one's outcomes and/or lowering. Likewise, those who are overpaid may either raise their inputs or lower their outcomes. In both cases, either action would effectively make the two outcome/input ratios equivalent. For example, the underpaid person, Bill, might lower his inputs such as by slacking off, arriving at work late, leaving early, taking longer breaks, doing less work, or lowering the quality of his work – or, in an extreme case, quit his job. He also may attempt to improve his outcome, such as by asking for a raise, or even taking home company property, such as tools or office supplies. In contrast, the overpaid person, Andy, may do the exact opposite—raise his input or reduce his outcome. For example, he might put forth much more effort, work longer hours, and try to make a greater contribution to the company. He also might lower his outcome, such as by working while on a paid vacation, or by not taking advantage of fringe benefits the company offers.

These are all specific *behavioral* reactions to inequitable conditions—that is, actions people may take to turn inequitable states into equitable ones. However, people may be unwilling to do some of the things necessary to respond with typical behaviors toward inequities. In particular, they may be reluctant to steal from their employers, or unwilling to restrict their productivity, for fear of getting caught "goofing off." In such cases, people may attempt to resolve inequity *cognitively,* by changing the way they think about the situation. As noted earlier, because equity theory deals with perceptions, inequitable states may be redressed by altering one's thinking about their own, and others', outcomes and input. For example, underpaid people may rationalize that others' input is really higher than their own (e.g., "I suppose she really is more qualified than me"), thereby convincing themselves that those individual's higher outcomes are justified. Similarly, overpaid people may convince themselves that they really *are* better, and deserve their relatively higher pay. So, by changing the way they see things, people can come to perceive inequitable situations as equitable, thereby effectively relieving their feelings of guilt and anger, and transforming them into feelings of satisfaction.

Responding to Inequities on the Job

There is a great deal of evidence to suggest that people are motivated to redress inequities at work, and that they respond much as equity theory suggests. Consider two examples from the world of sports. Research has shown that professional basketball players who are underpaid (i.e., ones who are paid less than others who perform as well or better) score fewer points than those who are equitably paid. Similarly, among baseball players, those paid less than others who play comparably well tend to change teams or even leave the sport when they are unsuccessful at negotiating higher pay. Cast in terms of equity theory, the underpaid players may be said to have lowered their inputs.

We also know that underpaid workers attempt to raise their outcomes. For example, in an organization studied by the author, workers at two manufacturing plants suffered an underpayment created by the introduction of a temporary pay cut of 15 percent. During the 10-week period under which workers received lower pay, company officials noticed that theft of company property increased dramatically, approximately 250 percent. However, in another factory in which comparable work was done by workers paid at their normal rates, the theft rate remained low. This pattern suggests that employees may have stolen property from their company in order to compensate for their reduced pay. Consistent with this possibility, it was found that when the normal rate of pay was reinstated in the two factories, the theft rate returned to its normal, low level. These findings suggest that companies that seek to save money by lowering pay may merely be encouraging their employees to find other ways of making up for what they believe they are due.

EXPECTANCY THEORY: BELIEVING YOU CAN GET WHAT YOU WANT

Beyond seeking fair treatment on the job, people are also motivated by the expectation that they will achieve certain desired rewards by working hard. If you've ever put in long hours studying in the hopes of receiving an "A" in one of your classes, then you understand expectancy theory. This is one of the basic ideas behind the popularity of pay systems known as *merit pay plans,* or *pay-for-performance plans,* which formally establish links between job performance and rewards. However, a recent survey found that only 25 percent of employees see a clear link between good job performance and their rate of pay. Clearly, companies are not doing enough to affect motivation. To get an understanding of why companies are failing to significantly increase motivation, let's take a closer look at expectancy theory.

Three Components of Motivation

Expectancy theory claims that people will be motivated to exert effort on the job when they believe that doing so will help them achieve the things they want. It assumes that people are rational beings who think about what they have to do to be rewarded and how much the reward means to them before they perform their jobs. Specifically, expectancy theory views motivation as the result of three different types of beliefs that people have. These are: *expectancy*—the belief that one's effort will affect performance, *instrumentality*—the belief that one's performance will be rewarded, and *valence*—the perceived value of the expected rewards. For a summary of these components and their role in the overall theory, see Exhibit 2.

Expectancy. Sometimes people believe that putting forth a great deal of effort will help them get a lot accomplished. However, in other cases, people do not expect that their efforts will have much effect on how well they do. For example, an employee operating a faulty piece of equipment may have a very low *expectancy.* Someone working under such conditions probably would not continue to exert much effort. After all, there is no good reason to go on trying to fill a bucket riddled with holes. Accordingly, good managers will do things that help their subordinates believe that their hard work will lead them to do their jobs better. With this in mind, training employees to do their jobs better can be very effective in helping enhance expectancy beliefs. Indeed, a large part of working more effectively involves making sure that one's efforts will pay off.

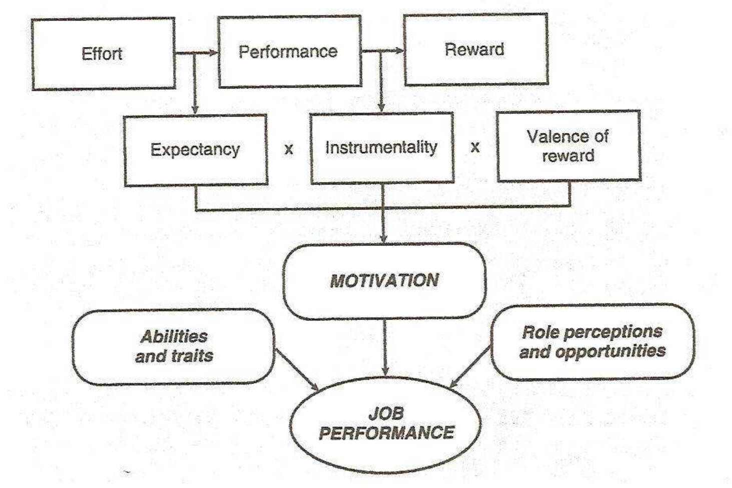
Some companies have taken a more direct approach by soliciting and following their employees' suggestions about ways to improve their work efficiency. For example, United Electric Controls (a manufacturer of industrial temperature and pressure controls located in Watertown, Massachusetts) routinely asks its employees for ways it can help them do their jobs more effectively. Since instituting this approach, not only have individual employees become more productive, but the company as well. In fact, important indicators revealed that the company's performance improved dramatically after it began following its employees' suggestions (For instance, on-time deliveries rose from 65 percent to 95 percent).

Instrumentality. Even if an employee performs at a high level, his or her motivation may suffer if that performance is not appropriately rewarded – that is, if the performance is not perceived as instrumental in bringing about the rewards. So, for example, an extremely productive employee may be poorly motivated if he or she has already reached the top level of pay given by the company. Recognizing this possibility, several organizations have crafted pay systems that explicitly link desired performance to rewards.

Consider, for example, the newly instituted pay plan for IBM's 30,000 sales representatives. Previously, most of the pay these reps received was based on flat salary; their compensation was not linked to how well they did. Now, however, their pay is carefully tied to two factors that are essential to the company's success – profitability and customer satisfaction. So, instead of receiving commissions on the amount of the sale, as so many salespeople do, 60 percent of IBMers' commissions are tied to the company's profit on that sale. As a result, the more the company makes the more the reps make. And, to make sure that the reps don't push only high-profit items that customers might not need, the remaining 40 percent of their commissions are based on customer satisfaction. Checking on this, customers are regularly surveyed about the extent to which their sales representatives helped them meet their business objectives. The better the reps have done in this regard, the greater their commissions. Since introducing this plan, IBM has been effective in reversing its unprofitable trend. Although there are certainly many factors that may have assisted in this turnaround, experts are confident that the practice of clearly linking desired performance to individual rewards is a key factor.

EXHIBIT 2
OVERVIEW OF EXPECTANCY THEORY

Expectancy theory claims that motivation is the combined result of the three components identified here – expectancy, instrumentality, and valence of reward. It also recognizes that motivation is only one of several determinants of job performance.



Valence. Thus far, we have been assuming something that needs to be made explicit—namely, that the rewards the organization offers in exchange for desired performance are, in fact, desirable. In other words, using terminology from expectancy theory, they should have a positive *valence.* This is no trivial point if you consider that rewards are not equally desirable to everyone. For example, whereas a bonus of $500 may not be seen like much of a reward to a multimillionaire CEO, it may be quite valuable to a minimum-wage employee struggling to make ends meet. Valence is not just a matter of the amount of reward received, but what that reward means to the person receiving it.

These days, with a highly diverse workforce, it would be erroneous to assume that employees are equally attracted to the same rewards. Some, like single, young employees for example, might recognize the incentive value of a pay raise , whereas others, such as those raising a family, might prefer additional vacation days, improved insurance benefits, and day-care or eldercare facilities. So, how can an organization find out what its employees want? Some companies have found a simple answer—ask them.

Many more companies have taken a completely individualized approach, introducing *cafeteria-style benefit plans*—incentive systems which allow employees to select their fringe benefits from a menu of available alternatives. Given that fringe benefits represent almost 40 percent of payroll costs, more and more companies are recognizing the value of administering them flexibly.

The Role of Motivation in Performance

Thus far, we have discussed the three components of motivation identified by expectancy theory. However, expectancy theory views motivation as just one of several determinants of job performance. Motivation combines with a person's skills and abilities, role perceptions, and opportunities to influence job performance.

It's no secret that the unique characteristics, special skills, and abilities of some people predispose them to perform their jobs better than others. For example, a tall, strong, well-coordinated person is likely to make a better professional basketball player than a very short, weak, uncoordinated one—even if the shorter person is highly motivated to succeed. Recognizing this, it would be a mistake to assume that someone performing below par is poorly motivated. Instead, some poor performers may be very highly motivated, but lacking the knowledge or skills needed to succeed. With this in mind, companies often make big investments in training employees so as to ensure that they have what it takes to succeed, regardless of their levels of motivation.

Expectancy theory also recognizes that job performance will be influenced by people's role perceptions—that is, what they believe is expected of them on the job. To the extent that there are uncertainties about what one's job duties may be, performance is prone to suffer. For example, a shop foreman who believes his primary job duty is to teach new employees how to use the equipment may find that his performance is downgraded by a supervisor who believes he should be spending more time doing routine paperwork instead. In this case the foreman's performance wouldn't suffer due to any deficit in motivation, but because of misunderstandings regarding what the job entails.

Finally, expectancy theory recognizes the role of opportunities to perform one's job. Even the best employees may perform at low levels if their opportunities are limited. This may occur, for example, if there is an economic downturn in a salesperson's territory, or if the company's available inventory is insufficient to meet sales demand.

In conclusion, expectancy has done a good job of sensitizing managers to several key determinants of motivation, variables that are frequently controllable. Beyond this, the theory clarifies the important role that motivation plays in determining job performance.

OB IN ACTION — Motivating Steel Workers
Consolidations have occurred in the steel industry. As successful firms buy up unsuccessful ones, many of the changes brought into the unsuccessful organizations center around motivating employees, enhancing efficiency, boosting employees' expectancies and instrumentalities, and striving for outcomes with high valence. At ISG (International Steel Group) employees believe that there are things that they can do on their jobs to improve efficiency, and rigid rules or too many layers of management will not get in their way. With enhanced efficiency, employee reward follows. Note how ISG uses employee ideas to change operations.

PROCEDURAL JUSTICE THEORY
Procedural justice theory is concerned with the perceived fairness of the procedures used to make decisions about inputs, performance, and the distribution of outcomes. How managers treat their subordinates and the extent to which they provide explanations for their decisions influence employees' perceptions of procedural justice. When procedural justice is perceived to be low, motivation suffers because employees are not sure that their inputs and performance levels will be accurately assessed or that outcomes will be distributed in a fair manner.

Perceptions by employees are key to this theory. Reactions to procedures depend on how employees perceive the procedures rather than on what the actual procedures actually are. Employees will be more motivated if they perceive that procedures used to make decisions are fair.

GOAL SETTING: TAKING AIM AT PERFORMANCE TARGETS
Suppose that you are a word processing operator. You are performing quite well, but your boss believes that you can do even better. She asks you to try to enter 70 words per minute (wpm) from now on instead of the 60 wpm you've been working at. Would you work hard to meet this goal, or would you simply give up?

Organizational scientists have found that under certain conditions goal setting can lead to marked improvements in performance, primarily, under three conditions--when goals are: (1) specific; (2) difficult, but achievable; and (3) accompanied by feedback.

Assign Specific Goals

In our word processing example, the supervisor set a goal that was very specific (70 wpm) and also somewhat difficult to attain (10 wpm faster than current performance). Would you perform better under these conditions than if the supervisor merely said something general, like "do your best to improve"? Decades of research on goal setting suggests that the answer is yes.

Indeed, we know that people perform at higher levels when asked to meet specific high-performance goals than when they are directed simply to "do your best," or when no goal at all is assigned. People tend to find specific goals quite challenging, and are motivated to try to meet them – not only to fulfill management's expectations, but also to convince themselves that they have performed well. Scientists have explained that attaining goals enhances employees' faith in their *self-efficacy*. And, when people believe that they can, in fact, succeed at a given task, they will be motivated to work hard to prove their belief. For this reason people will be motivated to pursue specific goals, ones that readily enable them to define their accomplishments, thus enhancing their self-efficacy beliefs.

Assign Difficult, But Achievable, Performance Goals

The goal set should be difficult to attain, but achievable. Obviously, a goal that is too easy to attain will not bring about the desired increments in performance. For example, it you already type at 60 wpm, a goal of 50 wpm, although specific, would probably *lower* your performance. The key point is that a goal must be difficult as well as specific for it to raise performance.

At the same time, however, people will work hard to reach challenging goals so long as these are within the limits of their capability. As goals become too difficult, performance suffers because people reject the goals as unrealistic and unattainable. For example, you may work much harder as a student in a class that challenges your ability than in one that is very easy. In all likelihood, however, you would probably give up trying if the only way of passing was to get perfect scores on all exams—a standard you would reject as being unacceptable. In short, specific goals are most effective if they are set neither too low nor too high.

How should goals be set in a manner that strengthens employees' commitment to them? One obvious way of enhancing goal acceptance is to involve employees in the goal-setting process. Research on workers' participation in goal setting has demonstrated that people better accept goals that they have been involved in setting than goals that have been assigned by their supervisors – and, they work harder as a result.

Participation in the goal-setting process may produce these beneficial effects for several reasons. One, people are more likely to understand and appreciate goals they had a hand in setting themselves than those that are merely presented to them. In addition, employees are likely to be committed to attaining such goals, in large part because they must psychologically rationalize their decisions to set those goals. (After all, one can hardly justify setting a specific goal and then not working hard to attain it.) Finally, because workers often have more direct knowledge about what it takes to do a job than their supervisors, they are in a good position to come up with goals that are acceptably high, but not unreasonable. Further capitalizing on workers' experiences, executives generally agree that it is a good idea to let employees figure out the best way to meet new goals.

Provide Feedback Concerning Goal Attainment

The final condition for setting effective goals would seem quite obvious, however, it is not followed in practice as often as you might expect: provide feedback about the extent to which goals have been met. Just as golfers can improve their games when they learn where their balls have landed, so too do workers benefit by feedback about how closely they are approaching their performance goals. Extending our golf analogy, when it comes to setting work goals effectively, "hooks" and "slices" need to be corrected.

In sum, goal setting is a very effective tool managers can use to motivate people. Setting a specific, acceptably difficult goal, and providing feedback about progress toward that goal greatly enhances job performance.

DESIGNING JOBS THAT MOTIVATE

Recall that Frederick W. Taylor's approach to stimulating work performance was to design jobs so that people worked as efficiently as possible. No wasted movements and no wasted time added up to efficient performance, or so Taylor believed. However, Taylor failed to consider one important thing: The repetitive machine-like movements required of his workers were highly routine and monotonous. And, not surprisingly, people became bored with such jobs and frequently quit. Fortunately, today's organizational scientists have found several ways of designing jobs that can not only be performed very efficiently, but are also highly pleasant and enjoyable. This is the basic principle behind job design, the process of creating jobs that people enjoy performing because they are so inherently appealing.

Job Enlargement: Doing More of the Same Kind of Work

Job enlargement is increasing the number of tasks an employee performs but keeping all of the tasks at the same level of difficulty and responsibility. It is also called *horizontal job loading* because the content of a job is expanded but the difficulty remains constant. Proponents of this approach thought that job enlargement might increase intrinsic motivation.

There's no higher responsibility involved, nor any greater skills, just a wider variety of the same types of tasks. The idea behind job enlargement is simple: you can decrease boredom by giving people a greater variety of jobs to do.

Do job enlargement programs work? To answer this question, consider the results of a study comparing the job performance of people doing enlarged and unenlarged jobs. In the unenlarged jobs, different employees performed separate paperwork tasks such as preparing, sorting, coding, and keypunching various forms. The enlarged jobs combined these various functions into larger jobs performed by the same people. Although it was more difficult and expensive to train people to perform the enlarged jobs than the separate jobs, important benefits resulted. In particular, employees expressed greater job satisfaction and less boredom. And, because one person followed the whole job all the way through, greater opportunities to correct errors existed. Not surprisingly, customers were satisfied with the result.

Although job enlargement may help improve job performance, its effects may be short-lived. It appears that the problem with enlarging jobs is that after a while, people get bored with them, and they need to be enlarged even further. Because it is impractical to continue enlarging jobs all the time, the value of this approach is rather limited.

Job Enrichment: Increasing Required Skills and Responsibilities

As an alternative, consider another approach taken to redesign jobs—job enrichment. Job enrichment is the designing of jobs to provide opportunities for employee growth by giving employees more responsibility and control over their work. It is often referred to as *vertical job loading* because employees are given some of the responsibilities that used to belong to their supervisors. Herzberg's motivator – hygiene theory – was a driving force in the movement to enrich jobs. Job enrichment is aimed at increasing intrinsic motivation.

Although job enrichment programs have also been successful in many organizations, several factors limit their popularity. First, there is the difficulty of implementation. Redesigning existing facilities so that job can be enriched is often prohibitively expensive. Besides, the technology needed to perform certain jobs makes it impractical for them to be redesigned. Another impediment is the lack of universal employee acceptance. Although many relish it, some people do not desire the additional responsibility associated with performing enriched jobs.

Managers can enrich jobs in a variety of ways:

- Allow employees to plan their own work schedules.
- Allow employees to decide how the work should be performed.
- Allow employees to check their own work.
- Allow employees to learn new skills.

THE JOB CHARACTERISTICS MODEL

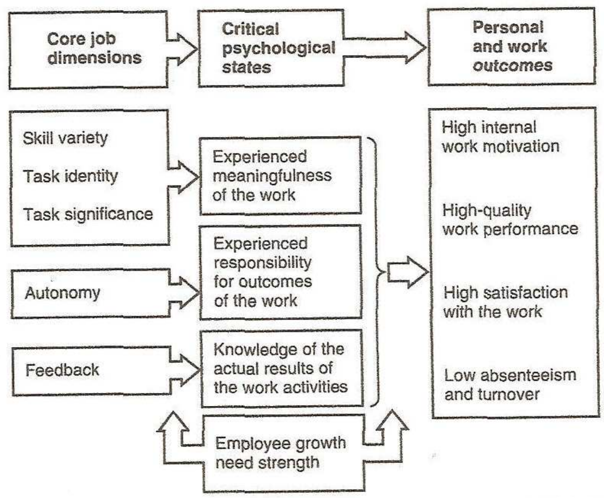
Thus far, we have failed to specify precisely *how* to enrich a job. What elements of a job need to be enriched for it to be engaging to an employee? An attempt to expand the idea of job enrichment, known as the job characteristic model, provides an answer to this important question.

Basic Elements of the Job Characteristics Model. This approach assumes that jobs can be designed so as to help people get enjoyment out of their jobs and care about the work they do. The model identifies how jobs can be designed to help people feel that they are doing meaningful and valuable work. In particular, it specifies that enriching certain elements of jobs alters people's psychological states in a manner that enhances their work effectiveness. The model identifies five core job dimensions that help create three critical psychological states, leading, in turn, to several beneficial personal and work outcomes (see Exhibit 3).

EXHIBIT 3

THE JOB CHARACTERISTICS MODEL

According to the job characteristic model, the five core job dimensions listed create three critical psychological states, which in turn influence the personal and work outcomes shown. The model also acknowledges that these relationships are strongest among those individuals highest in growth need strength.



The five critical job dimensions are *skill variety, task identity, task significance, autonomy,* and *feedback.* Let's take a closer look at these.

- **Skill variety** is the extent to which a job requires using several different skills and talents that an employee has. For example, a restaurant manager with high skill variety will perform many different tasks (e.g., maintaining sales records, handling customer complaints, scheduling staff, supervising repair work, and the like).
- **Task identity** is the degree to which a job requires doing a whole task from beginning to end. For example, tailors will have high task identity if they do everything associated with making an entire suit (e.g., measuring the client, selecting the fabric, cutting and sewing it, and altering it to fit)
- **Task significance** is the amount of impact a job is believed to have on others. For example, medical researchers working on a cure for a deadly disease surely recognize the importance of their work to the world at large. Even more modest contributions to the company can be recognized as being significant to the extent that employee understand the role of their jobs in the overall mission of the organization.
- **Autonomy** is the extent to which employees have the freedom and discretion to plan, schedule, and carry out their jobs as desired. For example, in 1991 a team of Procter & Gamble employees was put in charge of making all the arrangements necessary for the building of a new $5 million facility for making concentrated Downy.
- **Feedback** is the extent to which the job allows people to have information about the effectiveness of their performance. For example, telemarketing representatives regularly receive information about how many calls they make per day and the monetary values of the sales made.

The job characteristic model specifies that these various job dimensions have important effects on various critical psychological states. Specifically, skill variety, task identity, and task significance jointly contribute to a task's *experienced meaningfulness.* A task is considered to be meaningful insofar as it is experienced as being highly important, valuable, and worthwhile. Jobs that provide a great deal of autonomy are said to make people feel *personally responsible and accountable for their work.* When they are free to decide what to do and how to do it, they feel more responsible for the results, whether good or bad. Finally, effective feedback is said to give employees *knowledge of the results of their work.* When a job is designed to provide people with information about the effects of their actions, they are better able to develop an understanding of how effectively they have performed--and, such knowledge improves their effectiveness.

The job characteristics model specifies that the three critical psychological states affect various personal and work outcomes—namely: people's feelings of motivation; the quality of work performed; and satisfaction with work, absenteeism, and turnover. The higher the experienced meaningfulness of work, responsibility for the work performed, and knowledge of results, the more positive the personal and work benefits will be. When they perform jobs that incorporate high levels of the five core job dimensions, people should feel highly motivated, perform high-quality work, be highly satisfied with their jobs, be absent infrequently, and be unlikely to resign from their jobs.

We should also note that the model is theorized to be especially effective in describing the behavior of individuals who are high in *growth need strength*—that is, people who have a high need for personal growth and development. People not particularly interested in improving themselves on the job are not expected to experience the theorized psychological reactions to the core job dimensions, nor consequently, to enjoy the beneficial personal and work outcomes predicted by the model. By introducing this variable, the job characteristic model recognizes the important limitation of job enrichment noted earlier – not everyone wants and benefits from enriched jobs.

Assessing the Motivating Potential of Jobs. Based on the proposed relationship between the core job dimensions and their associated psychological reactions, the model claims that job motivation will be highest when the jobs performed rate high on the various dimensions. To assess this, a questionnaire known as the Job Diagnostic Survey (JDS) has been developed to measure the degree to which various job characteristics are present in a particular job. Based on responses to the JDS, we can make predictions about the degree to which a job motivates people who perform it.

The job characteristics model has been the focus of many empirical tests, most of which are supportive of many aspects of the model. One study conducted among a group of South African clerical workers found particularly strong support. The jobs of employees in some of the offices in this company were enriched in accordance with techniques specified by the job characteristics model. Specifically, employees performing the enriched jobs were given opportunities to choose the kinds of tasks they perform (high skill variety), do the entire job (high task identity), receive instructions regarding how their job fit into the organization as a whole (high task significance), freely set their own schedules and inspect their own work (high autonomy), and keep records of their daily productivity (high feedback). Another group of employees, equivalent in all respects except that their jobs were not enriched, served as a control group.

After employees performed the newly designed jobs for 6 months, comparisons were made between them and their counterparts in the control group. With respect to most of the outcomes specified by the model, individuals performing redesigned jobs showed superior results. Specifically, they reported feeling more internally motivated and more satisfied with their jobs. There also were lower rates of absenteeism and turnover among employees performing the enriched jobs. The only outcome predicted by the model that was not found to differ was actual work performance; people performed equally well in enriched and unenriched jobs. Considering the many factors that are responsible for job performance (as discussed in connection with expectancy theory), this finding should not be too surprising.

Suggestions for Enhancing the Motivating Potential of Jobs. The job characteristics model specifies several ways in which jobs can be designed to enhance their motivating potential. For example, instead of using several workers, each of whom performs a separate part of a whole job, it would be better to have each person perform the entire job. Doing so helps provide greater skill variety and task identity.

The job characteristic model also suggests that jobs should be set up so that the person performing a service (such as an auto mechanic) comes into contact with the recipient of the service (such as the car owner). Jobs designed in this manner will not only help the employee by providing feedback, but also enhancing skill variety (e.g., talking to customers in addition to fixing cars), and building autonomy (by giving people the freedom to manage their own relationships with clients). This suggestion has been implemented at Sea-Land Service, the large containerized ocean-shipping company. After this company's mechanics, clerks, and crane operators started meeting with customers, they became much more productive. Having faces to associate with the once-abstract jobs they did clearly helped them take the jobs more seriously.

Another implication of the job characteristics model is that jobs should be designed so as to give employees as much feedback as possible. The more people know how well they're doing (be it from customers, supervisors, or co-workers), the better equipped they are to take appropriate corrective action.

The Motivating Potential Score

To measure employees’ perceptions of their jobs on each of the core dimensions, the Job Diagnostic Survey is used. Once an employee completes each of these scales for his or her job, it is possible to compute the job’s motivating potential score. The motivating potential score (MPS) is a measure of the overall potential of a job to foster intrinsic motivation.

MPS is equal to the average of the first three core characteristics (skill variety, task identity, and task significance) multiplied by autonomy and feedback. Scores will range from 1 (low) to 7 (high) for each core dimension. An average motivating potential score for jobs in the U.S. corporations is around 128.

JOB DESIGN: THE SOCIAL INFORMATION PROCESSING MODEL

The social information processing model was developed in 1978 by Salancik and Pfeffer. According to the social information processing model, factors other than the core dimensions influences how employees respond to the design of their jobs. Salancik and Pfeffer propose that the way employees perceive and respond to the design of their jobs is influenced by social information (information from other people) and by employees’ own past behaviors.

The model proposes that the social environment provides employees with information regarding which aspects of their job design and work outcome they should pay attention to and which they should ignore. Social environment refers to the other individuals with whom employees come into contact with at work. The model suggests that the social environment provides employees with information about how they should evaluate their jobs and work outcomes. The increasing reliance of organizations on contingent employees has some interesting implications for social environments at work.

CHAPTER 4
WORK-RELATED ATTITUDES

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Define attitude and its three basic components.
- Describe two theories of job satisfaction.
- Identify the consequences of having dissatisfied employees.
- Describe ways of boosting job satisfaction.
- Distinguish between three fundamental forms of organizational commitment.
- Identify the benefits of having a committed workforce.
- Describe ways of developing organizational commitment.
- Distinguish between the concepts of prejudice, stereotypes, and discrimination.
- Be aware of biases that can influence person perception without perceivers being aware of their influences.
- Appreciate why the effective management of diversity is imperative for all kinds of organizations and the steps that organizations can take to ensure that different kinds of people are treated fairly and that the organization is able to take advantage of all they have to offer.
- Describe the two major forms of sexual harassment and the steps organizations can take to combat sexual harassment.
- Distinguish between affirmative action plans and diversity management programs.

How do you feel about your job? Is it pleasant, or pure drudgery? How about your organization? Do you want to continue working there, or are you considering quitting? What do you think of your co-workers? Do they know what they're doing, or would the company be better off without them? Such questions are likely to elicit strong opinions. Indeed, people tend to have definite feelings about everything related to their jobs, whether it is the work itself, superiors, co-workers, subordinates, or even the food in the company cafeteria. Feelings such as these, and many others, are referred to as work-related attitudes, the topic of this chapter.

These attitudes can be very important in organizations. Not only do we want to feel good about our work for its own sake, but such feelings also may have important effects on how we do our jobs and the functioning of organizations. Our examination of work-related attitudes will focus on three major targets—attitudes toward the job (known as *job satisfaction),* attitudes toward the organization (known as *organizational commitment),* and attitudes toward our co-workers (including a special kind of negative attitude known as *prejudice).* Before reviewing these attitudes, and their impact on organizations, we will begin with the very basic, but important, task of formally defining attitudes.

WHAT IS AN ATTITUDE? A DEFINITION

As noted above, we all hold definite views about things and people—feelings referred to as attitudes. Formally, we define an attitude as a relatively stable cluster of feelings, beliefs, and behavioral predisposition (i.e., intentions) toward some specific target. Attitudes consist of three major components: an *evaluative component, a cognitive component*, and a *behavioral component*.

The Evaluative Component. The most obvious component of attitudes is how we feel about something. This aspect of an attitude, its *evaluative component,* refers to our liking or disliking of any particular target—be it a person, thing, or event (what might be called the *attitude object,* the focus of the attitude). You may, for example, feel positively or negatively toward your boss, your co-workers, or the company logo. In fact, anything can be an attitude object.

Our definition refers to "relatively stable" feelings toward attitude objects. Temporary shifts in feelings about something may not reflect changes in attitudes. Rather, attitudes are more enduring. So, for example, although people sometimes change their membership in political parties, their belief about a specific issue that may be endorsed by a particular political party is generally consistent over time. Hence, the attitude toward it is stable.

The Cognitive Component. Attitudes involve more than feelings, however, they also involve knowledge—things you know about an attitude object. For example, you might believe that your company just lost an important contract, or that a co-worker doesn't really know what he is doing. These beliefs may be completely accurate or inaccurate, but they still comprise the personal knowledge that contributes to your attitude. Such beliefs are referred to as the *cognitive component* of attitudes.

The Behavioral Component. Naturally, what you believe about something and the way you feel about it will influence the way you are predisposed to behave. For example, if you believe that your boss is a crook, and you dislike this, you may be inclined to report him to the authorities and to begin looking for a new job. What we are saying is that attitudes have a *behavioral component*—a predisposition to act in a certain way. It is very important to caution that a predisposition may *not* perfectly predict one's behavior. In our example, although you may dislike your unethical boss, you might not take action against him for fear of retaliation, and you might not take a new position if a better one isn't available. Hence, your intention to act a certain way may or may not dictate how you actually will behave. Indeed, as we shall see, attitudes are not perfect predictors of behavior.

We now explore various attitudes that come into play on the job. The first one we will consider is job satisfaction.

JOB SATISFACTION: FEELINGS ABOUT OUR WORK

Do people generally like their jobs? Despite what you may hear in the news about dissatisfied workers going on strike or even acting violently toward their supervisors, overall, people are quite satisfied with their jobs. In fact, surveys have found that the percentage of people reporting satisfaction with their jobs averages between 80 and 90 percent. These feelings, reflecting attitudes toward one's job, are known as job satisfaction. As job satisfaction seems to play an important role in organizations, it makes sense to ask: What factors contribute to job satisfaction? As we will point out, a great deal of research, theory, and practice bears upon this question.

Theories of Job Satisfaction and Their Implications

Although there are many different approaches to understanding job satisfaction, two particular ones stand out as providing our best insight into this very important attitude—the *two-factor theory of job satisfaction,* and *value theory.*

Herzberg's Two-factor Theory of Job Satisfaction. There is no more direct way to find out what causes people's satisfaction and dissatisfaction with their jobs than to ask them. Over 30 years ago Frederick Herzberg did just this. He assembled a group of accountants and engineers and asked them to recall incidents that made them feel especially satisfied and especially dissatisfied with their jobs. His results were surprising: Different factors accounted for satisfaction and dissatisfaction. Rather than finding that the presence of certain variables made people feel satisfied and that their absence made them feel dissatisfied, as you might expect, Herzberg found that satisfaction and dissatisfaction stemmed from two different sources. For this reason, his approach is widely referred to as the two-factor theory of job satisfaction.

What are the two factors? In general, people were satisfied with aspects of their jobs that had to do with the work itself or to outcomes directly resulting from it. These included things such as chances for promotion, opportunities for personal growth, recognition, responsibility, and achievement. Because these variables were associated with high levels of satisfaction, Herzberg referred to them as *motivators.* However, dissatisfaction was associated with conditions surrounding the job, such as working conditions, pay, security, relations with others, and so on, rather than the work itself. Because these variables prevent dissatisfaction when present, they are referred to as *hygiene factors* (or *maintenance factors).*

Rather than a conceiving of job satisfaction as falling along a single continuum anchored at one end by satisfaction and at the other by dissatisfaction, Herzberg conceived of satisfaction and dissatisfaction as separate variables. Motivators, when present at high levels, contribute to job satisfaction, but when absent, do not lead to job dissatisfaction—just less satisfaction. Likewise, hygiene factors only contribute to dissatisfaction when present, but not to satisfaction when absent. You may find the diagram in Exhibit 1 helpful in summarizing these ideas.

This theory has important implications for managing organizations. Specifically, managers would be well advised to focus their attention on factors known to promote job satisfaction, such as opportunities for personal growth. Indeed, several of today's companies have realized that satisfaction within their workforces is enhanced when they provide opportunities for their employees to develop their repertoire of professional skills on the job. For example, front-line service workers at Marriott Hotels, known as "guest services associates," are hired to perform a variety of tasks, including checking guests in and out, carrying their bags, and so on. Instead of doing just one job, this approach enables Marriott employees to call upon and develop many of their talents, thereby adding to their level of job satisfaction.

Two-factor theory also implies that steps should be taken to create conditions that help avoid dissatisfaction—and, it specifies the kinds of variables required to do so (i.e., hygiene factors). For example, creating pleasant working conditions may be quite helpful in getting people to avoid being dissatisfied with their jobs. Specifically, research has shown that dissatisfaction is great under conditions that are highly overcrowded, dark, noisy, have extreme temperatures, and poor air quality. These factors, associated with the conditions under which work is performed, but not directly linked to the work itself, contribute much to the levels of job dissatisfaction people experience.

Value Theory. Another approach to job satisfaction, known as value theory, takes a broader look at the question of what makes people satisfied. This theory argues that almost any factor can be a source of job satisfaction so long as it is something that people value. The less people have of some aspect of the job (e.g., pay, learning opportunities) relative to the amount they want, the more dissatisfied they will be—especially for those facets of the job that are highly valued. Thus, value theory focuses on discrepancies between what people have and what they want: the greater those discrepancies, the more dissatisfied they will be.

EXHIBIT 1
HERZBERG'STWO-FACTOR THEORY

According to Herzberg's *two-factor theory,* job satisfaction and dissatisfaction are not opposite ends of the same continuum but independent dimensions. Some examples of *hygiene factors,* which lead to dissatisfaction, and *motivators*, which lead to satisfaction, are presented here.

Hygiene Factors	*Motivators*
• Pay, status, security	• Meaningful and challenging work
• Working conditions	• Recognition for and feeling of achievements
• Fringe benefits	• Increased responsibility
• Policies and practices	• Opportunity for growth and advancement

This approach to job satisfaction implies that an effective way to satisfy workers is to find out what they want and, to the extent possible, give it to them. Believe it or not, this is sometimes easier said than done. In fact, organizations sometimes go through great pains to find out how to satisfy their employees. With this in mind, a growing number of companies, particularly big ones, have been systematically surveying their employees.

Consequences of Job Dissatisfaction

Thus far, we have been alluding to the negative effects of job dissatisfaction, but without specifying exactly what these are. In other words, what consequences may be expected among workers who are dissatisfied with their jobs? Several effects have been well documented.

Employee Withdrawal: Voluntary Turnover and Absenteeism. As you might expect, people who are dissatisfied with their jobs want little to do with them—that is, they withdraw. An extreme form of employee withdrawal is quitting, formally referred to as *voluntary turnover.* Withdrawal also may take the form of *absenteeism.*

Organizations are highly concerned about these behaviors as they are very costly. The expenses involved in selecting and training employees to replace those who have resigned can be considerable. Even unscheduled absences can be expensive. Although voluntary turnover is permanent, whereas absenteeism is a short-term reaction, both are effective ways of withdrawing from dissatisfying jobs. Research has shown that the more dissatisfied people are with their jobs, the more likely they are to be absent and to resign. However, we also know that these relationships are not especially strong. In other words, job satisfaction is only modestly correlated with voluntary turnover and absenteeism. The reason for this is simple: Job dissatisfaction is likely to be only one of many factors responsible for someone's decision to resign or to stay off the job. For example, a dissatisfied employee may show up for work despite feeling dissatisfied if she believes that it is critical for her to perform certain tasks. However, still others may care so little that they would not bother to show up anyway. Thus, job satisfaction is not a particularly strong predictor of absenteeism.

The same may be said with respect to turnover. Whether or not people will quit their jobs is likely to depend on several factors. Among them is likely to be the availability of other jobs. So, if conditions are such that alternative positions are available, people may be expected to resign in response to dissatisfaction. However, when such options are limited, voluntary turnover may be a less viable option. Hence, knowing that one is dissatisfied with his or her job does not automatically suggest that he or she will be inclined to quit. Indeed, many people stay on jobs that they dislike.

Job Performance: Are Dissatisfied Employees Poor Workers? How about those dissatisfied employees who remain on their jobs? Does their performance suffer? As in the case of withdrawal behaviors, the link between job performance and satisfaction is also quite modest. One key reason for this is that performance on some jobs is so carefully regulated (e.g., by the machinery required to do the work) that people may have little leeway to raise or lower their performance even if they wanted to. The weak negative association between job satisfaction and employee withdrawal, and the weak positive association between job satisfaction and performance, are good examples of the point made earlier – that attitudes are not perfect predictors of behavior. Indeed, the important work-related attitude, job satisfaction, has been found to be only modestly related, at best, to important aspects of job behavior.

The weak association between job satisfaction and performance appears to hold for most standard measures of performance, such as quantity or quality of work. However, when it comes to completely voluntary forms of work behavior, such as helping one's co-workers or tolerating temporary inconveniences without complaint, the connection to job satisfaction is much stronger. Such activities, which enhance social relationships and cooperation with the organization but go beyond the formal job requirements, are referred to as organizational citizenship behaviors. These forms of behavior, although not reflected in standard performance measures (e.g., sales figures), contribute greatly to the smooth functioning of organizations. Workers who feel satisfied with their jobs may be willing to help the organization and others who have contributed to those good feelings by engaging in acts of good organizational citizenship. In fact, research has shown that the more people are satisfied with their jobs, the greater the good citizenship contributions they tend to make.

Summary. To review, it is clear that dissatisfaction is linked to such key organizational variables as voluntary turnover, absenteeism, and poor performance, although, these relationships are not strong. This is in large part due to the fact that many factors are responsible for these behaviors. However, when it comes to the more highly controllable, voluntary behavior, organizational citizenship, the connection to dissatisfaction is much stronger.

Tips for Boosting Job Satisfaction

In view of the negative consequences of dissatisfaction outlined above, it makes sense to consider ways of raising satisfaction on the job. Although an employee's dissatisfaction might not account for all aspects of his or her performance, it is important to try to promote satisfaction if for no other reason than to make people happy. After all, satisfaction is a desirable end in itself. With this in mind, what can be done to promote job satisfaction? Based on the available research, we can offer several suggestions.

1. **Pay people fairly**. People who believe that their organizations' pay systems are inherently unfair tend to be dissatisfied with their jobs. This not only applies to salary and hourly pay, but also to fringe benefits. In fact, when people are given opportunities to select the fringe benefits they most desire, their job satisfaction tends to rise. This idea is consistent with value theory. After all, given the opportunity to receive the fringe benefits they most desire employees may have little or no discrepancies between those they want and those they actually have.

2**. Improve the quality of supervision**. It has been found that satisfaction is highest among employees who believe their supervisors are competent, treat them with respect, and have their best interests in mind. Similarly, job satisfaction is enhanced when employees believe that they have open lines of communication with their superiors.

3. **Decentralize organizational power**. Although we will consider the concept of *decentralization* more fully later in this book (e.g., in Chapters 7 and 12), it is worth introducing here. Decentralization is the degree to which the capacity to make decisions resides in several people, as opposed to one or just a handful. When power is decentralized, people are allowed to participate freely in the process of decision making. This arrangement contributes to their feelings of satisfaction because it leads them to

believe that they can have some important effects on their organizations. By contrast, when the power to make decisions is concentrated in the hands of just a few, employees are likely to feel powerless and ineffective, thereby contributing to their feelings of dissatisfaction.

4. **Match people to jobs that fit their interests**. People have many interests, and these are only sometimes satisfied on the job. However, the more people find that they are able to fulfill their interests while on the job, the more satisfied they will be with those jobs.

For example, a recent study found that college graduates were more satisfied with their jobs when these were consistent with their college majors than when these fell outside their fields of interest. It is, no doubt, with this in mind that career counselors frequently find it useful to identify people's non-vocational interests

ATTACHMENT TO COMPANIES: ORGANIZATIONAL COMMITMENT

Thus far, our discussion has centered on people's attitudes toward their jobs. However, to fully understand work-related attitudes we also must focus on people's attitudes toward the organizations, in which they work—that is, their organizational commitment. The concept of organizational commitment is concerned with the degree to which people are involved with their organizations and are interested in remaining within them.

This important attitude may be completely unrelated to job satisfaction. For example, a nurse may really like the kind of work she does, but dislike the hospital in which she works, leading her to seek a similar job elsewhere. By the same token, a waiter may have positive feelings about the restaurant in which he works, but may dislike waiting on tables. These complexities illustrate the importance of studying organizational commitment. Our presentation of this topic will begin by examining the different dimensions of organizational commitment. We will then review the impact of organizational commitment on organizational functioning, and conclude by presenting ways of enhancing commitment.

Varieties of Organizational Commitment

Being committed to an organization is not only a matter of “yes” or “no” or even “how much?” Distinctions also can be made with respect to “what kind” of commitment. Specifically, scientists have distinguished between three distinct forms of commitment.

Continuance Commitment. Have you ever stayed on a job because you just don't want to bother to find a new one? If so, you are already familiar with the concept of continuance commitment. This refers to the strength of a person's desire to remain working for an organization due to his or her belief that it may be costly to leave. The longer people remain in their organizations, the more they stand to lose what they have invested in the organization over the years (e.g., retirement plans, close friendships). Many people are committed to staying on their jobs simply because they are unwilling to risk losing these things. Such individuals may be said to have a high degree of continuance commitment.

Signs suggest that today, continuance commitment is not as high as it used to be. Traditionally, people sought jobs that would offer them lifetime employment. Many employees would stay on their jobs their whole working lives, starting at the bottom and working their way up to the top. But today, that scenario is not readily found; the unspoken pact of job security in exchange for loyalty has all but faded from the organizational scene. In the words of a young project manager working at a New Jersey location of Prudential, "If the economy picked up, I'd consider a job elsewhere much sooner than before. I wouldn't bat an eye? This expression of the willingness to leave one's job reflects a low degree of continuance commitment.

Affective Commitment. A second type of organizational commitment is affective commitment--the strength of people's desires to continue working for an organization because they agree with its underlying goals and values. People feeling high degrees of affective commitment desire to remain in their organizations because they endorse what the organization stands for and are willing to help it in its mission. Sometimes, particularly when an organization is undergoing change, employees may wonder whether their personal values continue to be in line with those of the organization in which they may work. When this happens, they may question whether they still belong, and if they believe not, they may resign.

Normative Commitment. A third type of organizational commitment is known as normative commitment. This refers to employees' feelings of obligation to stay with the organization because of pressures from others. People who have high degrees of normative commitment are greatly concerned about what others would think of them for leaving. They would be reluctant to disappoint their employers, and concerned that their fellow employees may think poorly of them for resigning.

Why strive for a Committed Workforce?
People who feel deeply committed to their organizations behave differently than those who do not. Specifically, several key aspects of work behavior have been linked to organizational commitment.

Committed Employees Ale Unlikely to Withdraw. The more committed employees are to their organizations, the less likely they are to resign and to be absent (what we referred to as withdrawal behavior in the context of job satisfaction). Being committed leads people to stay on their jobs and to show up for work when they are supposed to.

Committed Employees Are Willing to Make sacrifices for the Organization. Beyond remaining in their organizations, those who are highly committed to them demonstrate a great willingness to share and to make sacrifices required for the organization to thrive.

In view of these benefits of organizational commitment, it makes sense for organizations to take the steps necessary to enhance commitment among its employees. We will now describe various ways of doing this.

Approaches to Developing Organizational Commitment
Some determinants of organizational commitment fall outside of managers' spheres of control, giving them few opportunities to enhance these feelings. For example, commitment tends to be lower when the economy is such that employment opportunities are plentiful. An abundance of job options will surely lower continuance commitment, and there's not too much a company can do about it. However, although managers cannot control the external economy, they can do several things to make employees want to stay working for the company—that is, to enhance affective commitment.

1. **Enrich jobs.** People tend to be highly committed to their organizations to the extent that they have a good chance to take control over the way they do their jobs and are recognized for making important contributions.

2. **Align the interests of the company with those of the employees.** Whenever making something good for the company also makes something good for its employees, those employees are likely to be highly committed to those companies. Many companies do this quite directly, by introducing profit sharing plans – that is, incentive plans in which employees receive bonuses in proportion to the

company's profitability. Such plans are often quite effective in enhancing organizational commitment, especially when they are perceived to be administered fairly.

3. **Recruit and select new employees whose values closely match those of the organization.** Recruiting new employees is important not only because it provides opportunities to find people whose values match those of the organization, but also because of the dynamics of the recruitment process itself. Specifically, the more an organization invests in someone by working hard to lure him or her to the company, the more that individual is likely to return the same investment of energy by expressing commitment toward the organization. In other words, companies that show their employees they care enough to work hard to attract them are likely to find those individuals strongly committed to the company.

In conclusion, it is useful to think of organizational commitment as an attitude that may be influenced by managerial actions. Not only might people be selected who are predisposed to be committed to the organization, but also, various measures can be taken to boost commitment in the face of indications that it is lagging.

OB IN ACTION — Increasing Effective Commitment

When 10% of his division's employees were laid off, division manager Juan Moreno did everything he could to help those employees by assisting them in finding other positions (i.e., giving them office space so they could organize their interviews, hiring career counselors to assist in resume preparation, et cetera). Before the layoffs Mr. Moreno felt very good about the satisfaction and commitment levels in his division. After the layoff, he sensed diminished levels of satisfaction and affective commitment to the company. A recent survey of satisfaction levels indicated that Mr. Moreno's division scored in the lowest quartile in affective commitment.

Affective commitment indicates employee satisfaction with an organization when the employee feels attached to the organization because they want to be with the organization. In this case, layoffs have produced uncertainty and employees are most likely that their loyalty is now unnoticed. Explanations of reasons for layoffs are usually not sufficient. Employees that remain are also insecure (as can be seen by the low scores). There are a variety of avenues that Mr. Moreno can pursue. His actions seem good for those that have been laid off; however, employees probably want actions that would prevent layoffs (i.e., suggestions and actions to increase stability and security). These actions could be salary reductions, restructuring, placement with other divisions, employee discussion of corporate problems, or some other type of security shield.

NEGATIVE ATTITUDES TOWARD CO-WORKERS: PREJUDICE

Thus far, our discussion has focused on two different attitude objects: jobs and organizations. However, we also develop attitudes toward another important element of the work environment – other people. Such attitudes are highly problematic when they are negative, especially when these feelings are based on misguided beliefs and prompt harmful behavior. Prejudice is the term used to refer to attitudes of this type. Prejudicial attitudes often hold people back, creating an invisible barrier to success commonly known as the glass ceiling.

At the root of prejudicial feelings is the fact that people tend to be uncomfortable with those who are different from themselves. Today, differences between people in the workplace are not the exception, but the rule. For example, only a few years ago the American work force was composed predominantly of white males. But that has been changing. White men now represent less than half the current American work force, and this exhibit is rapidly dropping to 40 percent. One key reason for this change is that growing numbers of African-Americans, Hispanic Americans, Asian-Americans, and foreign nationals are entering the U.S. work force. As a result, it is more ethnically diverse than ever. In addition, we now see gender parity in the workforce. About half of today's workforce is composed of women, and well over half of all adult American women work outside the home.

What do these demographic changes mean for organizations? Clearly, they bring with them several important challenges. White males, for example, must recognize that their era of dominance in the workplace is over. In fact, many white men, so used to being in the majority, are highly threatened by the prospect of losing this status. For females and members of ethnic minority groups, old barriers to success must be broken, and acceptance by others must be gained as old stereotypes and prejudicial attitudes fade away only slowly. As you know, this is not an easy thing to do.

Because prejudicial attitudes can have devastating effects on both people and organizations, we will examine them closely in this section of the book. To give you a feel for how serious prejudices can be, we will describe specific targets of prejudice in the workplace and the special nature of the problems they confront. We will then follow-up by describing various strategies that have been used to overcome prejudice in the workplace. Before doing this, however, we will describe exactly what is meant by prejudice, and distinguish it from related concepts.

Anatomy of Prejudice: Basic Distinctions

To understand prejudice it is useful to examine the three components of attitudes described earlier – the cognitive component, the evaluative component, and the behavioral component. As you may recall, the cognitive component refers to things we believe about an attitude object, whether or not they are accurate. In the case of prejudice, we tend to rely on beliefs about people based on the groups to which they belong. So, to the extent that we believe that people from certain groups posses certain characteristics, knowing that someone belongs to a group will lead us to believe certain things about them. Beliefs of this type are known as stereotypes.

Stereotypes. As you surely realize, stereotypes, whether positive or negative, are generally inaccurate. If we knew more about someone than whatever we might assume based on his or her membership in various groups, we probably would make more accurate judgments. However, to the extent that we often find it difficult or inconvenient to learn everything we need to know about someone, we frequently rely on stereotypes as a kind of mental shortcut. So, for example, if you believe that individuals belonging to group X are lazy, and that person A belongs to group X, you would be predisposed to believe that person A is lazy too. Although this may be logical, engaging in such stereotyping runs the risk of misjudging person A. After all, he or she might not be lazy at all despite the fact that you assumed so based on the stereotype.

Nonetheless, assume you believe person A to be lazy. How do you feel about lazy people? Chances are that you don't like them – that is, your evaluation of person A would be negative. Would you want to hire a lazy individual, such as A, for your company? Probably not. Thus, you would be predisposed against hiring A. Your prejudice toward person A is clear.

Discrimination. Prejudicial attitudes are particularly harmful when the behavioral predisposition turn into actual behaviors. In such instances, people become the victims of others' prejudices – that is, discrimination. If prejudice is an attitude, then think of discrimination as the behavior consistent with that attitude.

Completing our example, you might refrain from hiring person A, or giving him or her a positive recommendation. By acting this way, you would be behaving consistent with your attitude. Although this may be logical, it is not in the best interest of the individual involved. After all, your behavior may be based on an attitude formed on the basis of inaccurate stereotypes. For this reason, it is important to identify ways of overcoming the natural tendency to base our attitudes on stereotypes and to discriminate between people on this basis. Later in this chapter we will outline some strategies shown to be effective in this regard. Before doing so, however, it would be useful to give you a feel for the seriousness of prejudicial attitudes in organizations today.

Halo Effects. A halo effect occurs when the perceiver's general impression of a target distorts his or her perception of the target on specific dimensions. Halos can also be negative (a person can be mistakenly perceived as being different than they really are).

STRATEGIES FOR OVERCOMING WORKPLACE PREJUDICE: MANAGING A DIVERSE WORKFORCE

It's one thing to identify prejudicial attitudes and quite another to eliminate them. Several major approaches have been taken toward doing precisely this, including *diversity management programs* and *mentoring programs.*

Diversity Management Programs. In recent years, organizations have become increasingly proactive in their attempts to eliminate prejudice, and have taken it upon themselves to go beyond affirmative action requirements. Their approach is not just to hire a broader group of people than usual, but to create an atmosphere in which diverse groups can flourish. They are not merely trying to obey the law or attempting to be socially responsible, but they recognize that diversity is a business issue. As one consultant put it." A corporation's success will increasingly be determined by its managers' ability to naturally tap the full potential of a diverse workforce." Diversity programs are more likely to be successful if they include repeated efforts with follow-up activities to see if the training accomplished its objectives.

It is with this goal in mind that three-quarters of American organizations are adapting diversity management programs – efforts to celebrate diversity by creating supportive, not just neutral, work environments for women and minorities. Simply put, the underlying philosophy of diversity management programs is that cracking the glass ceiling requires that women and minorities are not just tolerated, but valued.

Examples of objectives of diversity training programs include:

1. Making explicit and breaking down organizational members' stereotypes that result in inaccurate perceptions and attributions.
2. Making members aware of different kinds of backgrounds, experiences, and values.
3. Showing members how to deal effectively with diversity-related conflicts and tensions.
4. Generally improving members' understanding of each other.

Diversity training can include but is not limited to:

1. Role-playing in which participants act out appropriate and inappropriate ways to deal with diverse employees.
2. Self-awareness activities in which participants' own prejudices and stereotypes are revealed.
3. Awareness activities in which participants learn about others who differ them in lifestyle, culture, sexual orientation, gender, and so on.

Education. Sometimes, effectively managing diversity requires that members of an organization receive additional education to make them better able to communicate and work with diverse employees and customers.

Mentoring Programs. Mentoring is a process through which an experienced member of an organization (the mentor) provides advice and guidance to a less experienced member (the protégé) and helps the less experienced person learn the ropes and do the right things to advance in the organization. A recent study of minority executives found that more than 70 percent of he executives had informal mentors and they generally believe that mentors helped them in their careers. Mentors are a key for entrepreneurs trying to start their own businesses. Mentoring programs can be formal or informal. Successful mentoring requires:

- An atmosphere of mutual respect.
- An atmosphere of mutual understanding.
- The mentor must have the protégé's best interests in mind

SEXUAL HARASSMENT

The term harassment describes the behavior of a person or people that another person finds offensive, aggravating, or otherwise unwelcome. Not all harassment is unlawful. In our society, the term harassment is used very broadly. "Stop harassing me!" can mean, "Stop annoying me," or "Stop bugging me." The definition of unlawful workplace harassment is much narrower than the general definition of harassment. There are specific laws and legal standards used to determine which behaviors and actions are unlawful.

Sexual harassment can be either economic or environmental and is defined as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature. For a subordinate employee to be sexually harassed by a supervisor, the unwelcome sexual behavior must seriously impact the employee's job or be used by the supervisor as a basis for employment decisions about the employee.

A majority of sexual harassment complaints are brought by one coworker against another. However, to be considered unlawful sexual harassment, the harassing coworker's conduct must interfere with the employee's work performance or create a hostile work environment. The sexually harassing behavior must be unwelcome and severe or pervasive in a way that causes the employee's working conditions to become intolerable.

Sexual harassment can take many forms, including comments about an individual's body, physical touching, sexual stories, sexual comments, sexually explicit posters, calendars, cartoons, or other items or actions of a sexual nature.

For harassment to be considered unlawful, it must be ALL of the following:

- Related to a protected category
- Unwelcome
- Offensive to a reasonable person in the recipient's position
- Severe or pervasive

.

Key steps that organizations can take to combat the sexual harassment problem include:

1. Develop a sexual harassment policy supported by top management. This policy should:
   a. Describe and prohibit both quid pro quo and hostile work environment sexual harassment.
   b. Provide examples of types of behaviors that are prohibited.
   c. Outline a procedure employees can follow to report sexual harassment.
   d. Describe the disciplinary actions that will be taken for instances of sexual harassment.
   e. Describe the organization's commitment to educating and training organizational

members about sexual harassment.

2. Clearly communicate the organization’s sexual harassment policy throughout the organization.
3. Investigate charges of sexual harassment with a fair complaint procedure.
4. Take corrective action as soon as possible once it has been determined that sexual harassment has taken place.
5. Provide sexual harassment training and education to all members of the organization.

CHAPTER 5
ORGANIZATIONAL COMMUNICATION AND POWER

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Define communication.
- Describe the various steps in the communication process.
- Distinguish between different forms of verbal media and their relative effectiveness.
- Identify the types of formal messages that flow in different directions within an organization chart.
- Describe how informal communication is different than formal communication in an organization.
- Identify various methods for improving organizational communication.
- Define power.
- Identify the four main types of position power and the four main types of personal power.
- Define organizational politics.
- Identify the major forms that organizational politics takes.
- Describe steps that can be taken to minimize the effects of organizational politics.

One of the main characteristics of behavior in organizations is that it involves the interrelationships between people. After all, employees don't work in a vacuum. Even security guards assigned to remote outposts eventually must have contact with others in their organization. When it comes to the world of work, the old adage, "no one is an island," is most certainly true.

The dynamics of how people relate to each other in organizations will be explored throughout this section of the book, which focuses on group processes. In particular, in this chapter, we will focus on two key aspects of interpersonal relations on the job: communication – the processes through which people send information to others and receive information from them, and power – the capacity that people have to influence others. We are describing these processes in the same chapter because they are so closely related. However, so that you may fully appreciate the importance of each of these processes, we will discuss each separately.

THE BASIC NATURE OF COMMUNICATION

For an organization to function, individuals and groups must carefully coordinate their efforts and activities. Waiters must take their customers' orders and pass them along to the chef. Store managers must describe special promotions to their sales staffs. Clearly, communication is the key to these attempts at coordination. Without it, people would not know what to do, and organizations would not be able to operate effectively—if at all!

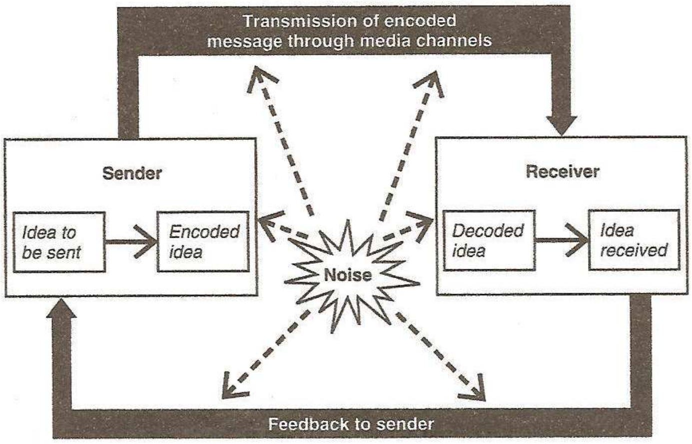
With this in mind, it should not be surprising that communication has been referred to as "the social glue ... that continues to keep organizations tied together," and "the essence of organizations." Given the importance of communication in organizations, you may not be surprised to learn that managers spend as much as 80 percent of their time engaged in one form of communication or another (e.g., writing a report, speaking to others, etc.). We will begin our discussion of organizational communication by formally describing the communication process and then describing some of the forms it takes. Then, building on this foundation, we will describe several ways of improving organizational communication.

The Communication Process and Its Role in Organizations

Formally, we define communication as the process by which a person, group, or organization (the sender) transmits some type of information (the message) to another person, group, or organization (the receiver). Exhibit 1 clarifies this definition and further elaborates on the process.

EXHIBIT 1
THE COMMUNICATION PROCESS

The process of communication consists of the steps summarized here. It begins when a sender has an idea that he or she wishes to send to a receiver.



Encoding. The communication process begins when one party has an idea that it wishes to send to another (either party may be an individual, a group, or an entire organization). It is the sender's mission to transform the idea into a form that can be sent to and understood by the receiver. This is what happens in the process of encoding – translating an idea into a form, such as written or spoken language, that can be recognized by a receiver. We encode information when we select the words we use to send an e-mail message or when we speak to someone in person.

Transmission via Communication Channels. After a message is encoded, it is ready to be transmitted over one or more channels of communication to reach the desired receiver. There are many different pathways through which information travels, including telephone lines, radio and television signals, fiber-optic cables, mail routes, and even the airwaves that carry our voices. Thanks to modern technology, people can choose from a wide variety of communication channels to send both visual and oral information. Whichever channel used, the communicator's goal is the same: to send the encoded message accurately to the desired receiver.

Decoding. Once a message is received, the recipient begins the process of decoding – that is, converting the message back to the sender's original form. This can involve many different processes, such as comprehending spoken and written words or interpreting facial expressions (omit). To the extent that a sender's message is accurately reconstructed by the receiver, the ideas understood will be the ones intended.

As one might imagine, the process of comprehending and interpreting information communicated by others can be highly complex and thus likely prone to errors. This would be the case if, for example, we were conducting business in a foreign country and were unfamiliar with the language spoken by the client. However, it is not uncommon for misunderstandings to occur even when communicating within one’s own native language. It is likely that any English speaker can easily recall a time when they misconstrued someone’s intentions because of their words, or lack thereof.

Feedback. Once a message has been decoded, the process of communication can continue if the receiver responds with a message to the sender. In other words, the person receiving the message now becomes the sender of a new message. This new message is then encoded and transmitted along a communication channel to the intended recipient, who then decodes it. This part of the communication process is known as feedback – providing information about the impact of messages on receivers. Receiving feedback allows senders to determine whether their messages have been correctly understood. Of course, once received, feedback can trigger another idea from the sender, initiating yet another cycle of communication and triggering yet another round of feedback. It is because of this cyclical nature that we call Exhibit 1 a continuous communication process.

Noise. Despite its apparent simplicity, it probably comes as no surprise that the communication process rarely operates as flawlessly as the feedback loop describes. As we will see, there are many potential barriers to effective communication. Noise refers to the factors that distort the clarity of messages that are encoded, transmitted, and decoded in the communication process. Whether noise results from unclear wording, a listener's inattentiveness, or static along a telephone line, ineffective communication is inevitably the result.

Oral and Written Communication:The Power of Words

Verbal communication involves transmitting and receiving ideas using words. It can be either oral, using spoken language (e.g., face-to-face talks, telephone conversations) or written (e.g., memos, letters, e-mail messages). Written communication is often best expressed when the message is routine and impersonal. A nonroutine message can be better communicated orally. While written communication offers the advantage of providing a permanent record of the message, it inhibits immediate feedback because the two parties are not in direct contact. Future breakthroughs in electronic technology, such as computers that can recognize the human voice, may offer a new method of communication that offers the best of both worlds.

Despite existing differences, these two forms of communication share a key feature: They all involve the use of words.

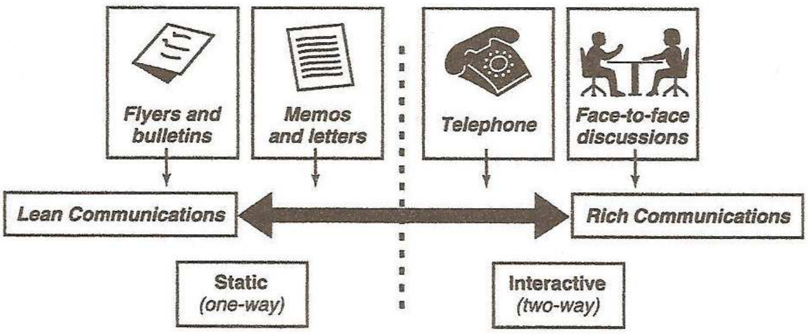
A Continuum of Verbal Media. Organizations rely on a wide variety of verbal media. Some forms are considered rich because they are highly interactive and foster the exchange of a great deal of information. A face-to-face discussion is a good example. A telephone conversation may be considered a little less rich because it doesn't allow the parties to see each other. At the other end of the continuum are communications media that are considered lean because they are static (one-way) and involve much less information. Flyers and bulletins are good examples insofar as they are broadly aimed and focus on a specific issue. Letters also are a relatively lean form of communication. However, because letters are aimed at a specific individual, they are not usually considered as lean as bulletins. Exhibit 2 summarizes this continuum.

Although organizations rely on a wide variety of written media, two particular forms—newsletters and employee handbooks—deserve special attention because of the important roles they play. Newsletters are regularly published internal documents describing information of interest to employees regarding an array of business and nonbusiness issues. Although newsletters are targeted at general audiences, they serve the important function of supplementing other forms of communication in organizations. For example, many companies have found newsletters to be useful devices for explaining official policies and reminding everyone of important decisions made at group meetings.

Employee handbooks also are important vehicles of internal organizational communication. These are formal documents describing basic information about the organization – its policies, mission, and underlying philosophy. Handbooks are widely used today. Not only are they effective at socializing new employees into the company, but the explicit statements they provide may also help to avoid serious misunderstandings and conflicts between employees and the company's top management.

EXHIBIT 2
THE INFORMATION RICHNESS OF COMMUNICATION MEDIA

Communication media may be characterized along a continuum ranging from highly rich, interactive media (e.g., telephone and face-to-face discussions) to lean, static media (e.g., flyers and bulletins).



The Effectiveness of Verbal Media: Matching the Medium and the Message. Given that people in organizations spend so much of their time using both oral and written communication, it is helpful to analyze and determine which is most effective. As you might imagine, it's impossible to provide a simple answer to this question. However, research has provided a great deal of insight into the matter.

For example, we know that communication is most effective in organizations when it uses multiple channels—that is, both oral and written messages. Oral messages help get people's immediate attention. Then, written follow-ups are useful because they provide permanent documents to which people can later refer. Oral messages also have the benefit of allowing for immediate two-way communication between parties, whereas written messages are frequently one-way, or take too long for a response. Not surprisingly, in organizations, two-way communications (such as face-to-face discussions and telephone calls) occur more frequently than one-way communications (e.g., memos).

However, the answer to the question of how effectively a particular communications medium works depends on the kind of message being sent. In one study researchers surveyed a sample of managers about the media they preferred using to communicate two different categories of messages — clear ones and ambiguous ones. "Giving a subordinate a set of cost figures" was considered an example of a clear message, whereas "getting an explanation about a complex technical problem" was an example of an ambiguous message. The findings were interesting: Managers preferred using oral media when communicating ambiguous messages, but written media for communicating clear messages.

Apparently, the managers were sensitive to the need to use communications media that allowed them to take advantage of the rich avenues for two-way oral communications when necessary, and to use the more efficient one-way, written communications when they were adequate. In fact, the study found that managers who followed this pattern were generally considered more effective than those who did not. Findings such as these suggest that demonstrating sensitivity to communicating in the most appropriate fashion is an important determinant of managerial success.

FORMAL AND INFORMAL COMMUNICATION

Compare the following two situations: (1) The CEO of a large conglomerate announces plans for new products to a group of stockholders. (2) One day in the lunchroom two administrative assistants share the latest stories about someone who has been terminated. Although both examples are typical of the kind of communication that occurs in organizations, they differ in a very important way. Specifically, the first example describes a situation in which someone is sharing official information with others who need to know this information. This is referred to as formal communication. The second situation, however, involves the sharing of unofficial information about what's going on in the organization. This is referred to as informal communication. As you might imagine, both formal and informal communications occur commonly in organizations. For this reason, we will describe both types of communication here.

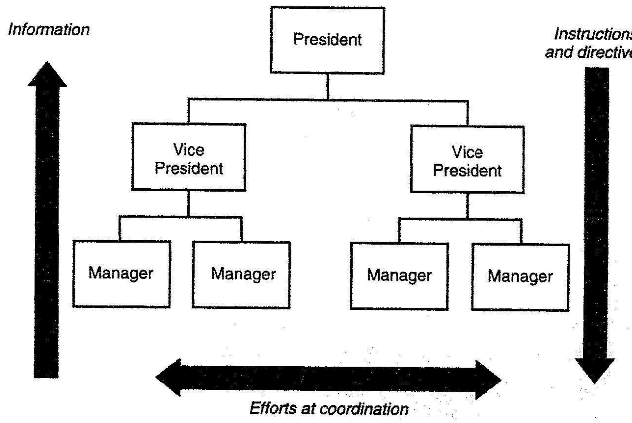
Formal Communication: Messages Directed Through Organizational Structure

Organizations are often described in ways that dictate who may and may not communicate with whom. The formally prescribed pattern of interrelationships existing between the various units of an organization is referred to as organizational structure. Although we will discuss this topic more fully in Chapter 11, here we describe the many important ways in which organizational structure influences the communication process in organizations.

An organization's structure is commonly described by using a diagram known as an organization chart. Such diagrams provide a graphic representation of an organization's structure, an outline of the planned, formal connections between its various units. An organization chart revealing the structure of a small part of a fictitious organization, and an overview of the types of communication expected to occur within it, is shown in Exhibit 3.

EXHIBIT 3
THE ORGANIZATIONAL CHART:
A SUMMARY OF FORMAL COMMUNICATION PATHS

The organizational chart indicates the formal pattern of communication within an organization – that is, which individuals are required to communicate with each other. The types of messages that tend to be communicated across different levels are identified here.



When looking at an organization chart you immediately notice several boxes connected by lines. Each box represents a particular job, as indicated by the job titles noted. The lines connecting the boxes show the formal lines of communication between the individuals performing those jobs—that is, who is supposed to communicate with whom. This particular organization chart is typical of most in that it shows that people communicate formally with those immediately above them and below them, as well as those at their own levels. Formal communication between people several levels apart is far less likely to occur. However, such highly restricted arrangements are giving way to more open forms of organizational structure in many of today's organizations.

As you might imagine, the nature of formal communication that occurs differs according to people's positions in an organization. Even a quick look at Exhibit 3 shows that information flows in three different directions—upward, downward, and sideways. What type of communication typically travels in each direction?

Downward Communication. To answer this question, suppose that you are a supervisor. How would you characterize the formal communication that occurs between you and your subordinates—that is, communication down the organization chart? Typically, downward communication consists of instructions, directions and orders—generally, messages that tell subordinates what they should be doing. We would also expect to find feedback on past performance flowing in a downward direction. A sales manager, for example, may tell the members of her sales force what products they should be promoting. As formal information slowly trickles down from one level of an organization to the next level (occurs when information is said to "go through channels"), it becomes less accurate. This is especially true when that information is spoken. In such cases, it is not unusual for at least part of the message to be distorted and/or omitted as it works its way down from one person to the next. (Anyone who has ever played the game of "telephone" has experienced this firsthand.) To avoid these problems, many companies have introduced programs in which they communicate formal information to large numbers of people at different levels all at one time.

Upward Communication. When information flows from lower levels to higher levels within an organization, such as messages from subordinates to their supervisors, it is known as upward communication. Typically, such messages involve information that managers need to do their jobs, such as data required to complete projects. This may include suggestions for improvement, status reports, reactions to work-related issues, and new ideas.

Although upward communication is the logical opposite of downward communication, there are some important differences between them. These arise because of the difference in status between the communicating parties. For example, it has been established that upward communication occurs far less frequently than downward communication. In fact, one classic study found that 70 percent of assembly-line workers initiated communication with their supervisors less than once a month. And, when people do communicate upward, their conversations tend to be far shorter than the ones they have with others at their own level.

Even more importantly, when upward communication does occur, the information transmitted is frequently inaccurate. Given that employees are interested in "putting their best foot forward" when communicating with their bosses, they have a tendency to highlight their accomplishments and to downplay their mistakes. As a result, negative information tends to be ignored or disguised. This tendency for people to purposely avoid communicating bad news to their supervisors is known as the MUM effect. We need to be concerned about this phenomenon because supervisors can only make good decisions when they have good information available to them. And, when subordinates are either withholding or distorting information so as to avoid looking bad, the accuracy of the information communicated is bound to suffer.

Horizontal Communication. Within organizations, messages don't only flow up and down the organization chart, but sideways as well. Horizontal communication is the term used to identify messages that flow laterally, at the same organizational level. Messages of this type are characterized by efforts at coordination, attempts to work together. Consider, for example, how a vice president of marketing would have to coordinate his or her efforts with people in other departments when launching an advertising campaign for a new product. This would require the coordination of information with experts from manufacturing and production (to see when the products will be available) as well as those from research and development (to see what features people really want).

Unlike vertical communication, in which the parties are at different organizational levels, horizontal communication involves people at the same level. Therefore, it tends to be easier and friendlier. It also tends to be more casual in tone and occur more readily given that there are fewer social barriers between the parties. This is not to say that horizontal communication is without its potential pitfalls. Indeed, people in different departments sometimes feel that they are competing against each other for valued organizational resources, leading them to show resentment toward one another. And when an antagonistic, competitive orientation replaces a friendly, cooperative one, work is bound to suffer.

Informal Communication: Beyond the Organization Chart

It's probably obvious that a great deal of communication in organizations goes far beyond sending formal messages up, down, or across organization charts. To get a complete picture of organizational communication we also must pay attention to informal communication—information shared without any formally imposed obligations or restrictions.

Characterizing Informal Organizational Communication. When people communicate informally they are not bound by their organizational positions. Anyone can tell anything to anyone else. Although it would clearly be inappropriate for a mail room clerk to share his thoughts with a vice president about matters of corporate policy, both parties may be perfectly at ease exchanging funny stories. The difference lies in the fact that the funny stories are unofficial in nature, and are communicated informally—that is, without following the formal constraints imposed by the organization chart.

It is easy to imagine how important the flow of informal information may be within organizations. People transmit information to those with whom they come into contact, thereby providing conduits through which all sorts of messages can travel. Research has shown that such informal connections may explain the very important organizational phenomenon of turnover. For example, studying informal communication patterns in a fast food restaurant, scientists observed that the people who left their jobs tended to be ones who kept in touch with individuals who left earlier to take new positions. This makes sense if you think about it: After all, people who communicate informally with their workmates about better job opportunities in other companies are likely to be the ones who take advantage of such opportunities.

When anyone can tell something informally to anyone else, it results in a very rapid flow of information along what is commonly called “the grapevine.” This term refers to the pathways along which unofficial information travels. In contrast to formal organizational messages, which might take several days to reach their destinations, information traveling along the organizational grapevine tends to flow very rapidly. In fact, it is not unusual for some messages to reach everyone in a large organization in a matter of a few hours. We already explained that this is the case because informal communication crosses organizational boundaries and is open to everyone. There is another reason as well. Namely, informal information tends to be communicated orally, and oral messages not only reach more people, but do so more quickly than written messages.

As we noted earlier, however, oral messages run the risk of becoming inaccurate as they flow between people. Because of the possible confusion grapevines can cause, some people have sought to eliminate them. However, they are not necessarily bad. In fact, informally socializing with our co-workers can help make work groups more cohesive, and also may provide excellent opportunities for the pleasant social contacts that make life at work enjoyable. Regardless of whether they're helpful or harmful, the grapevine must be considered an inevitable fact of organizational life.

Rumors: The Downside of Informal Communication. Although the information communicated along the grapevine may be accurate in some respects, it may be inaccurate in others. In extreme cases information may be transmitted that is without any basis in fact and is unverifiable. Such messages are known as rumors. Typically, rumors are based on speculation, someone's overactive imagination, and wishful thinking, rather than on facts.
Rumors race like wildfire through organizations because the information they contain is usually very interesting and vague. This ambiguity leaves messages open to embellishment as they pass orally from one person to the next. Before you know it, almost everyone in the organization has heard the rumor, and its inaccurate message comes to be taken as fact ("Everyone knows it, so it must be true"). Hence, even if there may have been, at one point, some truth to a rumor, the message quickly grows untrue.

The question arises: What can be done to counter the effects of rumors? You may be tempted to consider directly refuting a rumor. This approach works best whenever a rumor is highly implausible and is challenged immediately by an independent source. What worked best at countering the rumor, research showed, was reminding people about other things they already believed about a company. Not surprisingly, advertising campaigns (including public relations efforts by politicians rumored to be involved in various scandals) frequently devote more time to redirecting the public's attention away from negative thoughts and toward positive ones that they already have.

Strategies for Improving Organizational Communication
Given how important it is for people in organizations to communicate with each other in a clear, open, and accurate fashion, it is worthwhile to consider ways of improving organizational communication. With this in mind, we will describe several tried-and-true techniques.

Encourage Open Feedback. In theory, it's simple: If accurate information is the key to effective communication, then organizations should encourage feedback since, after all, feedback is a prime source of information. However, we say "in theory" because it is natural for workers to be afraid of the repercussions they may face when being extremely open with their superiors. Likewise, high-ranking officials may be somewhat apprehensive about hearing what's really on their workers' minds. In other words, people in organizations may be reluctant to give and to receive feedback—a situation that can wreak havoc on organizational communication.

These problems would be unlikely to occur in an organizational climate in which top officials openly and honestly seek feedback and in which lower-level workers believe they can speak their minds with impunity. But how can this be accomplished? Although this is not easy, several successful techniques for opening feedback channels have been used by organizations. Among these are the following:

360-degree feedback—Formal systems in which people at all levels give feedback to others at different levels and receive feedback from them, as well as outsiders—including customers and suppliers. This technique is used in such companies as Alcoa, General Mills, Hewlett-Packard, Merck, Motorola, and 3M.

Suggestion systems—Programs that invite employees to submit ideas about how something may be improved. Employees are generally rewarded when their ideas are implemented.

Corporate hotlines—Telephone lines staffed by corporate officials ready to answer questions and listen to comments. These are particularly useful during times when employees are likely to be full of questions because their organizations are undergoing change.

Use Simple Language. No matter what field you're in, chances are good that it has its own special language—also known as jargon. Although jargon may greatly help communication within specialized groups, it can severely interfere with communication among the uninitiated.

The trick to using jargon wisely is to know your audience. If the individuals with whom you are communicating understand the jargon, using it can help facilitate communication. However, when addressing audiences whose members are unfamiliar with specialized language, simple, straightforward language is bound to be most effective. In either case, the rationale is the same: Know your audience. Although you may be tempted to try to impress your audience by using big words, you may have little impact on them and may even appear condescending if they don't understand you. Our advice is clear: Follow the K.I.S.S. principle—that is, keep it short and sweet.

Avoid Overload. Imagine this scene: You're up late one night at the end of the term as you're writing a paper and studying for finals (or at least trying to) all at the same time. Your desk is piled high with books when your roommate comes in to explain what you should do to prepare for the end-of-semester party. If this sounds at all familiar to you, then you probably know only too well that it's unlikely that you'd be able to give everything you're doing your utmost attention. After all, when people are confronted with more information than they can process at any given time, their performance tends to suffer. This condition is known as overload.

Staying competitive in today's hectic world often requires doing many things at once—but without threatening the performance that often results when communication channels are overloaded. Fortunately, several things can be done to avoid, or at least minimize, the problem of overload. Among these are the following.

Rely on gatekeepers. People whose jobs require them to control the flow of information to potentially overloaded individuals, groups, or organizations are known as gatekeepers. In making appointments for top executives, administrative assistants are providing a gatekeeping service.

Practice queuing. A "queue" is a line. So, queuing involves lining up incoming information so that it can be attended to in an orderly fashion. Air traffic controllers do this when they "stack" incoming planes in a holding pattern so as to prevent them from tragically "overloading" the runway.

Walk the Talk. When it comes to effective communication, action definitely speaks louder than words. Too often, communication is hampered by the practice of saying one thing but meaning another. And, whenever implicit messages (e.g., "we may be cutting jobs") contradict official messages (e.g., "don't worry, the company is stable"), confusion is bound to result.

This is especially problematic when the inconsistency comes from the top. In fact, one of the most effective ways of fostering effective organizational communication is for CEOs to "walk the talk" that is, to match their deeds to their words. After all, a boss would lose credibility if she told her employees "my door is always open to you," but then was never available for consultation. Good communication demands consistency. And, for the words to be heard as loud as the actions, they must match up.

Be a Good Listener. Effective communication involves more than just presenting messages clearly. It also involves doing a good job of comprehending others. Although most of us take listening for granted, effective listening is an important skill. In fact, given that managers spend about 40 percent of their time listening to others, but are only 25 percent effective, listening is a skill that could stand to be better developed in most of us. When we speak of effective listening we are not referring to the passive act of just taking in information that so often occurs. Rather, effective listening involves three important elements.

- Being nonjudgmental while taking in information from others.
- Acknowledging speakers in ways that encourage them to continue speaking.
- Attempting to advance the speaker's ideas to the next step.

It is worthwhile to consider what we can do to improve our own effectiveness as listeners. Fortunately, experts have offered several good suggestions, some of which are summarized in Exhibit 4. Although it may require some effort, incorporating these suggestions into your own listening habits will provide surprising benefits.

Given its importance, it should not be surprising that many organizations are working hard to improve their employees' listening skills. For example, Unisys has long used seminars and self-training audiocassettes to train thousands of its employees in effective listening skills. Such systematic efforts at improving listening skills represent a wise investment for the outcome shows that good listening definitely pays off. Indeed, research has shown that the more effective one is as a listener, the more likely he or she is to get promoted to a management position and perform effectively in that role.

OB IN ACTION — The Consequences of Poor Listening Skills

Mr. Winston, a product manager, found out that his subordinates viewed him as an ineffective leader. The problem seemed to be a breakdown in communication at the workplace. Failure to provide information was a common complaint against him. Mr. Winston also began to understand that he was perceived as a poor listener. Mr. Winston realized he had a problem and he had to make changes quickly or lose some of his talented employees. He decided to change his communication style and have regular meetings to open up lines of communication. His employees immediately sensed the change in leadership style and positively responded.

POWER: HAVING AN IMPACT ON OTHERS

If you were to think about the most effective managers you have known, chances are good that you'd recognize that they were all pretty good at one important thing—getting others to do as they wished. That is, they have power over others—the capacity to influence others in some desired fashion.

EXHIBIT 4
TIPS FOR IMPROVING YOUR LISTENING SKILLS

Being a good listener is an important skill that can enhance the effectiveness of communication in organizations. Although it may be difficult to follow the suggestions outlined here, the benefits may be worthwhile.

Suggestions	*Description*
Do not talk while being spoken to.	It is difficult, if not impossible, to listen to another while you are talking yourself.
Make the speaker feel at ease.	Help the speaker feel free to speak as he or she desires by being interested and making eye contact.
Eliminate distractions.	Don't focus on other things: pay attention only to the speaker.
Show empathy with the speaker.	Try to put yourself in the speaker's position, and try to see his or her point of view.
Be as patient as possible.	Take the time needed to hear everything the speaker has to say.
Hold your arguments.	If you're busy forming your own arguments, you cannot focus on their points.
Ask questions.	By asking questions, you demonstrate that you are listening, and make it possible to clarify areas of uncertainty.

Now, if you thought about it further, you'd probably recognize that despite being so highly influential, these powerful managers accomplished what they wanted using very different strategies. For example, one manager may have been very straightforward, explaining why it is best to behave a certain way (e.g., "This works best because..."). Another may have brought pressure to bear (e.g.. "Do it this way, or else..."). This raises an important question that we will examine in this section of the chapter: How do people influence others in organizations? Put differently, from where do they draw their power?

In answering this question we will focus on two major categories of power—that which comes from the position that someone holds, and that which comes from the person's individual qualities.

Influence That Comes with the Office: Position Power

A great deal of the power that people have in organizations comes from the posts they hold in those organizations. In other words, they are able to influence others because of the formal power associated with their jobs. This is known as position power.

For example, there are certain powers that the president of the United States has simply due to the authority given to the office holder (e.g., signing bills into law, making treaties, and so on). These formal powers remain vested in the person and are available to anyone who holds that position. When the president's term is up, these powers transfer to the new office holder. There are four bases of position power: legitimate power, reward power, coercive power, and information power.

Legitimate Power. The power that someone has because others recognize and accept his or her authority is known as legitimate power. Let's consider an example to which all students can easily relate. You recognize that your instructors have the authority to make class policies and to determine grades. In other words, they have legitimate power over the class. However, if someone were to challenge the teacher's decision, saying, "who are you to do that?" the answer might be, "I'm the instructor, that's who!" This exchange would clarify the legitimacy of the office holder's behavior.

It is important to note that legitimate power covers a relatively narrow range of influence, and that it is considered inappropriate to overstep these bounds. For example, whereas a corporate executive may rely on her legitimate power when requiring her secretary to type and fax a company document, it would be an abuse of power to ask that same individual to type her son's homework. This is not to say that the secretary might not take on the task as a favor, but doing so would not be the direct result of the boss's formal authority. Legitimate power applies only to the range of behaviors that are recognized and accepted as appropriate by the parties and institutions involved.

Reward Power. Associated with holding certain jobs comes the power to control the rewards others receive. This is known as reward power. Extending our teacher-student example, instructors have reward power over their students insofar as they may reward them with high grades and glowing letters of recommendation. In the case of managers, the rewards available may be either tangible (e.g., raises and promotions) or intangible (e.g., praise and recognition). In both cases, access to these desired outcomes gives power to the individuals who control them.

Coercive Power. In contrast, power also results from the capacity to control punishment. This is known as coercive power. Although most managers do not like using the threat of punishments, it is a fact of organizational life that many people rely on coercion. If any boss has ever directly told you to do something "my way or else," or even implied it, then you are probably all too familiar with coercive power.

Often, people have power simply because others know that they have the opportunity to punish them, even if the threat of doing so is not made explicit. For example, in the military, when your commanding officer asks you to do something, you must comply since that request can turn into an order, with severe consequences for not going along. In private organizations too, threats of demotions, suspensions without pay, and assignments to undesirable duties may enhance the coercive power of many managers.

Information Power. The fourth source of power available to people by virtue of their positions is based on the data and other knowledge at their disposal. This is known as information power. Traditionally, people in top positions have available to them unique sources of information that are not available to others (e.g., knowledge of company performance, market trends, and so on).

As they say, "knowledge is power," and such information greatly contributes to the power of people in many jobs.

Although information power still exists, it is becoming a less potent source of power in many of today's organizations. The reason is that technology has made it possible for more information to be available to more people than ever before. As a result, information is generally no longer the unique property of a few individuals holding special positions. Extending this thought, however, when you consider the unique skills of those individuals who develop new technology, it is easy to understand why they are often so very powerful members of today's organizations.

Tips for Gaining Position Power. As you read these descriptions of the different sources of position power you may have found yourself wondering what you could do to enhance your own position power where you are working. If so, don't feel self-conscious about being "power hungry." On the contrary, you may find it comforting to know that building a strong power base is an important first step toward becoming a successful leader (see Chapter 7). Learning to use (but not abuse!) the power at your disposal is key in this regard.

Influence That Comes from the Individual: Personal Power

Thus far, we've discussed power based on an individual's position in an organization. Although this is an important source of power, it is not the only one. People also derive power from their own unique qualities or characteristics. This is known as personal power. There are four sources of personal power: rational persuasion, expert power, referent power, and charisma.

Rational Persuasion. Suppose you are chair of the board of a large high-tech company. Based on your business savvy, you don't like what you see when you look into the future. Some of your products are doing okay, but others are faltering. Something has to be done. You see the need to invest in several new products, which, although unproven, you believe hold the key to the company's success—indeed, its survival. How do you go about convincing the company's other directors and its Chief Operating Officer to move in the direction you favor? People facing such situations tend to rely on rational persuasion – that is, using logical arguments and factual evidence to convince others that a certain idea is acceptable.

As you might imagine, rational persuasion is highly effective when the parties involved are intelligent enough to make their cases strongly and to comprehend them clearly. Given that it is based on clear logic, good evidence, and the desire to help the company, rational persuasion is likely to be highly effective. Not surprisingly, rational persuasion is widely used among top executives all the time.

Expert Power. Returning to our example, it's easy to imagine that as chair of the board you have considerable expertise in the business—and, that everyone around you knows and appreciates this. As such, it also may be said that you possess expert power—that is, power based on recognized superior knowledge of a particular field. Athletic coaches may be considered a good example of people with expert power. After all, such individuals have power over athletes to the extent that they are recognized as knowing what is best (and have the winning record to back it up!). Once experts have proven themselves, their power over others can be considerable. After all, people will respect and want to follow those in the know.

Should a supervisor's expertise be doubted, however, any power he or she may have based on that expertise is threatened. Insofar as no one is expected to be an expert on everything, this is not necessarily problematic. The less-than-expert person (even the boss!) simply can admit his or her shortcomings and seek guidance from others. Problems develop, however, if someone in a formal position of power has not yet developed a level of expertise that is acknowledged and respected by lower-ranking persons. Those who have not demonstrated their expertise clearly lack this important source of personal power. However, people whose expertise is highly regarded are among the most powerful people in organizations.

Referent Power. As you know from experience, it is not only someone's expertise, but his or her personal qualities, that form the basis of our admiration for others in organizations. Individuals who are liked and respected can get others to go along with them simply because of that fact alone—a type of influence known as referent power. When you go along with something your friends want to do (e.g., go to a certain movie that you might not prefer to see) you are influenced by their referent power. This occurs in organizations all the time. For example, senior managers who possess desirable qualities and good reputations may have referent power over younger managers who identify with them and who wish to emulate them. Because they like this individual, they may go along with his or her influence attempts.

Charisma. Finally, some people are liked so much by others that they are said to have the quality of charisma—an engaging and magnetic personality. There's no ignoring the fact that some people become highly influential because of their charismatic ways – that is, because of how they inspire others to do things.

What makes such individuals so influential? Four major factors appear to be involved.

1. Highly charismatic people have definite visions of the future of their organizations and how to bring them to reality. Mary Kay Ash, the founder of Mary Kay Cosmetics, for example, is widely regarded to be such a visionary.
2. People with charisma tend to be excellent communicators. In fact, they tend to rely on colorful language and exciting metaphors to excite the crowd.
3. Charismatic individuals inspire trust. Their integrity is never challenged, and is a source of their strength. Former U.S. President John F. Kennedy has been so described by many historians.
4. People with charisma make others feel good about themselves. They are receptive to others' feelings and acknowledge them readily. "Congratulations on a job well done" is a phrase that may flow freely from a charismatic individual.

As we have reviewed here, people may influence others by virtue of both the jobs they have and their individual characteristics.

Organizational Politics: Possible Abuses of Power

Underlying our discussion of power has been the assumption that people attempt to influence others so as to get the job done—that is, for the good of the organization. Although this is generally true, sometimes however, people purposely influence others in ways that actually harm the organization, but that help them personally. Such acts are known as organizational politics – behaviors that are not officially approved by an organization that people take to promote their own self-interest at the expense of the organization's interest. Politically motivated acts often represent abuses of power.

As you might imagine, acts of organizational politics do not occur at random. Rather, they tend to occur under certain conditions. Specifically, politically motivated acts are most likely to occur in organizational units in which clear policies are nonexistent or lacking, as opposed to those in which there exist more clearly defined rules and regulations. When there are clear-cut rules about what to do, it is unlikely that people will be able to abuse their power by taking political action. However, when people are working under highly novel and ambiguous situations – those in which the prevailing rules are unclear – the stage is set for political behavior to result, which raises a question regarding the specific forms that such behavior may take.

What Forms Do Organizational Politics Take? To best understand organizational politics, we must recognize its various forms. Specifically, five major techniques of organizational politics are most often seen. These are as follows.

Restricting access to information. Although people don't always engage in outright lying and falsification, they may be inclined to control others' access to information in ways that enhance their own power. For example, people may withhold information that makes others look bad, avoid contact with others who are expected to press them for things they don't want to say, and so on.

Cultivating a favorable impression. People interested in being highly influential tend to go out of their way to engage in some degree of image building – attempts to enhance the goodness of one's impressions on others. This may take the form of associating oneself with others' successful accomplishments and drawing attention to one's own successes.

Developing a base of support. To successfully influence others, it is often useful to gain the support of others in the organization. With this in mind, managers may "lobby" for their ideas before they officially present them at meetings, and "call in favors" they have done for others in the organization.

Blaming and attacking others. A commonly used political tactic involves finding a scapegoat—that is, someone to put blame on for some failure or wrongdoing. Explaining that something is really someone else's fault, making another "take the fall," gets the real culprit "off the hook" for it—until the truth comes out, of course.

Aligning with those more powerful. One of the most direct ways to gain power is by associating oneself with those that are higher in power. This may be done by finding a more powerful person to serve as one's mentor (see Chapter 5), and by banding together informally with others to form coalitions (see Chapter 8).

How Do You Deal with Organizational Politics? Given how fundamental the desire and need for power appears to be among people, and how differences in power are widespread in organizations, it seems safe to say that organizational politics is inevitable. And, as the effects of organizational politics generally tend to be negative, this is not good news. Although it may be impossible to totally eliminate organizational politics, it is important for managers to consider ways of minimizing the effects of political behavior. Fortunately, several tactics have proven effective.

- **Clarify job expectations**. To the extent that political behavior is nurtured by ambiguity, it follows that reducing ambiguity may help reduce political activity. With this in mind, it behooves managers to give well-defined work assignments and to explain in detail exactly how work performance will be evaluated. Such efforts may help insofar as they allow employees to gain power by meeting their job expectations instead of by playing political games.
- **Open the communication process**. People find it difficult to foster their own goals at the expense of organizational goals when the communication process is open to scrutiny by all. For example, when budget allocations are made openly (i.e., announced to all) it is much more difficult to make questionable deals with others than when the communication process is closed.
- **Be a good role model**. It is well established that higher-level personnel set the standards by which lower-level employees operate. As a result, any manager who is openly political in the use of power is likely to send the message that it is acceptable for subordinates to behave the same way. Engaging in dirty political tricks teaches subordinates that such behaviors are the accepted practice.
- **Do not turn a blind eye to game players.** Suppose you see one of your subordinates attempting to gain power over another by taking credit for that individual's work. Immediately confront this individual and do not ignore what he or she did. If the person believes that he or she can get away with it, that individual this behavior.

In conclusion, practicing managers need to realize that because power differences are basic to organizations, attempts to gain power advantages through political maneuvers are to be expected. However, a critical aspect of any manager's job is to redirect these political activities away from any threats to the organization. Although it may be unrealistic to expect to totally eliminate political dirty tricks, the suggestions offered here should provide some useful guidelines for minimizing their impact.

CHAPTER 6
GROUPS AND TEAMS IN ORGANIZATIONS

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Define and distinguish between various types of formal and informal groups.
- Describe the role of norms in organizations and how they develop.
- Explain the social facilitation effect.
- Describe the social loafing effect and how it may be overcome.
- Define team and explain what makes a team different from an ordinary work group.
- Describe the general effectiveness of work teams.
- Identify ways of overcoming obstacles to team effectiveness.
- Describe the nature of four important kinds of groups in organizations and how and why they help an organization achieve its goals.

What do the following situations have in common? A committee meets to prepare the budget for next year. The company bowling team gathers at the lanes for the night's big match. Seven engineers work together to find ways to improve product safety. The answer is that all involve the coordinated interaction between individuals working together for some specific purpose. In other words, they are *groups.* As you know, a great deal of the work performed in organizations is done by groups. In light of this, it makes sense to understand the types of groups that exist and the variables governing the inter-relationships among them and individuals—commonly referred to as *group dynamics.* This will be our focus in the first half of this chapter.

Then, after examining the general nature of groups we will shift our focus to a specific type of group that is growing in popularity in today's organizations—*teams.* These are groups in which people are strongly committed to achieving their goals and direct themselves toward attaining them. We will clarify the nature of teams, about which there has been some confusion, and then review cases in which teams have been used successfully in organizations. However, using teams can be tricky, so we also will describe some obstacles to team effectiveness and how they may be overcome.

THE NATURE OF GROUPS

To understand the operation of groups in organizations, it is necessary to define exactly what a group is and the types of formal and informal groups that exist.

What Is a Group?

Imagine waiting in a line at the bank one day along with five other people. Now compare this collection of individuals to your company's board of directors. Although in our everyday language we may refer to the people waiting in line as a group, they certainly are not a group in the same sense as the members of the board. Obviously, a group is more than simply a collection of people. But, what exactly is it that makes a group a group?

Social scientists have formally defined a group as *a collection of two or more interacting individuals with a stable pattern of relationships between them who share common goals and who perceive themselves as being a group.* Let's consider the various elements of this definition separately.

First, groups are composed of *two or more people in social interaction.* In other words, the members of a group must have some influence on each other. Whether the interaction between the parties is immediate and occurs face-to-face, such as in committee meetings, or is delayed, such as might occur when a written draft of a document is circulated for comments, the parties must have some impact on each other to be considered a group.

Second, groups must possess a *stable structure.* Although groups can change, and often do, there must be some stable relationships that keep group members together and functioning as a unit. A collection of individuals that constantly changes (e.g., those waiting on the bank line with you) would not be considered a group.

A third characteristic of groups is that *members share common interests or goals.* For example, members of a company's safety committee all share a common goal in keeping the workplace free of danger.

Fourth, and finally, to be a group, the individuals involved *must perceive themselves as a group.* Groups are composed of people who recognize each other as a member of their group and they can distinguish these individuals from nonmembers. Whether it's the members of a corporate board of directors or a company softball team, people know who is in their group and who is not. In contrast, the people waiting with you in line at the bank probably don't think of each other as being members of a group. Although they stand close together and may have passing conversations, they have little in common (except, perhaps, a shared interest in reaching the front of the line) and fail to identify themselves with the others in the line.

As these four characteristics suggest, groups are very special collections of individuals. Despite these specific requirements, there are a wide variety of different types of groups that may be identified within organizations.

Formal and Informal Groups

Although a military combat unit, the president's cabinet, and the three-person cockpit crew of a commercial airliner are certainly all very different from each other, they are all groups. So, to clarify our understanding of the nature of groups, it is helpful to describe the different types of groups that exist. In this regard, it is useful to distinguish *between formal groups* and *informal groups* (see Exhibit 1).

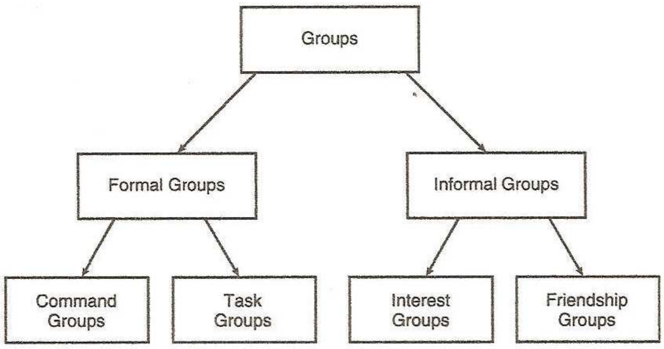
Formal Groups. Groups created by the organization and that are intentionally designed to direct members toward some important organizational goal are known as formal groups. One type of formal group is referred to as a *command group*—a group determined by the connections between individuals who are a formal part of the organization (i.e., those who can legitimately give orders to others; see Chapter 5). For example, a command group may be formed by the vice president of marketing, who gathers together her regional marketing directors from around the country to hear their ideas about a new national advertising campaign. Command groups are determined by the organization's rules regarding who reports to whom, and they usually consist of a supervisor and his or her subordinates.

A formal organizational group also may be formed around some specific task. Such a group is referred to as a *task group.* Unlike command groups, task groups may be composed of individuals with some special interest or expertise in a specific area regardless of their positions in the organizational hierarchy. For example, a company may have a committee on equal employment opportunities whose members monitor the fair hiring practices of the organization. It may be composed of personnel specialists, corporate vice presidents, and workers from the shop floor. Whether they are permanent committees, known as *standing committees,* or temporary ones formed for special purposes (such as a committee formed to recommend solutions to a parking problem), known as *ad hoc committees* or *task forces,* task groups are commonly found in organizations.

Informal Groups. Not all groups are as formal as those we have identified; many are informal in nature. Informal groups develop naturally among an organization's personnel without any direction from the management of the organization within which they operate. One key factor in the formation of informal groups is a common interest shared by its members. For example, a group of employees who band together to seek union representation, or who march together to protest their company's pollution of the environment, may be called an *interest group.* The common goal sought by members of an interest group may unite workers at many different organizational levels. The key factor is that membership in an interest group is voluntary – it is not dictated by the organization, but encouraged by an expression of common interests.

EXHIBIT 1
TYPES OF GROUPS

Within organizations there are likely to be *both formal groups* (such as command groups and task groups) and *informal groups* (such as interest groups and friendship groups).



Of course, sometimes the interests that bind individuals together are far more diffuse. Groups may develop out of a common interest in participating in sports, or going to the movies, or just getting together to talk. These kinds of informal groups are known as *friendship groups.* Friendship groups extend beyond the workplace because they provide opportunities for satisfying the social needs of workers that are so important to their well being.

Informal work groups are an important part of life in organizations. Although they develop without direct encouragement from management, friendships often originate out of formal organizational contact. For example, three employees working along side each other on an assembly line may get to talking and discover their mutual interest in basketball, and decide to get together after work to shoot hoops. As we will see in Chapter 8, such friendships can bind people together, helping them cooperate with each other, and may have beneficial effects on organizational functioning. (Our discussion thus far has suggested that people have many different reasons for joining groups.

GROUP DEVELOPMENT OVER TIME: THE FIVE-STAGE MODEL

All groups change over time as group members come and go; group tasks and goals change; and group members gain experience in interacting with each other. One well-known model of group development is Bruce Tuckman's five-stage model. The model's stages are:

1. *Forming*—group members try to get to know each other and establish a common understanding as they struggle to clarify group goals and determine appropriate behavior within the group.
2. *Storming*—characterized by considerable conflict—group members resist being controlled by the group and disagree about who should lead the group or how much power the leader should have.
3. *Norming*—group members really start to feel that they belong to the group, and they develop close ties with one another.
4. *Performing*—the group is ready to tackle group tasks and work toward achieving group goals—the real work gets accomplished in this stage.
5. *Adjourning*—the group disbands after having accomplished its goals.

Research indicates that though possible in some cases, not all groups go through the Tuckman's five stage model or in the order suggested.

GROUP DYNAMICS: PEOPLE WORKING WITH OTHERS

To understand the dynamics of groups it is essential to consider the way groups influence individuals and the way individuals influence groups. We will examine precisely how this occurs in this section of the chapter.

Group Norms: Unspoken Rules of Group Behavior

From your own experiences in groups you probably already know one important way in which groups influence people—that is, by imposing ways of thinking and acting that are considered acceptable. If anyone has ever told you, "that's not the way we do things around here," then you probably already know how potent these effects can be. What you might not know, however, is that such informal forces constitute a key aspect of group dynamics known as norms. Specifically, a norm is a generally agreed-upon set of roles that guides the behavior of group members.

Norms differ from organizational policies in that they are informal and unwritten. In fact, norms may be so subtle that group members may not even be aware that they are operating. Yet, their effects can be quite profound. For example, group norms may regulate such key behaviors as honesty (e.g., whether or not to steal from the company), manners of dress (e.g., a coat and tie is required), and the punctuality of meetings and appointments (e.g., whether or not they generally begin on time). In so doing, norms help regulate groups, and keep them functioning in an orderly fashion.

It is important to note that norms can be either *prescriptive—dictating* what should be done—or *proscriptive—dictating* the behaviors that should be avoided. For example, groups may develop prescriptive norms to follow their leader, or to help a group member who needs assistance. They also may develop proscriptive norms to avoid absences, or to refrain from blowing the whistle on each other. Sometimes the pressure to conform to norms is subtle, as in the dirty looks given a manager by his peers for going to lunch with one of the assembly line workers. Other times, normative pressures may be quite severe, such as when one production worker sabotages another's work because he is performing at too high a level, making his co-workers look bad.

How Do Norms Develop? Why do norms come about? Several key factors appear to be involved.

First, norms develop due to *precedents set over time.* Whatever behaviors emerge at a first group meeting usually will set the standard for how that group is to operate. Initial group patterns of behavior frequently become normative, such as where people sit, and how formal or informal the meeting will be. Such routines help establish a predictable, orderly interaction pattern.

Second, norms develop because of *carryovers from other situations.* Group members usually draw from their previous experiences to guide their behaviors in new situations. The norms governing professional behavior apply here. For example, the norm for a physician to behave ethically and to exercise a pleasant bedside manner is generalizable from one hospital to another. Such *carryover norms,* ones that generalize between different contexts, can assist in making interaction easier in new social situations.

Third, sometimes norms also develop in *response to an explicit statement by a superior or co-worker.* As described in Chapter 5, newcomers to groups quickly "learn the ropes" when people describe what is expected of them. Such an explanation is an explicit statement of the group's or organization's norms insofar as it describes what one should do or avoid doing to be accepted by the group.

Fourth and finally, group norms may develop out of *critical events in the group's history.* If an employee releases an important organizational secret to a competitor, causing a loss to the company, a norm to maintain secrecy may develop out of this incident. To the extent that norms guide people away from similar mistakes, they may be a helpful way of ensuring that the group or organization learns from its past experiences.

Social Facilitation: Performing in the Presence of Others

Imagine that you have been taking piano lessons for 10 years, and you are now about to go on stage for your first major solo concert performance. You have been practicing diligently for several months, getting ready for the big night. But now, you are no longer alone in your own living room, but on stage in front of hundreds of people. Your name is announced, and silence breaks the applause as you take a seat in front of the concert grand. How will you perform now that you are before an audience? Will you freeze, forgetting the pieces you practiced so intensely on your own? Or will the audience spur you on to your best performance yet? In other words, what impact will the presence of the audience have on your behavior?

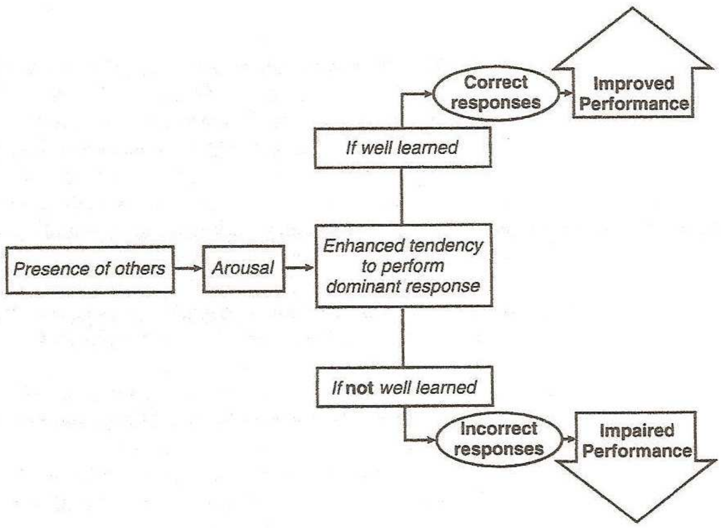
After studying this question for a century, using a wide variety of tasks and situations, social scientists found that the answer to this question is not straightforward. Sometimes people were found to perform better in the presence of others than when alone, and sometimes they were found to perform better alone than in the presence of others. This tendency for the presence of others to enhance an individual's performance at times and to impair it at other times is known as social facilitation. (Although the word "facilitation" implies improvements in task performance, scientists use the term *social facilitation* to refer to both performance improvements *and* decrements stemming from the presence of others.) What accounts for these seemingly contradictory findings?

Scientists have found that the matter boils down to several basic psychological processes. First, it appears that social facilitation is the result of the heightened emotional arousal (e.g., feelings of tension and excitement) people experience when in the presence of others. (Wouldn't you feel more tension playing the piano in front of an audience than alone?) Second, when people are aroused, they tend to perform the most dominant response – that is, their most likely behavior in that setting. (Returning the smile of a smiling co-worker may be considered an example of a dominant act; it is a very well learned act to smile at another who smiles at you.) If someone is performing a very well learned act, the dominant response would be a correct one (such as playing the right notes on the piano). However, if the behavior in question is relatively novel and newly learned, the dominant response would likely be incorrect (such as playing the wrong notes).

Together, these ideas combine to form the drive theory of social facilitation. According to this approach (summarized in Exhibit 2), performance in front of an audience may either be helped (if the task is well-learned) or hindered (if the task is not well-learned).

EXHIBIT 2
THE DRIVE THEORY OF SOCIAL FACILITATION

According to the *drive theory of social facilitation,* the presence of others is arousing, which in turn enhances the tendency to perform dominant responses. If these dominant responses are well learned, performance will be improved. If, however, the dominant response is novel, performance will most likely be impaired.



A considerable amount of research has shown support for this theory, finding that people perform better on tasks in the presence of others if that task is very well learned, but poorer if it is not well learned. However, it is still unclear exactly *why* this effect occurs. One possibility is that social facilitation results from evaluation apprehension—the fear of being evaluated or judged by another person. Indeed, people may be aroused by performing a task in the presence of others because of their concern over what those others might think of them. For example, lower level employees may suffer evaluation apprehension when they are worried about what their supervisors think of their work.

It is also possible that the presence of others creates a conflict between paying attention to others and paying attention to the task at hand. This conflict leads to increased arousal, which, in turn, leads to social facilitation. This is known as the distraction-conflict theory. If you've ever tried doing a homework assignment while your friends or family watch TV nearby, you're probably already aware of the conflict that competing demands for your attention can create.

Regardless of the processes underlying social facilitation, it is clear that the social facilitation effect itself may have a profound influence on organizational behavior. For example, consider the effects it may have on people whose work is monitored, either by others who are physically present or by connections made via computer networks. The rationale behind performance monitoring (the practice of supervisors observing subordinates while working) is that it will encourage people to perform at their best. But, does it really work this way? According to the drive theory of social facilitation, monitoring should improve task performance if the people monitored know their tasks extremely well. However, if they are relatively new at the task, their performance should suffer.

Research has shown that this happens under controlled laboratory conditions. People's productivity was measured as they performed a clerical task at a computer under one of three conditions. They either performed the task alone, performed the task while someone stood behind them and looked on, or they performed the task believing that others could monitor their work via a distant computer. How well did the groups do? The findings confirmed the drive theory of social facilitation: Because the task was novel to those performing it, performance was considerably lower among those whose work was monitored (either in-person or by computer) than those who worked alone. Clearly, in this case, performance monitoring did *not* have the intended effects. Indeed, supervisors seeking to raise employees' performance levels by introducing performance monitoring should carefully consider the effects of social facilitation before doing so.

Social Loafing: "Free Riding" When Working with Others

Have you ever worked with several others helping a friend move into a new apartment, each carrying and transporting part of the load from the old place to the new one? Or, how about sitting around a table with others stuffing political campaign letters into envelopes and addressing them to potential donors? Although these tasks may seem quite different, they actually share an important characteristic: Performing each requires the efforts of only a single individual, but several people's work can be pooled to yield greater outcomes. Because each person's contributions are summed together with another's, such tasks have been referred to as additive tasks.

If you've ever performed additive tasks – such as the ones described here – there's a good chance that you found yourself working not quite as hard as you would have if you did them alone. Does this sound familiar to you'? Indeed, a considerable amount of research has found that when several people combine their efforts on additive tasks, each individual contributes less than he or she would when performing the same task alone.

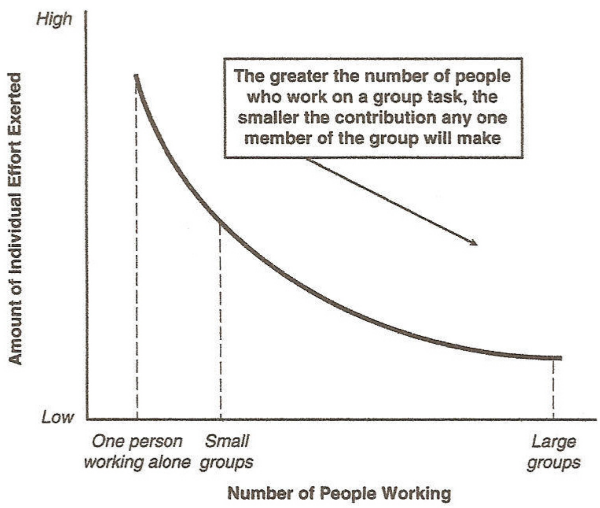
As suggested by the old saying, "Many hands make light the work," a group of people would be expected to be more productive than any one individual. However, when several people combine their efforts on additive tasks, each individual's contribution tends to be less. Five people working together raking leaves will *not* be five times more productive than a single individual working alone; there are always some who go along for a "free ride." In fact, the more individuals who are contributing to an additive task, the less each individual's contribution tends to be—a phenomenon known as social loafing.

This effect was first noted many years ago by a German scientist named Max Ringelmann, who compared the amount of force exerted by different size groups of people pulling on a rope, as in tug-o-war. He found that one person pulling on a rope alone exerted an average of 63 kilograms of force. In groups of three, however, the per-person force dropped to 53 kilograms, and in groups of eight it was reduced to only 31 kilograms per person—less than half the effort exerted by people working alone! Social loafing effects of this type have been observed in many different studies conducted in recent years. The general form of the social loafing effect is portrayed graphically in Exhibit 3.

The phenomenon of social loafing has been explained by social impact theory. According to this theory, the impact of any social force acting on a group is divided equally among its members. The larger the size of the group, the less the impact of the force on any one member. As a result, the more people who might contribute to a group's product, the less pressure each person faces to perform well—that is, the responsibility for doing the job is diffused over more people. Hence, each group member feels less responsible perform at their best, and social loafing occurs.

EXHIBIT 3
THE SOCIAL LOAFING EFFECT

When individuals work together on additive tasks, the greater the size of the group, the less the effort each individual exerts. This phenomenon is known as *social loafing.*



Tips for Eliminating Social Loafing. Obviously, the tendency for people to reduce their effort when working with others could be a serious problem in organizations. Fortunately, research has shown that there are several ways in which social loafing can be overcome. One possible antidote to social loafing is to make *each performer identifiable.* Social loafing may occur when people feel they can get away with "taking it easy"—namely, under conditions in which each individual's contributions cannot be determined.

A variety of studies on the practice of "public posting" support this idea. *This* research has found that when each individual's contribution to a task is displayed where it can be seen by others (e.g., weekly sales figures posted on a chart), people are less likely to slack off than when only overall group (or company wide) performance is made available. In other words, the more one's individual contribution to a group effort is highlighted, the more pressure each person feels to make a group contribution. Thus, social loafing can be overcome if one's contributions to an additive task are identified: Potential loafers are not likely to loaf if they fear getting caught.

Another way to overcome social loafing is to *make work tasks more important and interesting.* Research has revealed that people are unlikely to go along for a free ride when the task they are performing is believed to be vital to the organization. For example, it has been found that the less meaningful salespeople believed their jobs were, the more they engaged in social loafing—especially when they thought their supervisors knew little about how well they were working. To help in this regard, corporate officials should deliberately attempt to make jobs more intrinsically interesting to employees. To the extent that jobs are interesting, people may be less likely to loaf.

It also has been suggested that managers should *reward individuals for contributing to their group's performance*—that is, encourage their interest in their group's performance. Doing this (e.g., giving all salespeople in a territory a bonus if they jointly exceed their sales goal) may help employees focus more on collective concerns and less on individualistic concerns, increasing their obligations to their fellow group members. This is important, of course, in that the success of an organization is more likely to be influenced by the collective efforts of *groups* than by the individual contributions of any one member.

Another mechanism for overcoming social loafing is to *use punishment threats.* Decrements may be controlled by threatening to punish the individuals slacking off, and thus loafing may be reduced. This effect was demonstrated in an experiment conducted involving members of high school swim teams? The participants in this study swam either alone or in four-person relay races during practice sessions. In some conditions, the coach threatened the team by telling them that everyone would have to swim "penalty laps" if anyone on the team failed to meet a specified difficult time for swimming 100 yards freestyle. In a control group. no punishment threats were issued. It was found that people swam faster alone than as part of relay teams when no punishment was threatened, thereby confirming the social loafing effect. However, when punishment threats were made, group performance increased, thereby eliminating the social loafing effect.

TEAMS: EMPOWERED WORK GROUPS

In recent years as organizations have been striving to hone their competitive advantage, many have been organizing work around specific types of groups known as *teams.* Because the team movement frequently takes different forms, some confusion has arisen regarding exactly what teams are. In this section we will clarify the basic nature of teams by describing their key characteristics and then identifying the various types of teams that exist.

What Is a Team? Key Characteristics

At the Miller Brewing Company in Trenton, Ohio, groups ranging from 6 to 19 employees work together to perform all operations, including brewing (Miller Genuine Draft beer is made at this facility), packaging, and distribution. They schedule their own work assignments and vacations, conduct assessments of their peers' performance, maintain the equipment, and perform other key functions. Each group is responsible for meeting pre-specified targets for production, quality, and safety. Data regarding costs and performance are made available.

Clearly, these groups are different in key respects from the ones we have been describing thus far, such as a budget committee or company ski club. The Miller employees are all members of special kinds of groups known as teams. Formally, we define a team as *a group whose members have complementary skills and are committed to a common purpose or set of performance goals for which they hold themselves mutually accountable.* Applying this definition to our description of the way work is done at Miller's Trenton plant, it's clear that teams are in use at this facility. Given the complicated nature of teams, we will highlight some of their key characteristics and distinguish them from the traditional ways in which work is structured (for a summary, see Exhibit 4).

First, *teams are organized around work processes rather than functions.* So, for example, instead of having traditional departments each focusing on a specialized function, (such as engineering, planning, quality control, and so on) team members have many different skills. They come together to perform key processes, such as designing and launching new products, manufacturing, and distribution.

EXHIBIT 4
TEAMS VERSUS TRADITIONAL WORK STRUCTURES:
SOME KEY DISTINCTIONS

Teams differ from traditional work structures with respect to the six key distinctions identified here.

Traditional Structure	*Teams*
Design around functions	Design around work processes
No sense of ownership over the work	Ownership of products, services, or

products	processes
Workers have single skills	Team members have many skills
Outside leaders govern workers	Team members govern themselves
Support staff and skills are found outside the groups	Support staff and skills are built into teams
Organizational decisions are made by managers	Teams are involved in making organizational decisions for themselves

Second, *teams "own" the product, service, or processes on which they work.* By this, we mean that people feel part of something meaningful, and that they understand how their work fits into the big picture. For example, employees at many hospitals work in teams within four mini-hospitals (surgical, general, specialty medical, and outpatient)—not only to boost efficiency, but to help them feel more responsible for their patients. By working in small units, team members have greater contact with patients and are more aware of the effects of their work on patient care. This is in contrast to the traditionally more distant way of organizing hospital work, in which employees tend to feel less connected to the results of their actions.

Third, *members of teams are trained in several different areas and have a variety of different skills.* For example, at insurance companies, policies are now processed by team members who rate policies, underwrite them, and then enter them into the system. Before the switch to teams, these three tasks were performed by specialists in three separate departments. In fact, this is typical. Traditionally, people only learned single jobs and performed them over and over again, unless there was some need for retraining.

Fourth, *teams govern themselves.* And, as a result, team leaders may be thought of as *coaches* who help members of the team, rather than bosses who use more authoritarian means of leadership (see Chapter 7).

Fifth, *in teams, support staff and responsibilities are built-in.* Traditionally, such functions as maintenance, engineering, and human resources operate as separate departments that provide support to other groups requiring their services. Since this often causes delays, teams may contain members who have expertise in needed support areas. For example, at some companies, there are no longer any quality inspectors. Instead, all team members are all trained in matters of inspection and quality control. Or sometimes, organizations hire people with highly advanced or specialized skills who are assigned to work as members of several different teams at once. For example, teams at Texas Instruments have access to specialized engineering services in this way. Regardless of how it's done, the point is that teams do not rely on outside support services to help get their jobs done; they are relatively self-sufficient.

Sixth, and finally, *teams are involved in company-wide decisions.* This is in contrast to the traditional practice of using managers to make all organizational decisions.

Types of Teams

In view of their widespread popularity, it should not be surprising to learn that there are many different kinds of teams. To help make sense out of these, scientists have categorized these along three major dimensions. The first has to do with their major *purpose or mission.* In this regard, some teams—known as *work teams*—are concerned primarily with the work done by the organization, such as developing and manufacturing new products, providing services for customers, and so on. Their principal focus is on using the organization's resources to effectively create its results (goods or services). The several examples of groups noted thus far are of this type. Other teams—known as *improvement teams*—are primarily oriented toward the mission of increasing the effectiveness of the processes that are used by the organization.

A second dimension has to do with *time*. Specifically, some teams are only *temporary*, and are established for a specific project with a finite life. For example, a team set up to develop a new product would be considered temporary. As soon as its job is done, it disbands. However, other teams are *permanent*, and stay intact as long as the organization is operating. For example, teams focusing on providing effective customer service tend to be permanent parts of many organizations.

The third dimension reflects the team's connection to the organization's overall *authority structure*—that is, the connection between various formal job responsibilities. In some organizations, teams may cross over various functional units (e.g., marketing, finance, human resources, and so on.), and are said to be *overlaid* (i.e., their activities are superimposed over the functioning of various organizational units). For example, a quality improvement team may be expected to get involved with the activities of several different organizational units (the mission of improving quality does not belong to any one unit working alone). A research-and-development team is usually a cross-functional team because many different skills are needed to identify and create a new product.

Such arrangements are often difficult because of ambiguities regarding authority. In contrast, some organizations use teams that are *intact* with respect to the existing structure of the organization. Note that the boundaries between all teams must be considered permeable. Indeed, people are frequently members of more than one team—a situation often required for organizations to function effectively. For example, members of an organization's manufacturing team must carefully coordinate their activities with members of its marketing team. To the extent that people are involved in several different kinds of teams, they may gain broader perspectives, and make more important contributions to their various teams.

WORK TEAMS: WHAT IS THE PAYOFF?

Now that you have a solid understanding of the basic nature of teams, we are prepared to explore the issue of how successful teams have been in organizations. After reviewing the evidence bearing on this question, we will turn to the very practical matter of identifying the potential obstacles to team success and ways they may be overcome.

Teams at Work: How Good Is Their Track Record?

The question of how effective teams are in the workplace is difficult to answer. Not only are there many different kinds of teams doing different kinds of jobs operating in organizations, but their effectiveness is influenced by a wide variety of factors that go well beyond any possible benefits of teams, such as managerial support, the economy, available resources, and the like. Teams in the acceptance stage of group development tend to be effective and efficient. This stage is characterized by personal and mutual understanding, tolerance of individual differences, constructive conflict about substantive matters, realistic expectations about team performance, and acceptance of the authority structure. The resulting trust engenders cohesiveness and a free exchange of information between team members.

As the team members work and socialize with each other, cohesiveness will be enhanced because of the opportunity to talk with each other, to discover commonalities, and to share experiences. However, performance may or may not improve as cohesiveness increases. Improvement is also contingent on the group’s performance norms. A cohesive group enforces norms. Thus, if norms are high, greater cohesiveness should result in better performance.

Obstacles to Team Effectiveness and How to Overcome Them

Although we have reported success stories about teams, we also have alluded to difficulties in implementing them. After all, working in a team demands a great deal, and not everyone may be ready for them. As a result, teams sometimes fail. There are several key reasons why.

Insufficient Training. To be effective, team members must have the right blend of skills needed for the team to contribute to the organization's mission. Workers having high degrees of freedom and anonymity require a depth of skills and knowledge that surpasses that of people performing narrower, traditional jobs. For this reason, successful teams tend to be ones in which large investments are made in developing the skills of team members and leaders. In the words of one expert, "Good team members are trained, not born."

One key area in which all team members require training is how to be a team member. A mission specialist at NASA's Johnson Space Center in Houston likens team success to the kind of interpersonal harmony that must exist within space shuttle crews. Crews have to be willing to compromise and to make decisions that benefit everyone as a whole. In this regard, there are several key interpersonal skills in which training is most useful, and these are summarized in Exhibit 5.

Compensation Systems. Because the U.S. and Canada are highly *individualistic* cultures, most North American workers are used to compensation systems that recognize individual performance. However, when it comes to teams, it is also very important to recognize group performance. Teams are no places for hot shots who want to make their individual marks—rather, teams require "team players." And the more organizations reward employees for their teams' successes, the more strongly team spirit will be reinforced.

EXHIBIT 5
INTERPERSONAL SKILLS REQUIRED BY TEAM MEMBERS

Experts have advocated that team members be trained in the various interpersonal skills summarized here.

Trait or Characteristic	*Description*
Drive	Desire for achievement; ambition; high energy; tenacity; initiative
Honesty and integrity	Trustworthy; reliable; open
Leadership motivation	Desire to exercise influence over others to reach shared goals
Self-confidence	Trust in own abilities
Cognitive ability	Intelligence; ability to integrate and interpret large amounts of information
Knowledge of the business	Knowledge of industry, relevant technical matters
Creativity	Originality
Flexibility	Ability to adapt to needs of followers and requirements of situation

In view of the importance of team members having a variety of different skills, many companies, including Colgate-Palmolive, have taken to paying employees for their demonstrated skills, as opposed to their job performance. Such a system is known as skill-based pay. A highly innovative skill-based pay system, known as "pay-for-applied-skills-and knowledge" plan (PASK) requires employees to demonstrate their skills in several key areas, including technical skills, and interpersonal skills. The pay scale is carefully linked to the number of skills acquired and the level of proficiency attained. By encouraging the development of vital skills in this manner, the company is ensuring that it has the resources for its teams to function effectively.

Lack of Managerial Support. For teams to survive, let alone thrive, it is essential for them to receive unqualified support from top management. In the absence of such support, the system may falter.

Lack of Employee Support. In addition to support from managers, it is essential that the basis for the movement to teams be fully understood and accepted by the individuals who are involved. Unless employees can fully understand the importance of cooperating with each other, problems are likely to result. In contrast, when team members share a common vision and are committed to attaining it, they are generally very cooperative with each other, leading to success. For example, members of Hallmark's new-product development team (consisting of artists, designers, printers, and financial experts) work carefully together with each other, contributing to the company's dominance in the greeting cards market. Similarly, by forming teams with highly cooperative members from different fields, Thermos was able to launch its highly successful electric grill.

Cooperation between Teams. Team success requires not only cooperation within teams, but between them as well. As one expert put it:

Time and time again teams fall short of their promise because companies don't know how to make them work together with other teams. If you don't get your teams into right constellations, the whole organization can stall?

This problem occurred in General Electric's medical systems division when it assigned two teams of engineers, one in Waukesha, Wisconsin, and another in Hino, Japan, the task of creating software for two new ultra-sound devices. Shortly, teams pushed features that made their products popular only in their own countries, and duplicated each other's efforts. When teams met, language and cultural barriers separated them, further distancing the teams from each other.

Boeing successfully avoided such problems in the development of its new 777 passenger jet—a project involving some 200 teams. As you might imagine, on such a large project coordination of effort between teams is essential. To help, regular meetings are held between various team leaders who disseminate information to members. And, team members can go wherever needed within the organization to get the information needed to succeed. As one Boeing employee, a team leader put it, "I can go to the chief engineer. Before, it was unusual just to see the chief engineer." Just as importantly, if after getting the information they need, team members find problems, they are empowered to take action without getting management approval. According to a Boeing engineer: "We have the no-messenger rule. Team members must make decisions on the spot. They can't run back to their functions [department heads] for permission."

To conclude, it is clear that teams can be an effective way for organizations to achieve unheard of levels of performance. However, the path to success is riddled with obstacles; developing effective teams is difficult. It is also time-consuming. According to management expert Peter Drucker, "You can't rush teams .... It takes five years just to learn to build a team and decide what kind you want." And it may take most organizations over a decade to make a complete transition to teams. Clearly, they are not an overnight phenomenon. But, with patience and careful attention to the obstacles identified here, teams have ushered many companies to extraordinary gains in productivity.

IMPORTANT ORGANIZATIONAL GROUPS

Four kinds of work groups that have the potential to affect organizational performance dramatically are top management teams, self-managed work teams, research and development teams, and virtual teams.

- *The Top Management Team.* An organization's top management team is the team of managers who report to the chief executive officer (CEO). Top management teams are chosen by the CEO and board of directors of the organization. This team impacts the entire organization since it decides the overall goals of the organization.
- *Self-Managed Work Teams.* In self-managed work teams, team members have the autonomy to lead and manage themselves and determine how the team will perform its tasks. In a self-managed work team, separate tasks normally performed by individual employees and managed by a supervisor fall under the responsibility of a group of employees empowered to ensure they get done and get done well. The job characteristics model of job design provides a good framework for understanding why the use of self-managed work teams can lead to higher levels of motivation, performance, and satisfaction.
- *Research and Development Teams.* Organizations often use research and development (R&D) teams to develop new products, especially in high-tech industries such as electronics, pharmaceuticals, and computers. Some R&D teams are cross-functional.
- *Virtual Teams.* Virtual teams are teams in which a significant amount of communication and interaction among team members occurs electronically, using computer hardware and software. Organizations use virtual teams to help people in different places and/or time zones work together.

OB IN ACTION — How GlaxoSmithKline Used Groups to Boost Productivity

Pharmaceutical companies are continually under pressure to develop new prescription drugs. In the past few years many of these companies have been merging to try to increase their research productivity. Such a company is GlaxoSmithKline. Since this merger created a giant company, managers decided to try and bring the sheer size under control by placing researchers into eight small groups so they could focus on particular clusters of diseases. Each group was instructed to behave like a company in its own right. Rewards were based on the number of new prescription drugs developed and the speed with which they could bring them to market.

The company claims that research productivity has more than doubled since it reorganized its scientists into teams. The number of new drugs moving into clinical trials doubled from 10 to 20, and the company has 148 new drugs currently being tested. Moreover, the company claims that the morale of its researchers has increased, and turnover is down because the disease-focused groups enjoy working and collaborating together. The company expects to have the best new drug "pipeline" in its industry in the next three to four years.

CHAPTER 7
LEADERSHIP

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- Define leadership and distinguish between leadership and management.
- Describe the trait approach to leadership.
- Identify the types of behavior that have been most strongly associated with effective leadership.
- Describe the leader-member exchange model of leadership.
- Differentiate between charismatic leaders and transformational leaders.
- Explain how leading teams differs from leading individuals.
- Describe the basic tenets of LPC contingency theory and how it may be applied.
- Explain the path-goal theory of leadership.
- Describe situational leadership theory.

If you asked a group of top executives to identify the single most important determinant of organizational success, chances are good that the vast majority would reply "effective leadership." Indeed, it is widely believed in the world of business that leadership is the key ingredient in the recipe for corporate achievement. And this view is by no means restricted to organizations. As you know, leadership also is important when it comes to politics, sports, and many other activities.

Is this view justified? Do leaders really play crucial roles in shaping the fortunes of organizations? A century of research on this topic suggests that they do. Effective leadership, it appears, is indeed a key determinant of organizational success. Hence, we will devote this chapter to describing various approaches to the study of leadership and their implications for managerial practice. Before launching into this discussion, however, we will begin by defining what we mean by leadership and distinguishing it from some other terms with which it is frequently associated.

WHAT IS LEADERSHIP?

When you think of a leader, what image comes to mind? For many, a leader is an individual—often with a title reflecting a high rank in an organization (e.g., president, director, etc.)—who is influential in getting others to behave as required by the organization. Indeed, social scientists think of leaders as people who have a great deal of influence over others. Formally, we define leadership as the process by which an individual influences others in ways that help attain group or organizational goals.

The sources of leader power are:

- Legitimate power
- Reward power
- Coercive power
- Expert power
- Information power
- Referent power

The skills leaders need include:

- Flexibility
- Communication
- Human resource management
- Conceptualization

Typically, when we speak of leaders we are referring to people who influence others without threat, using non-coercive means. In fact, this characteristic distinguishes a leader from a dictator. Whereas dictators get others to do what they want by using threats of physical force, leaders do not. Our point is that leadership rests, at least in part, on positive feelings between leaders and their subordinates. In other words, subordinates accept influence from leaders because they respect, like, or admire them as well as because they hold positions of formal authority (that is, leaders may have both position power and personal power, as discussed in Chapter 5).

Our definition implies that leadership is a two-way process. That is, leaders both influences subordinates in various ways and are influenced by them. In fact, it may be said that leadership exists only in relation to followers. After all, one cannot lead without followers. Not surprisingly, several of the approaches to leadership described in this chapter focus on the relationships between leaders and followers.

Before concluding this section, we need to caution against the everyday practice of using tile terms leader and manager interchangeably. The primary function of a leader is to create the essential purpose or mission of the organization and the strategy for attaining it. In contrast, the job of the manager is to implement that vision. He or she is responsible for achieving that end, taking the steps necessary to turn the leader's vision into reality.

The confusion between these two terms is understandable insofar as the distinction between establishing a mission and implementing it is often blurred in practice. This is because many leaders, such as top corporate executives, are frequently called upon not only to create a vision, but also to help implement it. Similarly, managers often are required to lead those who are subordinate to them while also carrying out their leader's mission. With this in mind, it has been observed that too many so-called "leaders" get bogged down in the managerial aspects of their job, creating organizations that are "over managed and under lead.”

THE TRAIT APPROACH: ARE SOME PEOPLE REALLY "BORN LEADERS"?

Common sense leads us to think that some people have more of "the right stuff' than others, and are just naturally better leaders. And, if you look at some of the great leaders throughout history, such as Martin Luther King, Jr., Alexander the Great, and Abraham Lincoln, to name just a few, it is clear that such individuals certainly have characteristics in common that differ from ordinary folks. The question is "what is it that makes great leaders so great?”

For many years scientists have devoted a great deal of attention to this question, advancing the great person theory. According to this approach, great leaders possess key traits that set them apart from most others. Further, the theory contends that these traits remain stable over time and across different groups. Thus, it suggests that all great leaders share these characteristics regardless of their role in history. Although these suggestions make a great deal of intuitive sense, they have not always been supported by research, leading some scientists to conclude that leaders do not differ from followers in clear and consistent ways.

Today, however, it is popularly believed that traits do matter – namely, that certain traits, together with other factors, contribute to leaders' success in business settings? What are these traits? In Exhibit 1 we list and describe some of the key ones. Although you will readily recognize and understand most of these characteristics (e.g., drive, honesty and integrity, self-confidence), some require further clarification.

EXHIBIT 1
CHARACTERISTICS OF SUCCESSFUL LEADERS

Research indicates that successful leaders demonstrate the traits listed here.

Trait or Characteristic	*Description*
Drive	Desire for achievement; ambition; high energy; tenacity; initiative
Honesty and integrity	Trustworthy; reliable; open
Leadership motivation	Desire to exercise influence over others to reach shared goals
Self-Confidence	Trust in own abilities
Cognitive ability	Intelligence; ability to integrate and interpret large amounts of information
Knowledge of the business	Knowledge of industry, relevant technical matters
Creativity	Originality
Flexibility	Ability to adapt to needs of followers and requirements of situation

First, consider leadership motivation. This refers to leaders' desire to influence others – essentially, their interest in assuming leadership roles. Leadership motivation can take two distinct forms. On the one hand, it may cause leaders to seek power as an end in itself. Leaders who demonstrate such personalized power motivation wish to dominate others, and their desire to do so is often reflected in an excessive concern with status. In contrast, leadership motivation also can cause leaders to seek power as a means to achieve desired, shared goals. Leaders who evidence such socialized power motivation cooperate with others, develop networks, and generally work with subordinates instead of attempting to dominate or control them. Needless to say, socialized power motivation is usually far more adaptive for organizations than personalized leadership motivation.

With respect to cognitive ability, it appears that effective leaders must be intelligent and capable of integrating and interpreting large amounts of information. However, mental genius does not seem to be necessary and may, in some cases, prove detrimental. Still, leaders must be intelligent enough to perform their jobs at high levels.

A final characteristic, flexibility, refers to the ability of leaders to recognize what actions are required in a given situation, and then, to act accordingly. Evidence suggests that the most effective leaders are not prone to behave in the same ways all the time, but rather, to be adaptive, matching their styles to the needs of followers and to the demands of their situations they face.

In short, current research supports the great person theory. It has been summarized as follows:

Regardless of whether leaders are born or made... it is clear that leaders are not like other people. Leaders do not have to be great men or women by being intellectual geniuses or omniscient prophets to succeed, but they do need to have the "right stuff' and this stuff is not equally present in all people. Leadership is a demanding, unrelenting job with enormous pressures and grave responsibilities. It would be a profound disservice to leaders to suggest that they are ordinary people who happened to be in the right place at the right time. In the realm of leadership, the individual does matter.

Given this conclusion, it may be useful to examine the extent to which certain individuals possess the traits and characteristics associated with great leaders.

THE BEHAVIOR APPROACH: WHAT DO LEADERS DO?

The great person theory paints a somewhat fatalistic picture, suggesting that some people are, by nature, more prone to being effective leaders than others. After all, some of us have more of "the right stuff' than others. However, other approaches to leadership—particularly, those focusing on what leaders do, rather than who leaders are—paint a more encouraging picture for those of us who aspire to leadership positions. This orientation is known as the behavior approach. By emulating the behavior of successful leaders the possibility exists that just about anyone may become an effective leader.

Two Critical Leadership Behaviors

Precisely what behaviors are key to leadership success? Although the answer to this question is quite complex, we can safely point to two very important leadership behaviors. The first is showing a concern for people, also known as consideration. In describing your boss, would you say that he or she cares about you as a person, is friendly, and listens to you when you want to talk? If so, he or she may be said to demonstrate a high degree of consideration.

The second main type of leadership behavior is showing a concern for getting the job done, also known as initiating structure. In describing your boss, would you say that he or she gives you advice, answers your questions, and lets you know exactly what is expected of you? If so, he or she may be said to have a bent for initiating structure.

A large body of research suggests that leaders do differ greatly along these two dimensions. In these classic investigations, subordinates completed questionnaires in which they described their leaders' behavior. Those leaders scoring high on initiating structure were mainly concerned with production and focused primarily on getting the job done. They engaged in actions such as organizing work, inducing subordinates to follow rules, setting goals, and making expectations explicit. In contrast, leaders scoring lower on this dimension did not tend to engage in these actions.

Leaders at the high end of the consideration dimension were primarily concerned with establishing good relations with their subordinates and being liked by them. They engaged in actions such as doing favors for subordinates, explaining things to them, and assuring their welfare. People who scored low on this dimension didn't appear to care much about how well they got along with subordinates.

At first glance, you might assume that people scoring high on initiating structure tend to score low on consideration, and vice versa. However, they are not negatively correlated. Rather, these two dimensions are independent. Thus, a leader may score high on both concern for production and concern for people, high on one of these dimensions and low on the other, low on both, moderate on one and high on the other, or any combination.

Is any one of these possible patterns best? Careful study indicates that this is a complex issue; production-oriented and people-oriented leadership behaviors both offer a mixed pattern of pluses and minuses. With respect to showing consideration (high concern with people and human relations), the major benefits are improved group morale. Turnover and absenteeism tend to be low among leaders who show a high level of consideration. At the same time, because such individuals may be reluctant to act in a directive manner toward subordinates and often shy away from presenting them with negative feedback, productivity sometimes suffers.

With respect to initiating structure (high concern for production), efficiency and performance are indeed sometimes enhanced by this leadership style. However, if leaders focus entirely on production, employees may conclude that no one cares about them or their well-being. Their job satisfaction and organizational commitment may suffer as a result (see Chapter 4).

Having identified these complexities, we should note that there is one specific pattern of behavior in which leaders seem to be highly successful, which is when leaders demonstrate high concern for both people and production. Indeed, high amounts of concern for people (showing consideration) and concern for productivity (initiating structure) are not incompatible. Rather skillful leaders can combine both of these orientations into their overall styles to produce favorable results. Thus, while no specific leadership style is best, leaders who combine these two behaviors may have an important edge over leaders who show only one or the other.

LEADERS AND FOLLOWERS

Thus far we have focused on leaders, ignoring followers. However, to understand leadership, we must understand leaders' relations with followers. After all, "Without followers leaders cannot lead.” Without followers, even John Wayne becomes a solitary hero. The importance of followers, and the complex, reciprocal relationship between leaders and followers, is widely recognized by organizational researchers. Several major approaches to leadership take this approach.

The Leader-Member Exchange (LMX) Model: The Importance of Being in the "In-Group"

As you know from experience, leaders do not treat all their subordinates in the same manner. This fact is central to an approach known as the leader-member exchange (LMX) model.

This theory suggests that for various reasons leaders form different kinds of relationships with various groups of subordinates. One group, referred to as the “in-group,” is favored by the leader. Members of in-groups receive considerably more attention from their leader and larger shares of the resources they have to offer (such as time and recognition). In contrast, other subordinates fall into the out-group. These individuals are disfavored by leaders. As such, they receive fewer valued resources from their leaders. Leaders distinguish between in-group and out-group members very early in their relationships with them. More often than not, this occurs on the basis of surprisingly little information. For example, perceived similarity with respect to personal characteristics, such as age, gender, or personality, is sufficient to categorize followers into a leader's in-group. Similarly, a particular follower may be granted in-group status if the leader believes that person is especially competent at performing his or her job.

According to LMX theory, members of in-groups perform their jobs better and hold more positive attitudes toward their jobs than do members of out-groups. Not surprisingly, good relationships with followers can be very valuable, enhancing followers' job satisfaction and organizational commitment (see Chapter 4).

How can this be accomplished? The trick is to make all employees feel that they are part of the in-group. Experts note that a key way of keeping subordinates from feeling that they have become a part of the out-group is by sharing information equally. Rather than hoarding power by keeping some people "in the know" while keeping others "in the dark," helping everyone be aware of what's going on in the organization will keep people from feeling left out. It also has been noted that effective leaders can help followers respond to their visions by supporting teamwork. To the extent that leaders are willing to share power, and to serve as coaches rather than highly authoritarian bosses, team members are likely to feel that they have equal importance. When this occurs, they will not perceive themselves as being relegated to the marginal status of out-group membership.

Charismatic Leaders: That "Something Special"

World history and the history of organizations are replete with leaders that have had extraordinary success in generating profound changes in their followers. Indeed, it is not extreme to suggest that some such people (e.g., Napoleon, Bill Gates, and John Lennon, to name a few) have changed entire societies through their words and actions. Individuals who accomplish such feats have been referred to as charismatic leaders. These are individuals who exert especially powerful effects on followers by virtue of their commanding confidence and clearly articulated visions.

Researchers have found that charismatic leaders tend to be special in a number of important ways. Several specific factors differentiate charismatic leaders from noncharismatic leaders. These are as follows:

Self-confidence: Charismatic leaders are highly confident in their ability and judgment. Others readily become aware of this.

A vision: A leader is said to have vision to the extent that he or she proposes a state of affairs that improves upon the status quo. He or she also must be able to clearly articulate that vision, and to show willingness to make sacrifices to make it come true.

Extraordinary behavior: Charismatic leaders are frequently unconventional. Their quirky ways, when successful, elicit admiration.

Recognized as change agents: The status quo is the enemy of charismatic leaders. They make things happen.

Environmental sensitivity: Charismatic leaders are highly realistic about the constraints imposed upon them and the resources needed to change things. Consequently, they know what they can and cannot do.

At first glance, it is tempting to assume that charismatic leaders are special merely because of the traits they possess. However, it also makes sense to look at charismatic leadership as involving a special relationship between leaders and their followers. It is a special kind of leader-follower relationship, in which a leader can, in the words of one author, "make ordinary people do extraordinary things in the face of adversity.”

Transformational Leadership: Beyond Charisma

A transformational leader is an agent of change who attempts to inspire the members of the organization to aspire to, and to achieve, more than they thought was possible. Transformational leadership emphasizes vision, development of the individual, empowerment of the worker, and the challenging of traditional assumptions. The transformational leader normally has charisma, is motivational, provides intellectual stimulation to workers, and gives individualized consideration.

Transformational leaders may be described in terms of several characteristics. First, they have charisma. That is, they provide a strong vision and a sense of mission for the company. As leadership theorist Jay Conger put it, "If you as a leader can make an appealing dream seem like tomorrow's reality, your subordinates will freely choose to follow you." Consider, for example, the great visions expressed by the highly charismatic leader Dr. Martin Luther King, Jr., when he shared his vision of world peace in his "I have a dream" speech, and President John F. Kennedy when he shared his vision of landing a man on the moon and returning him safely to earth before 1970.

But charisma alone is insufficient for changing the way an organization operates. For this to occur, transformational leaders also must provide intellectual stimulation. That is, they help their followers recognize problems and ways of solving them. Furthermore, they provide individualized consideration by giving followers the support, encouragement, and attention they need to perform their jobs well. Finally, transformational leaders are said to provide inspirational motivation. That is, they clearly communicate the importance of the company's mission and often rely on symbols (e.g., pins and slogans) to help focus their efforts.

Transformational leaders arouse strong emotions. They also help transform their followers by teaching them, often serving as mentors. In so doing, transformational leaders seek to encourage followers to do their own thing. In contrast, charismatic leaders may keep their followers weak and highly dependent on them. A charismatic leader may be the whole show, whereas a transformational leader does a good job of inspiring change in the whole organization. Many celebrities, be they musicians, actors, or athletes, tend to be highly charismatic, but they do not necessarily have any transformational effects on their followers. As such, although some people may idolize certain rock stars, and dress like them, these celebrities' charisma will unlikely stimulate their fans into making sacrifices that revitalize the world. When you think of it this way, its easy to see how charisma is just a part of transformational leadership.

Jack Welch, the former Chairman and CEO of General Electric (GE) is another good example of a transformational leader. Under Welch's leadership, GE had undergone a series of changes with respect to the way it does business. At the individual level, GE has abandoned its highly bureaucratic ways, and now does a better job of listening to its employees. Not surprisingly, GE has consistently ranked among the most admired companies in its industry in Fortune magazine's annual survey of corporate reputations.

OB IN ACTION — Avon is Calling Everywhere

Early in the 21st Century, Avon was a company in dire need of transformation. The old door-to-door selling method needed to give way to the Internet and the working woman's schedule and lifestyle. Andrea Jung became Avon's first female CEO. She immediately began creating a new vision for Avon. Once the new vision was complete, the company began to reach new markets with new products through new channels. In her four short years as CEO, Jung has produced record profits for this once sleeping giant.

First, Jung let the employees know that Avon's future success depended on them and they were the heart of Avon. Second, she preached the importance of the Internet and sought to help representatives do more business online. Third, she began to target 16 to 24-year old girls as opposed to the traditional 30 to 55-year old market segments. Lastly, Avon began to design new, hip products for its targeted younger audience. The end result of this new vision was record global profits in 2005.

Leading Teams: Special Considerations

When most people think of leaders, they tend to think of individuals who make strategic decisions on behalf of followers, who are, in turn, responsible for carrying them out. In many of today's organizations, however, where the movement toward self-managed teams predominates, it is less likely than ever that leaders are responsible for getting others to implement their orders to help fulfill their visions. Instead, team leaders may be called upon to provide special resources to groups empowered to implement their own missions in their own ways. They don't call all the shots, but they help subordinates take responsibility for their own work.

This suggests that the role of team leader is clearly very different than the traditional, "command and control" leadership role we have been describing all along. With this in mind, here are a few guidelines that may be followed to achieve success as a team leader.

1. Instead of directing people, team leaders work at building trust and inspiring teamwork. One way this can be done is by encouraging interaction between all members of the team as well as between the team and its customers and suppliers. Another key step involves taking initiatives to make things better. Instead of taking a reactive, "if it ain't broke, don't fix it" approach, teams may be lead to success by individuals who set a good example for improving the quality of their team's efforts.

2. Rather than focusing simply on training individuals, effective team leaders concentrate on expanding team capabilities. In this connection, team leaders function primarily as coaches, helping team members by providing all members with the skills needed to perform the task, removing barriers that might interfere with task success, and finding the necessary resources required to get the job done. Likewise, team leaders work at building the confidence of team members, cultivating their untapped potential.

3. Instead of managing one-on-one, team leaders attempt to create a team identity. In other words, leaders must help teams understand their missions and recognize what they're doing to help fulfill it. In this connection, team leaders may help the group set goals - pointing out ways they may adjust their performance when they do not meet them, and planning celebrations when team goals are attained.

4. Although traditional leaders have worked at preventing conflict between individuals by downplaying differences, team leaders are encouraged to make the most of team differences. Without a doubt, it is a considerable challenge to merge a diverse group of individuals into a highly committed and productive team, but doing so is important. This can be done by building respect for diverse points of view, making sure that all team members are encouraged to present their views, and respecting these ideas once they are expressed.

5. Unlike traditional leaders who simply react to change, team leaders should foresee and influence change. To the extent that leaders recognize that change is inevitable, they may be better prepared to make the various adaptations required. Effective team leaders continuously scan the business environment for that changes may be forthcoming and help teams decide how to be responsive to them.

In conclusion, leading teams is a much different task than leading individuals in the traditional directive (or even participative) manner. The special nature of teams makes the leader's job very different. Although appreciating these differences is easy, making the appropriate adjustments may be extremely challenging—especially for individuals who are well-practiced in the ways of traditional leadership. However, given the prevalence of teams in today's work environment, the importance of making the adjustments cannot be overemphasized. Attempting to lead new teams using old methods is a surefire formula for failure.

CONTINGENCY THEORIES OF LEADER EFFECTIVENESS

It should be clear by now that leadership is a complex process. It involves intricate social relationships and is affected by a wide range of variables. In general, it may be said that leadership is influenced by two main factors—the characteristics of the individuals involved, and the nature of the situations they face. This basic point lies at the heart of several approaches to leadership known as contingency theories of leader effectiveness. According to this approach, there is no one best style of leadership. Instead, they suggest that certain leadership styles may prove most effective under certain conditions. Contingency theories seek to identify the conditions and factors that determine whether, and to what degree, leaders will enhance the performance and satisfaction of their subordinates. We will describe three such approaches.

Fiedler’s Contingency Theory: Matching Leaders and Tasks
Earlier, we explained that the behaviors associated with effective leadership fall into two major categories—concern for people and concern for production. Both types of behavior contribute to a leader's success. However, a more refined look at this issue leads us to ask exactly when each type of behavior works best. That is, under what conditions are leaders more successful when they demonstrate a concern for people compared to a concern for production?

This question is addressed by a widely-studied approach to leadership known as LPC contingency theory developed by Fred Fiedler. The contingency aspect of the theory is reflected by the assumption that a leader's contribution to successful performance by his or her group is determined by the leader's own traits together with various aspects of the situation. Different levels of leader effectiveness occur under different conditions. To fully understand leader effectiveness, both factors must be considered.

Fiedler identifies esteem (liking) for least preferred co-worker (LPC for short) as the most important personal characteristic. This refers to a leader's tendency to evaluate in a favorable or unfavorable manner the person with whom she or he has found most difficult working with. Leaders who perceive this person in negative terms (low LPC leaders) are primarily concerned with attaining successful task performance. In contrast, those who perceive their least preferred co-worker in a positive light (high LPC leaders) are mainly concerned with establishing good relations with subordinates. A questionnaire is used to assess a leader's LPC score. It is important to note that Fiedler considers LPC to be fixed—an aspect of an individual's leadership style that cannot be changed. As we will explain below, this has important implications for applying the theory to improve leader effectiveness.

Which type of leader—one low in LPC or one high in LPC—is more effective? As suggested by the word "contingency" in the name, the answer is: "It depends." And, what it depends on is the degree to which the situation is favorable to the leader—that is, how much it allows the leaders to have control over their subordinates. This, in turn, is determined largely by three factors:

1. the nature of the leader's relations with group members (the extent to which he or she enjoys their support and loyalty),
2. the degree of structure in the task being performed (the extent to which task goals and subordinates' roles are clearly defined), and
3. the leader's position power (as described in Chapter 5, his or her formal capacity to enforce compliance by subordinates).

Combining these three factors, the leader's situational control can range from very high (positive relations with group members, a highly structured task, and high position power to very low (negative relations, an unstructured task, and low position power).

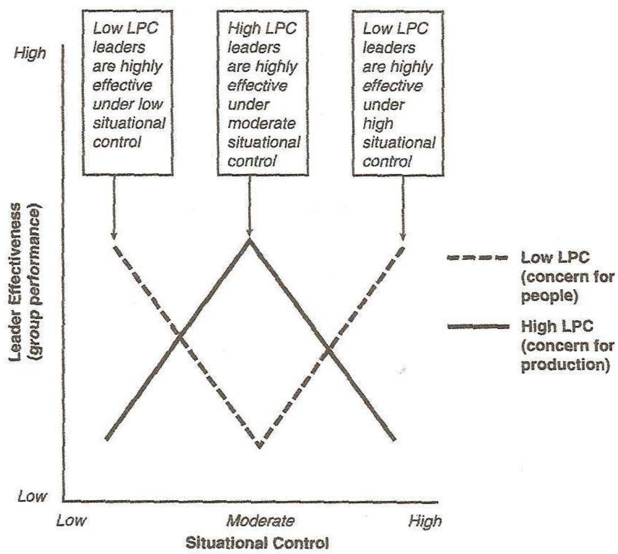
What types of leaders are most effective under these various conditions? According to the theory, low LPC leaders (ones who are task-oriented) are superior to high LPC leaders (ones who are people-oriented) when situational control is either very low or very high. In contrast, high LPC leaders have an edge when situational control falls within the moderate range (refer to Exhibit 2).

The rationale for these predictions is quite reasonable. Under conditions of low situational control, groups need considerable guidance to accomplish their tasks. Without such direction, nothing would get done. For example, imagine a military combat group led by an unpopular platoon leader. Any chance of effectiveness this person has would result from paying careful attention to the task at hand rather than hoping to establish better relations with the group. (In fact, in the Army, it is often said that a leader in an emergency is better off giving wrong orders than no orders whatsoever.) Since low LPC leaders are more likely to provide structure than high LPC leaders, they tend to be superior in such cases.

Similarly, low LPC leaders also are superior under conditions that offer them a high degree of situational control. Indeed, when leaders are liked, their power is not challenged, and the demands of the task make it clear what a leader should be doing, it is perfectly acceptable for them to focus on the task at hand. Subordinates expect their leaders to exercise control under such conditions, and accept it when they do so. And this leads to task success. For example, an airline pilot leading a cockpit crew is expected to take charge, and to not seek the consensus of others as he or she guides the plane onto the runway for a landing. Surely, the pilot would be less effective by not taking charge, and asking the co-pilot what to do.

EXHIBIT 2
LPC CONTINGENCY THEORY

LPC contingency theory predicts that low LPC leaders (ones who are primarily task-oriented) will be more effective than high LPC leaders (ones who are primarily people-oriented) when situational control is either very low or very high. When situational control is moderate, high LPC leaders tend to be more effective than low LPC leaders.



Things are different, however, when situations offer leaders moderate situational control. Consider, for example, a situation in which a leader's relations with subordinates are good, but the task is unstructured, and the leader's power is somewhat restricted. This may be the case within a research and development team attempting to find creative new uses for a company's products. Here, it would be clearly inappropriate for a low LPC leader to impose directives. Rather, a highly nurturant leader who is considerate of the feelings of others would likely be most effective—that is, a high LPC leader.

Applying LPC Contingency Theory. Practitioners have found LPC contingency theory to be quite useful when it comes to suggesting ways of enhancing leaders' effectiveness. Because the theory assumes that certain kinds of leaders are most effective under certain kinds of situations, and that leadership style is fixed. The best way to enhance effectiveness is to fit the right kind of leaders to the situations they face.

This involves completing questionnaires that can be used to assess both the LPC score of the leader and the amount of situational control he or she will face in a situation. Then, using these measures, a match can be made such that leaders are put into the situations that best suit their leadership styles—a technique known as leader match. This approach also focuses on ways to change the situational control variables—leader-member relations, task structure, and leader position power—when it is impractical to reassign leaders. For example, a high LPC leader should either be moved to a job in which situational control is either extremely high or extremely low, or alternatively, the situation should be changed (such as by altering relations between leaders and group members, or raising or lowering his or her position power) so as to increase or decrease the amount of situational control encountered.

Path-Goal Theory: Leaders as Guides to Valued Goals

In defining leadership, we indicated that leaders help their groups or organizations reach their goals. This basic idea plays a central role in path-goal theory of leadership. In general terms, the theory contends that subordinates will react favorably to leaders who are perceived as helping them make progress toward various goals by clarifying the paths to such rewards. Specifically, the things a leader does to help clarify the nature of tasks and reduce or eliminate obstacles will increase subordinates' perceptions that working hard will lead to good performance and that good performance, in turn, will be recognized and rewarded. And, under such conditions, motivation will be enhanced, which may help enhance performance.

Precisely how can leaders best accomplish these tasks? Again, as in the case of LPC contingency theory, the answer is: "It depends." (In fact, this answer is your best clue to identifying any contingency theory.) In this case, what it depends on is a complex interaction between key aspects of leader behavior and certain contingency factors. Specifically, with respect to leader behavior, path-goal theory suggests that leaders can adopt four basic styles:

- **Instrumental—**an approach focused on providing specific guidance, establishing work schedules and rules.
- **Supportive—**a style focused on establishing good relations with subordinates and satisfying their needs. This approach is effective when used with employees who are motivated to work, improve themselves and their abilities, and accomplish goals.
- **Participative—**a pattern in which the leader consults with subordinates, permitting them to participate in decision making.
- **Achievement-oriented—**an approach in which the leader sets challenging goals and seeks improvements in performance. The benefits to the company of the achievement-oriented leader approach include greater employee confidence and commitment, more employee decision making, increased employee creativity, more challenging objectives, and reduced supervision for employees who work best independently.

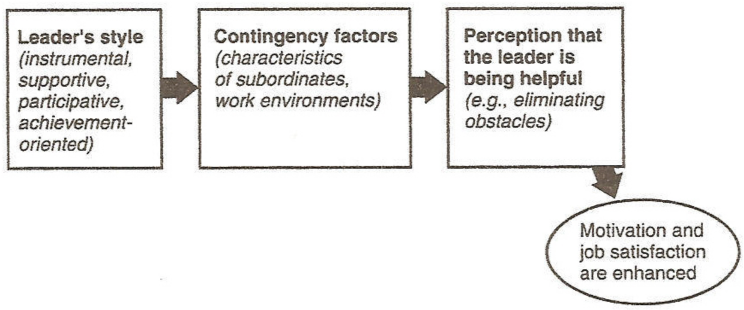
According to the theory, these styles are not mutually exclusive. In fact, the same leader can adopt different styles at different times and in different situations. (Indeed, as noted earlier in this chapter, showing such flexibility is one important aspect of an effective leader.)

Which of these styles is best for maximizing subordinates' satisfaction and motivation? The answer depends on several characteristics of the subordinates themselves. For example, if followers are high in ability, an instrumental style of leadership may be unnecessary; instead, a less structured, supportive approach may be preferable. On the other hand, if subordinates are low in ability, they may need considerable guidance to help them attain their goals. Similarly, people high in need for affiliation (that is, those desiring close, friendly ties with others) may strongly prefer a supportive or participative style of leadership. Those high in the need for achievement may strongly prefer an achievement-oriented leader, one who can guide them to unprecedented levels of success.

The theory suggests that the most effective leadership style also depends on several aspects of the work environment. Specifically, path-goal theory predicts that when tasks are unstructured and nonroutine, an instrumental approach by the leader may be best since much clarification and guidance might be needed. However, when tasks are structured and highly routine, such leadership may get in the way of good performance, and may be resented by subordinates who think the leader is engaging in unnecessary meddling. (See Exhibit 3 for an overview of all these aspects of path-goal theory.)

EXHIBIT 3
PATH-GOAL THEORY

According to path-goal theory, perceptions among employees that leaders are helping them attain valued goals enhances their motivation and job satisfaction. Such perceptions are encouraged when a leader's style is consistent with the needs and characteristics of subordinates and various aspects of the work environment.



Situational Leadership Theory: Adjusting Leadership Style to the Situation

Another theory of leadership, situational leadership theory, is considered a contingency theory because it focuses on the best leadership style for a given situation. The theory, developed by Hersey and Blanchard argues that leaders are effective when they select the right leadership style for the situation they face. Essentially, this depends on the maturity of followers, or, their readiness to take responsibility for their own behavior. This, in turn, is based on two variables with which we are already familiar: (1) task behavior—the degree to which followers have the appropriate job knowledge and skills (i.e., their need for guidance and direction), and (2) relationship behavior—the degree to which followers are willing to work without taking direction from others (i.e., their need for emotional support).

The Vroom and Yetton Model: Determining the Level of Subordinate Participation in Decision Making

As many leaders have learned, allowing subordinates to participate in decision making and problem solving can greatly enhance leadership ability. The Vroom and Yetton model specifies the extent to which leaders should have their subordinates participate in the decision-making. How much subordinates should participate depends on aspects of the decision that needs to be made, the subordinates involved, and the information needed to make a good decision. In this model, the leader would examine the need for subordinate involvement, how much involvement, and who to involve.

CHAPTER 8
PROSOCIAL BEHAVIOR, COOPERATION, CONFLICT, AND STRESS

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Describe organizational citizenship behavior and how it may be promoted.
- Distinguish between prosocial behavior and cooperation.
- Identify factors that promote interpersonal cooperation.
- Describe the causes of conflict in organizations.
- Identify the positive and negative consequences of conflict in organizations.
- Describe techniques for managing conflict in organizations.
- Define stress and identify the various causes of stress in organizations.
- Describe the major effects of stress on people in organizations.
- Identify various ways stress can be managed on the job.

"No person is on an island" as they say. Some time or another, even loners must coordinate their efforts with others to get things done. Indeed, working together with others is a critical aspect of organizational life. However, as you may know from experience, this doesn't always occur—at least, as smoothly as it should. There are, of course, times when we help each other, but there also are times when people work in direct opposition with, or even go out of their way to purposely harm one another. It is these processes of working with others, or against them, that we will focus on in this chapter.

We will examine prosocial behavior—the tendency for people to help others on the job, even when there doesn't appear to be any reward or incentive. We also will examine situations in which people help each other and receive help from them, known as cooperation. Balancing this positive tendency, we will examine the darker side of behavior in organizations—the tendency for people's interest to conflict, all too often resulting in harm to others or to organizations themselves. As you might imagine, such situations can be extremely stressful. However, conflict is only one possible source of stress we confront in organizations. With this in mind, we will conclude this chapter by discussing various sources of stress, as well as the consequences of stress, and how these may be lessened or avoided, if not eliminated altogether.

PROSOCIAL BEHAVIOR: HELPING OTHERS

Helping others on the job, as you might imagine, often goes beyond merely being polite and attentive. Indeed, it is a key element in making work a pleasant experience and a productive one as well. With this in mind, we will now discuss two important forms of prosocial behavior—acts that benefit others in organizations. These are organizational citizenship behavior and whistle-blowing.

Organizational Citizenship Behavior: Above and Beyond Job Requirements

Imagine the following scene. It's approaching 5:00 p.m. and you're wrapping up your work for the day. You're anxiously looking forward to getting home and relaxing. While this is going on, the scene is quite different at the next cubicle. One of your colleagues has been working feverishly to complete an important report, but appears to have hit a snag. She now has little hope of getting the report on the boss's desk before he leaves for the day—that is, without your help. Pitching in to help your colleague is something you don't have to do. After all, there's nothing in your formal job description that makes it necessary for you to do so. What's more, you're quite weary after your own long day of work. However, when you see the bind your colleague is in, you put aside your own feelings and offer to stay and help her out.

In this case, although you're probably not going to win any medals for your generosity, you are being helpful, and you have gone "above and beyond the call of duty." Actions such as these, that exceed the formal requirements of one's job, are known as *organizational citizenship behavior* (OCB). It is easy to imagine how such behavior, although informal and sometimes minor in nature, plays a very important role when it comes to the smooth functioning of organizations. The example we just gave—volunteering to help one of your co-workers—is just one of five different forms that OCB can take.

Why Does OCB Occur? As you know, people are sometimes selfish and do not engage in OCB. What lies behind the tendency to be a good organizational citizen? Although there are several factors involved, evidence strongly suggests that trust is the most important factor—that is, people's beliefs that they are being treated fairly by their organization (especially their immediate supervisors). The more people believe they are treated fairly by the organization, the more they trust its management, and the more willing they are to go the extra mile to help out when needed. In contrast, those who feel that their organizations are taking advantage of them are likely to be untrusting and unlikely to engage in OCB.

Does OCB Really Matter? As you might imagine, the effects of OCB are difficult to assess because OCB generally is not included as part of any standard performance measures that a company gathers about its employees. However, OCB does have important effects on organizational functioning. Specifically, people's willingness to engage in various types of OCB is related to such work-related measures as job satisfaction and organizational commitment, which, as described in Chapter 4, are related to organizational functioning in a number of complex ways. In addition, being a good organizational citizen can have important effects on recruiting efforts. After all, the more positive statements current employees make about the companies at which they are employed, the more effectively those companies will be able to recruit the best new employees. In conclusion, although the effects of OCB may be indirect and difficult to measure, they can be very powerful.

Tips for Promoting OCB. Given the importance of OCB, it makes sense to highlight some specific ways of encouraging these forms of behavior. Several potentially useful suggestions may be made.

1. *Go out of your way to help others.* The more you help your colleagues, the more likely they will be to help you. Soon, before you know it, with everyone helping everyone else, prosocial behavior will become the norm—that is, a widely accepted practice in the company.

2. *Be an example of conscientiousness.* Employees are inclined to model the citizenship behavior of their supervisors. If, as a manager, you set a good example by coming to work on time and by not making personal phone calls, your subordinates may be expected to follow your lead. Although it might not be this easy, at least you have some credibility when you do insist that your subordinates refrain from these forms of poor citizenship.

3. *Make voluntary functions fun.* It only makes sense that employees will not be motivated to attend voluntary meetings or corporate functions of one kind or another (e.g., picnics, award banquets) unless these are enjoyable. People are more likely to show the good citizenship associated with attending corporate functions when the company makes it worthwhile for them to do so. After all, the more desirable it is for someone to be prosocial, the more likely that individual is to be a good organizational citizen.

4. *Demonstrate courtesy and good sportsmanship.* When something goes wrong, don't "make a stink," rather, just "grin and bear it." Someone who "blows up" at the slightest provocation is not only a poor

organizational citizen, but is one who may well discourage good citizenship among others.

Whistle-Blowing: Helping through Dissent

Sometimes, employees face situations in which they recognize that their organization is behaving in an improper fashion. To right the wrong they reveal the practice to someone who may be able to correct it—an action known as whistle-blowing. Formally, whistle-blowing refers to the disclosure by employees of illegal, immoral, or illegitimate practices by employers to people in the organization who are authorized to take action.

Is whistle-blowing a prosocial action? From the point of view of society, it usually is. In many instances, the actions of whistle-blowers can protect the health, safety, or security of the general public. For example, an employee of a large bank who reports risky or illegal practices to an appropriate regulatory agency may be protecting thousands of depositors from considerable delay in recovering their savings. Similarly, an individual who blows the whistle on illegal dumping of toxic chemicals by his or her company may save many people from serious illness. For a summary of some famous cases of whistle-blowing, see Exhibit 1.

EXHIBIT 1
WHISTLE-BLOWING: SIX RECENT CASES

In recent years, whistle-blowing has occurred in a variety of different companies. Here is an overview of some famous whistle-blowers and their actions.

Whistle-blower	*What happened*	*Status*
James Bingham, former assistant treasurer; Xerox	In 2000, Bingham alleged that Xerox fired him for drawing management's attention to accounting and financial-reporting errors. He assisted the SEC in a civil case that Xerox later settled by paying a $10 million fine and restating four years' worth of financials. The company also covered nearly $20 million fines against executives charged with fraud.	Wrongful-dismissal suit pending.
Nina Aversano, former president of North America sales to service providers; Lucent Technologies	Aversano filed suit against Lucent in December 2000, alleging that the company's then-CEO fired her after she called his sales targets unreachable and told him he was misleading investors with aggressive forecasts.	Suit was settled in January.
Tax attorney Robert Schmidt and tax manager Thomas Walsh; Levi Strauss	The pair claim that Levi Strauss fired them in December 2002 after they refused to withhold financial information from auditor KPMG. They brought suit in April 2003, accusing Levi of filing false financial statements since 1997. They have also called for whistle-blower protection.	Levi countersued in May, alleging that the pair stole company documents and accusing them of defamation.
William J. Murry, a former senior	Murry filed suit in April under Section 806 of Sarbanes-Oxley. He alleges that Dallas-based	Trial date expected soon.

vice president of capital management; TXU	energy company TXU fired him for questioning what he saw as unorthodox accounting and arguing that the company did not have the required 180 days to review the claim before Murry took it to federal court. A federal judge in Dallas denied the request.	
Anthony Gonzalez, chairman of Colonial's local advisory board; Colonial Bank	Gonzalez approached the president and the CEO of Colonial after he learned they had started a side business together that competed with the company. When the pair continued the business despite his warning, Gonzalez spoke with the CEO and CFO of Colonial's parent company in Alabama. He alleges he was fired the following day.	Gonzalez filed suit under Sarbanes-Oxley in July
David Welch, former CFO; Cardinal Bankshares	In court in August, Welch's attorney invoked the Sarbanes-Oxley whistle-blower provision, arguing that Cardinal fired his client for raising concerns about accounting and refusing to certify the company's financial reports. According to Cardinal, Welch was fired after he was asked to discuss his allegations with the company's lawyer and one of its external auditors but refused to talk without his own lawyer present.	Decision pending.

As you might imagine, blowing the whistle on one's employer is likely to be a very costly act for employees, as they often find themselves facing a long, uphill battle attempting to prove the wrongdoing. They also frequently face ostracism and losing their jobs in retaliation for their disloyalty. Although various laws prevent employers from firing people directly because they blew the whistle, organizations frequently find alternative official grounds for dismissing "troublemakers." In other words, although whistle-blowing often involves considerable cost, the importance of the action motivates some people to engage in this form of prosocial behavior.

In theory, disgruntled ex-employees have always been able to accuse their ex-employers of misdeeds in order to claim wrongful termination. But until the passage of Sarbanes-Oxley (Section 806 provisions), most public-company employees had little to gain financially if the company denied the charges and refused to settle. Since the mid-1980s, the federal government has protected whistle-blowers whose work affects public welfare, including, for example, federal employees, government contractors, power-plant operators, and airline staff. But people who spoke out about financial fraud had no legal protection except for a handful of state laws—and then, often, only if the matter affected the general public.

Now, the Act says that an employee needs only "a reasonable belief" that his or her employer is violating a securities law or is in any other way imperiling shareholder value to qualify for government protection from retaliation. "Retaliation" encompasses everything from firing to verbal threats and missed promotions. Within 90 days of experiencing retaliation, an employee can file for protection, which means anything from reinstatement with back pay to a full federal court trial with the potential of compensation for pain and suffering. These protections apply even if the employee is wrong about his or her accusations.

COOPERATION: PROVIDING MUTUAL ASSISTANCE

Thus far, our discussion of prosocial behavior has focused on one persons' giving help to another. However, it probably is even more common in organizations to find situations in which assistance is mutual, with two or more individuals, teams, or organizations working together toward some common goal. Such efforts are known as acts of cooperation. As you might imagine, cooperation is essential to organizational success. Unless individuals, teams, and entire organizations cooperate with each other, all are likely to fall short of their objectives. With this in mind, it makes sense to consider the factors that bring about cooperation, both within organizations and between them as well. Accommodating is a conflict handling intention. The dimensions of conflict handling intentions are assertiveness and cooperation. An intention is what mediates between one's actual behavior and one's emotions and perceptions. Accommodating involves placing another person's interests above one's own. It represents the minimum of assertiveness and the maximum of cooperation. For example, the seller should accommodate the customer by providing the product the customer wants.

Cooperation within Organizations

Several factors affect the tendency for people to cooperate with each other within organizations. We will review some of the key ones here.

The Reciprocity Principle. We all know that "the Golden Rule" admonishes us to do unto others as we would have them do unto us. However, this doesn't describe exactly the way people behave. Instead of treating others as we would like to be treated, most people tend to treat others the way they have been treated in the past by them. In short, we are more inclined to follow a different principle: "an eye for an eye and a tooth for a tooth." Social scientists refer to this as the principle of reciprocity—the tendency to treat others as they have treated us.

To a great extent, the principle of reciprocity describes the way people behave when cooperating with others. The key task in establishing cooperation in organizations is straightforward: Getting it started. Once individuals or teams have begun to cooperate, the process may be largely self-sustaining. That is, one unit's cooperation encourages cooperation among the others. To promote cooperation, therefore, managers should attempt to get the process underway.

Trust: Believing in Others. Earlier, we described trust as a determinant of organizational citizenship behavior. As you might imagine, it also is a powerful cause of cooperation as well. In particular, the kind of trust that encourages cooperation involves demonstrating that you really care for someone and that you will be there for them emotionally when needed (termed affect-based trust). Managers who have helped their subordinates in the past and who interact with them a great deal are likely to enjoy high amounts of affect-based trust among these subordinates. And, workers are more likely to cooperate with such supervisors than those with whom they have not developed affect-based trust.

Personal Orientation. As you know from experience, by nature, some people tend to be more cooperative than others. In contrast, other people tend to be far more competitive—interested in doing better than others in one way or another. Not surprisingly, scientists have found that people can be classified reliably into four different categories with respect to their natural predisposition toward working with or against others. These are as follows.

- *Competitors* - People whose primary motive is doing better than others, besting them in open competition.
- *Individualists* - People who care almost exclusively about maximizing their own gain, and who

don't care whether others do better or worse than themselves.

- *Cooperators* - People who are concerned with maximizing joint outcomes, getting as much as possible for their team.
- *Equalizers* - People who are interested primarily in minimizing the differences between themselves and others.

Although there are individual differences between people, men as a whole tend to favor a competitive orientation, attempting to exploit others around them. In contrast, women tend to favor a cooperative orientation, preferring to work with other people rather than against them, and they also tend to develop friendly ties with others. Still, it would be a mistake for managers automatically to assume that men and women fall into such categories. Instead, it is recommended that managers take the time to get to know their individual workers' personal orientations and then match these to the kinds of tasks to which they may be best suited. For example, competitors may be effective in negotiation situations whereas cooperators may be most effective in teamwork situations.

Organizational Reward Systems. It is not only people's predisposition that leads them to behave cooperatively, but differences in the nature of organizational reward systems as well. Despite good intentions, companies all too often create reward systems that lead their employees to compete against each other. This would be the case, for example, in a company in which various divisions sell products that compete with each other. Sales representatives who receive commissions for selling their division's products have little incentive to help the company by attempting to sell another division's products. In other words, the company's reward system discourages cooperative behavior.

With an eye toward eliminating such problems and fostering cooperation, many of today's companies are adopting team-based rewards. These are organizational reward systems in which at least a portion of an individual's compensation is based on the performance of his or her work group. The rationale behind these incentive systems is straightforward: People who are rewarded for contributing to their groups' performance will focus their energies on group performance. In other words, they will cooperate with each other. Although there are many difficult challenges associated with setting up team-based reward programs that are manageable (e.g., ones based on measurable rewards) and that people find acceptable (e.g., ones that are administered fairly), companies that have met these challenges have reaped benefits in the forms of increased job satisfaction and productivity.

Cooperation between Organizations

Thus far, we have discussed only cooperation between people within organizations. However, cooperation also takes place between organizations. Indeed, the term inter-organizational coordination is used to describe instances in which independent organizations coordinate their actions to attain mutual benefit.

Although we ordinarily think of organizations as competing with each other, there also are conditions under which organizations cooperate with one another. This generally occurs when organizations face external threats that can be countered by combining forces with others. For example, middle-eastern nations joined forces in creating OPEC to help control prices in the petroleum market. Another example may be seen in today's health care industry. Although organized differently, many of today's hospitals have joined forces by using a central management to help save rapidly-rising expenses and to avoid the costly duplication of high-tech equipment and services—arrangements known as multihospital consortia. A consortium is a confederation of organizations that maintain their formal independence, but that coordinate their activities through a central management.

CONFLICT: THE INEVITABLE RESULT OF INCOMPATIBLE INTERESTS

If we view prosocial behavior and cooperation as being at one end of a continuum, then it makes sense to conceive of conflict as lying at the other end. In the context of organizations, conflict may be defined as a process in which one party believes that another party has taken or will take actions that are incompatible with his or her own interests. As you might imagine, conflict occurs quite commonly in organizations. In fact, about 20 percent of managers' time is spent dealing with conflict and its effects. Considering this, it makes sense to examine the causes and consequences of conflict, and ways to effectively manage conflict that occurs in the workplace.

Causes of Conflict

The conflicts we face in organizations may be viewed as stemming from a variety of causes, including both our interactions with other people and with the organization itself. Conflict triggers include ambiguous jurisdictions (unclear job boundaries); competition for scarce resources; status differentials; time pressures; personality clashes; unreasonable standards or rules; communication breakdowns; and unrealized expectations. Here are just a few of the most common sources of organizational conflict.

Grudges. All too often, conflict is caused when people who have lost face in dealing with someone attempt to "get even" with that person by planning some form of revenge. Employees involved in this kind of activity are not only going out of their way to harm one of their co-workers, but by holding a grudge, they are wasting energy that could be devoted to more productive organizational endeavors.

Malevolent Attributions. Why did someone do something that hurt us? To the extent that we believe we are harmed by an individual's malevolent motives (e.g., the desire to hurt us), conflict is inevitable. However, whenever we believe that we suffered harm because of factors outside someone's control (e.g., an accident), conflict is less likely to occur. As you might imagine, it can be problematic if we falsely attribute the harm we suffer to another's negative intent when, in reality, that person's behavior was caused by external factors.

Destructive Criticism. Communicating negative feedback in organizations is inevitable. All too often, however, this process arouses unnecessary conflict. The problem is that some people make the mistake of using destructive criticism—that is, negative feedback that angers the recipient rather than helps this person do a better job. The most effective managers attempt to avoid conflict by using constructive criticism instead—that is, criticism that can be used effectively by the recipient to improve his or her performance.

Distrust. The more strongly people suspect that some other individual or group is out to get them, the more likely they are to have a relationship with that person or group that is riddled with conflict. In general, companies that are considered great places in which to work are characterized by high levels of trust between people at all levels.

Competition over Scarce Resources. Because organizations never have unlimited resources (such as space, money, equipment, or personnel), it is inevitable that conflicts will arise over the distribution of those resources. This occurs in large part because of a self-serving tendency in people's perceptions—that is, people tend to overestimate their own contributions to their organizations. Believing that we have made greater contributions than others leads us to feel more deserving of valued resources than they are. Inevitably, conflict results when the others involved do not see it this way. Expanding the pool of scarce resources permits both managers to achieve their objectives without having to give up anything of value. Thus, each side wins.

Consequences of Conflict: Both Good and Bad. The word "conflict" doubtlessly brings to mind negative images—thoughts of anger and confrontation. Indeed, there is no denying the many negative effects of conflict. But conflict has a positive side as well. The interactionist view is that conflict may be constructive as well as destructive because it encourages self-criticism, creativity, and necessary change. Accordingly, managers may decide to stimulate controlled conflict. Techniques for this purpose may include ambiguous or threatening communications; hiring outsiders with different values, managerial styles, attitudes, and backgrounds; designating an individual to argue against the majority opinions of the group; and restructuring the organization to disrupt the status quo. We will identify the many consequences of conflict in organizations, both positive and negative.

General Negative Consequences of Conflict. The major problem with conflict, as you know from experience, is that it yields strong negative emotions. However, these emotional reactions mark only the beginning of a chain of reactions that can have harmful effects in organizations.

The negative reactions, besides being quite stressful (to be described later in this chapter) are problematic in that they may divert people's attention from the task at hand. For example, people who are focused on getting even with a co-worker and making him look bad in front of others is unlikely to be attending to the most important aspect of their jobs. In particular, communication between individuals or teams may be so adversely affected that any coordination of effort between them is compromised. Not surprisingly, such lowered coordination tends to lead to decrements in organizational functioning. In short, organizational conflict may have costly effects on organizational performance.

Extreme Negative Consequences: Workplace Aggression. All too often our newspapers are full of stories of ex-employees who went berserk and returned to the workplace to murder their former bosses and co-workers. In fact, each week for an average of 15 people are murdered at work in the United States. Although such acts of violence grab our attention, they are but the tip of the iceberg.

In fact, such violent acts are merely one form of more general reaction to conflict known as workplace aggression. This term refers to acts of harming other people in one's organization or the organization itself. This can take many dramatic forms that fall short of all-out violence. For example, workplace aggression may include a wide range of behaviors, such as stealing from the company, bringing a lawsuit against the company, sabotaging an associate's work, or even saying negative things about someone else or the company itself? In short, although some of these behaviors are more destructive than others, these are all extremely negative ways in which people sometimes respond to conflicts that they become involved in.

This is a key point: By recognizing that such aggressive behaviors may be the result of workplace conflicts, the stage is set for managing conflict so as to eliminate—or at least, reduce these behaviors. If instead, managers were to believe that people are prone to aggression primarily because of reasons that lie outside their control (e.g., "that's just the way some people are"), they would be unlikely to acknowledge the possibility that they could do anything about it (or even that they may have contributed to it!). Although some people may be more inclined toward behaving aggressively than others, managers are in a good position to trigger or to discourage these reactions by virtue of the way they manage conflict.

Positive Consequences of Conflict. Have you ever worked on a team project and found that you disagreed with someone on a key matter? If so, how did you react? Hopefully not by sabotaging that person's work or acting aggressively and in fact, the conflict may have even brought the two of you to the table to have a productive discussion about the matter at hand. As a result of this discussion you even may have improved relations between the two of you and the quality of the decisions that resulted from your joint efforts. If you can relate to this scenario, then you already recognize an important fact about organizational conflict—that some of its effects are positive.

Specifically, organizational conflict can be the source of several benefits. Among these are the following.

- Conflict may improve the quality of organizational decisions (as in the above example).
- Conflict may bring out into the open problems that previously have been ignored or avoided.
- Conflict may motivate people to appreciate each others' positions more fully.
- Conflict may encourage people to consider new ideas, thereby facilitating change.

In view of these positive effects of conflict, the key is to make sure that the benefits outweigh the costs. It is with this goal in mind that managers work so diligently to effectively control organizational conflict. We will now examine some of the ways to go about doing this.

Conflict Management Techniques
Several techniques are widely used to manage organizational conflict. We will now review the two most popular ones—bargaining and third-party intervention.

Bargaining. When conflicts arise between individuals, groups, or even entire organizations, the most common way to resolve them is to negotiate a solution that is acceptable to all the parties involved. This process is known as bargaining. Formally, we define bargaining as the process in which two or more parties in dispute with each other exchange offers, counteroffers, and concessions in an attempt to find a mutually acceptable agreement.

Obviously, bargaining does not work when the parties rigidly adhere to their positions without budging, or "stick to their guns." For bargaining to be effective, the parties involved must be willing to adjust their stances on the issues at hand. And, for the people involved to be willing to make such adjustments, they must believe that they have found an acceptable outcome—one that allows them to claim victory in the negotiation process. For bargaining to be most effective in reducing conflict, this must be the case for all sides. That is, outcomes must be found for all sides that allow them to believe that they have "won" the negotiation process—results known as win-win solutions. Several effective ways of finding such win-win solutions may be identified.

1. *Avoid making unreasonable offers.* Imagine that a friend of yours is selling a used car with an asking price of $10,000—the car's established "book value." If you were to attempt to "low ball" the seller by offering only $1,000, your bad-faith offer might end the negotiations right there. A serious buyer would offer a more reasonable price, say $9,000—one that would allow both the buyer and the seller to come out ahead in the deal. In short, extreme offers tend to anger one's opponents, sometimes ending the negotiation process on a sour note, allowing none of the parties to get what they want.

2. *Seek common ground.* All too often, people in conflict with others assume that their interests and those of the other party are completely incompatible. When this occurs, they tend to overlook the fact that they actually might have several areas of interest in common. When parties focus on possible areas of agreement between them, it helps bring them together on the areas of disagreement. So, for example, in negotiating the deal for purchasing the used car, you

might establish the fact that you agree to the selling price of $9,000. This verifies that the interests of the buyer and the seller are not completely incompatible, thereby encouraging them to find a solution to the area in which they disagree, such as a payment schedule. In contrast, if either party believed that they were completely far apart on all aspects of the deal, they would be less likely to negotiate a win-win solution.

3. *Broaden the scope of issues considered.* Sometimes, parties bargaining with each other have several issues on the table. When this occurs, it often is useful to consider the various issues together as a total package. Labor unions often do this in negotiating contracts with company management whenever they give-in on one issue in exchange for consideration on another issue. So, for example, in return for not freezing wages, a company may agree to concede to the union's other interests, such as gaining representation on key corporate committees. In other words, compared to bargaining over single issues (e.g., the price of the used car), when the parties get to bargaining across a wide array of issues, it often is easier to find solutions that are acceptable to all sides.

4. *Uncover "the real" issues.* Frequently, people focus on the conflicts between them in only a single area although they may have multiple conflicts between them—some of which may be hidden. Suppose, for example, that your friend is being extremely stubborn when it comes to negotiating the price of the used car. He's sticking firmly to his asking price, refusing to budge despite your reasonable offer, possibly adding to the conflict between you. However, it may be the case that there are other issues involved. For example, he may be trying to "get even" with you for harming him several years ago. In other words, what may appear to be a simple conflict between two people actually may have multiple sources. Finding long-lasting solutions requires identifying all the important issues—even the hidden ones—and bringing them to the table.

Note: Problem solving is a means of confronting the conflict and removing its causes. The emphasis is on facts and solutions, not personalities and assignment of blame. Optimizing or problem solving entails addressing the source of conflict and finding alternative strategies that benefit all parties. It promotes cooperative, positive attitudes that transfer to other organizational behaviors. Hence, optimizing may be worth the expenditure of more resources than other strategies because it improves the future relationship of the parties. *Smoothing* is another conflict resolution technique in which differences are de-emphasized and common interests of the parties are emphasized. Smoothing (downplaying differences and emphasizing common interests) and compromise (requiring each party to make concessions) are diffusion approaches to conflict management. They have the disadvantage of not solving the underlying problems that created the conflict.

Third-Party Intervention. As you probably know from experience, attempts at negotiating a solution between parties with conflicting interests sometimes deadlock. A widely used and effective means of breaking such deadlocks is to use third parties—individuals who are not involved in the dispute who are called upon to intervene in the interest of finding a resolution.

One commonly used type of third-party intervention is known as mediation. In mediation, the third party attempts to create voluntary agreements between the disputants. Mediators have no formal power and cannot impose any agreement on the two sides. Instead, they seek to clarify the issues involved and enhance the communication between the parties. In short, the role of mediators is to serve as a facilitator—that is, to help the sides find mutually acceptable agreements.

Another widely used technique is known as arbitration. In contrast to mediators, arbitrators do have the power to impose the terms of an agreement. However, depending on the specific type of arbitration employed, the parties may or may not accept the arbitrator's decisions. Specifically, in binding arbitration, the two sides agree in advance to accept the terms of the agreement imposed by the arbitrator. Contrastingly, in voluntary arbitration the two sides retain the option of rejecting the arbitrator's decision.

In addition to this important distinction, arbitration also varies in terms of the nature of the decisions that the arbitrators can consider. For example, in conventional arbitration, the arbitrator can offer any terms he or she desires. However, in final-offer arbitration, arbitrators are limited to selecting between the final offers made by one of the disputing parties.

Although both mediation and arbitration are popular methods of resolving conflict (particularly in disputes between labor and management groups), they tend to be nowhere near as effective as settlements that are directly negotiated between the conflicting parties themselves. In other words, mediated and arbitrated settlements generally are less likely to hold than negotiated settlements. This occurs for several reasons. First, the disputing parties might not trust the third party, believing that he or she is biased, leading them to reject the decision. Second, because disputing parties generally invest more effort into finding solutions they have to negotiate themselves than decisions that are made for them by third parties, they become more committed to accepting those decisions. Both of these explanations lead us to the same conclusion: Conflict can be managed more effectively by having the disputing parties negotiate with each other directly than by using third-party intervention.

An important result of confronting conflict on the job is that its effects are often quite stressful. However, interpersonal conflict is but one of several sources of stress that people must confront on their jobs. With this in mind, we will now turn our attention to the important topic of stress.

OB IN ACTION - When Partners Battle for Control of Their Company

Two partners founded a company; each had a 50 percent stake in the business. As the company's business grew, the future looked bright for the organization. After returning from vacation, one partner found that the other had staged a coup. Personnel had been fired and functions had been shifted or eliminated. A court order prevented further actions by either partner.

Apparently this situation occurred because the two owners had not been able to agree on the company's future direction. Their personal relationship deteriorated. Since they had equal power, two camps were formed. Eventually, one partner bought out the other because the conflict could not be resolved. Even after the buyout, the partner that left formed another competing organization to continue to fight against his old partner and organization.

STRESS IN ORGANIZATIONS

Stress is an all-too-common aspect of work life today, something few individuals can avoid. In fact, a nationwide survey recently conducted by a large life insurance company showed that nearly 46 percent of American workers felt that their jobs are highly stressful. For 27 percent, work was the single greatest source of stress in their lives. And, growing evidence suggests that high levels of stress adversely affect physical health, psychological well-being, and many aspects of task performance.

Evidence such as this makes a strong case for understanding organizational stress. In this final section of the chapter we will consider the major causes and effects of stress, as well as ways of effectively managing stress so as to reduce its negative impact. Before doing this, however, it would be useful to define stress more precisely and to distinguish it from other concepts with which it is related.

What Is Stress?
What do each of the following situations have in common?

- You get fired the day before you become eligible to receive your retirement pension.
- You find out that your company is about to eliminate your department.
- Your boss tells you that you are the only employee who will not be getting a raise this year.
- Your spouse is diagnosed with a terminal illness.

The answer, besides that they are all terrible situations, is that they are all external events (i.e., ones beyond our own control) that create extreme demands on us. Stimuli of this type are known as stressors—formally defined as any demands, either physical or psychological in nature, encountered throughout the course of life.

When we encounter stressors, our bodies (in particular, our sympathetic nervous systems and endocrine systems) are mobilized into action, causing heart rate, blood pressure, and respiration rate to rise. According to Hans Selye, a leading expert on this topic, these physiological reactions can be divided into several distinct stages. When confronted with any threat to our safety or well-being, we experience an immediate and vigorous alarm reaction. Arousal reaches high levels, and many physiological changes that prepare our bodies to defend our survival (either through fight or flight).

This initial reaction is soon replaced by a second stage known as resistance. Here, arousal remains relatively high, but drops to levels that are more sustainable over relatively long periods of time. If the stressors persist, the body's resources may become depleted and a final stage known as exhaustion occurs. At this point, people's ability to cope (at least physically) decreases sharply, and severe biological impairment may result. It is these patterns of response that we are referring to when we talk about stress. Specifically, with respect to organizations, we define stress as the pattern of emotional states and physiological reactions occurring in response to demands from within or outside organizations (i.e., stressors).

As you might imagine, the mechanisms by which stressors lead to stress reactions are not direct and mechanical in nature. Rather, stress involves people's cognitive appraisal of the potential stressors they face. In simple terms, for stress to occur people must perceive: (1) that the situation they face is somehow threatening to them, and (2) that they will be unable to cope with these potential dangers or demands and that the situation is, in essence, beyond their control. In short, stress does not simply shape our thoughts; in many cases, it derives from and is strongly affected by them. To the extent that people appraise various situations as stressors, they are likely to have stress reactions. Often, as we will see, these can have damaging behavioral, psychological, and/or medical effects on people. Before describing the various consequences of stress we will highlight some of its major causes.

Causes of Stress
What causes stress in work settings? Unfortunately, the list is a long one. Indeed, many different factors play a role.

Occupational Demands. Some jobs, such as emergency room physician, police officer, firefighter, and airline pilot, expose the people who hold them to high levels of stress. Others, such as college professor, janitor, and librarian, are less likely to produce stress. This basic fact—that some jobs are much more stressful than others—has been confirmed by the results of a survey involving more than 130 different occupations.

What, precisely, makes some jobs more stressful than others? Research has shown that several features of jobs determine the levels of stress they generate. Specifically, people experience greater stress the more their jobs require: (1) making quick decisions, (2) constantly monitoring devices or materials, (3) repeatedly exchanging information with others, (4) working in unpleasant physical conditions, and (5) performing unstructured rather than structured tasks. The greater the extent to which a job possesses these characteristics, the higher the level of stress that job produces among individuals holding it. Nurses and long-distance bus drivers perform jobs that match this profile—and, not surprisingly, people in these jobs tend to show many of the adverse signs of stress.

Conflict between Work and Nonwork. If you've ever known anyone who has had to face the demands of working while at the same time trying to raise a family, you are probably well aware of how difficult this situation can be. Not only must you confront the usual pressures of spending time at work and maintaining focus on what you're doing, but you also must pay attention to the demands placed on you by members of your family (e.g., to spend time with them, provide financial support). When people confront such incompatibilities in the various sets of obligations they have, they are said to experience role conflict. As you might expect, when we experience conflicts between our work and nonwork lives, something has to give. Not surprisingly, the more time people devote to their jobs, the more events in their nonwork lives (e.g., personal errands) adversely affect their jobs (e.g., not being able to get the job done on time).

The stressful nature of role conflicts is particularly apparent among people expected to switch back and forth between the demands of work and family—a source of stress known as role juggling. This is an especially potent source of stress among a very large population—working mothers. Indeed, research has shown that when people are forced to juggle various roles in their lives (such is usually the case for working mothers) the less fulfilling they find those roles to be.

Role Ambiguity: Stress from Uncertainty. Even if individuals are able to avoid the stress associated with role conflict, they may still encounter an even more common source of job-related stress: role ambiguity. This occurs when people are uncertain about several aspects of their jobs (e.g., the scope of their responsibilities, what's expected of them, how to divide their time between various duties.) Most people dislike such uncertainty and find it quite stressful, but it is difficult to avoid. In fact, role ambiguity is quite common: 35 to 60 percent of employees surveyed report experiencing it to some degree.

Overload and Underload. When the phrase "work-related stress" is mentioned, most people envision scenes in which employees are asked to do more work than they can handle in a given period of time. Such an image is indeed quite legitimate, for such overload is an important cause of stress in many work settings. In fact, in today's business environment, where downsizing is common, fewer employees are often required to do more work than ever before. A distinction needs to be made, however, between Quantitative overload-situations in which individuals are asked to do more work than they can complete in a specific period of time, and qualitative overload where employees believe that they lack the required skills or abilities to perform a given job. Both types of overload are unpleasant, and research findings suggest that both can lead to high levels of stress.

Yet, overload is only part of the total picture. Although being asked to do too much can be stressful, so can being asked to do too little. In fact, there seems to be considerable truth in the following statement: "The hardest job in the world is doing nothing—you can't take a break." Underload leads to boredom and monotony. Since these reactions are quite unpleasant, underload, too, can be stressful. Again, there is a distinction between quantitative underload and qualitative underload. Quantitative underload refers to the boredom that results when employees have so little to do that they find themselves sitting around much of the time. In contrast, qualitative underload refers to the lack of mental stimulation that accompanies many routine, repetitive jobs.

Responsibility for Others: A Heavy Burden. Division of responsibility occurs in every organization. Some people deal primarily with the production side of the business (e.g., obtaining supplies, maintaining equipment), others focus mainly on financial matters (e.g., budgets, taxes, accounting), and still others—usually supervisors or managers—deal primarily with people. Do the levels of stress associated with these contrasting roles differ? Research suggests that they do. In general, individuals who are responsible for motivating, rewarding or punishing, and communicating with others experience higher levels of stress than individuals who handle other organizational functions. Not surprisingly, top managers are more likely to report feelings of tension and anxiety, and are more likely to show overt symptoms of stress such as ulcers or hypertension, than other high-ranking officials who focus exclusively on functional areas, such as finance or production.

Lack of Social Support: The Costs of Isolation. According to the old saying, "misery loves company." With respect to stress, this statement implies that if we have to face stressful conditions, it's better to do so along with others (and with their support) than to do so alone. Does this strategy actually work? In general the answer seems to be "yes." In fact, research has shown that when individuals believe they have the friendship and support of others at work, their ability to combat the adverse effects of stress is strengthened. It appears that social support is an important buffer against the effects of stress.

Sexual Harassment: A Pervasive Problem in Work Settings. There can be little doubt that sexual harassment (defined as unwanted contact or communication of a sexual nature, usually against women) is a source of stress found in many of today's workplaces. The stressful effects of sexual harassment stem primarily from two sources: (1) the direct affront to the victim's personal dignity and (2) the harasser's interference with the victim's capacity to do the job. It would certainly be difficult to pay attention to what you're doing on your job when you have to concentrate on ways to ward off someone's unwanted attentions! Not surprisingly, sexual harassment has caused some people to experience many severe symptoms of physical illness and voluntary turnover,

Unfortunately, this particular source of work-related stress is shockingly common. Indeed, when asked in a New York Times/CBS News poll whether they had ever been the object of sexual advances, proposals, or unwanted sexual discussions from men who supervise them, 30 percent of women answered "yes." And this is not a partisan issue: When asked if they had ever said or done something at work that could be construed by a female colleague as harassment, 50 percent of the men polled admitted that they had.

Major Effects of Organizational Stress

By now, you are probably convinced that stress stems from many sources, and that it exerts very detrimental effects on the people who experience it. What may not be apparent, though, is just how powerful and far-reaching such effects can be. In fact, the effects of stress have become so extreme that it has been estimated that its annual costs exceed 10 percent of the U.S. gross national product!

Stress and Task Performance. The most current evidence available suggests that stress exerts mainly negative effects on task performance. In other words, performance can be disrupted even by relatively low levels of stress: The greater the stress people encounter on the job, the more adversely affected their job performance tends to be.

Despite this general effect, we should note that there are exceptions. First, some individuals, at least, do seem to "rise to the occasion" and demonstrate exceptional performances at times of high stress. This may result from the fact that they are truly expert in the tasks being performed, making them so confident in what they are doing that they appraise a potentially stressful situation as a challenge rather than a threat. And, as we noted earlier, by not cognitively processing a situation as a threat, stress reactions are unlikely to occur.

Second, large individual differences exist with respect to the impact of stress on task performance. As your own experience may suggest, some individuals do indeed seem to thrive on stress; they actively seek arousal and high levels of sensation or stimulation. For such people, stress is exhilarating and may improve their performance. In contrast, other people react in an opposite manner. They seek to avoid arousal and high levels of sensation. Such individuals find stress upsetting, and it may interfere with their performance on many tasks.

So, taking available evidence into account, the most reasonable conclusion we can offer concerning stress and task performance is as follows: In many situations, stress can indeed interfere with performance. However, its precise effects depend on several different factors (e.g., complexity of the task being performed, personal characteristics of the individuals involved, their previous experience with this task.) In view of such complexities, generalizations about the impact of stress on task performance should be made with considerable caution.

Burnout: Stress and Psychological Adjustment. Most jobs involve some degree of stress. Yet, somehow, the people performing them manage to cope; they continue to function despite their daily encounters with various stressors. Some individuals, though, are not so fortunate. Over time, they seem to be worn down by repeated exposure to stress. Such people are often described as suffering from burnout—a syndrome of emotional, physical, and mental exhaustion coupled with feelings of low self-esteem or low self-efficacy, resulting from prolonged exposure to intense stress. Specifically, people suffering from burnout demonstrate several distinct characteristics.

1. Physical exhaustion. Victims of burnout have low energy and feel tired much of the time. In addition, they report many symptoms of physical strain such as frequent headaches, nausea, poor sleep, and changes in eating habits (e.g., loss of appetite).
2. Emotional exhaustion. Depression, feelings of helplessness, and feelings of being trapped in one's job are all part of burnout.
3. Depersonalization. People suffering from burnout often demonstrate a pattern of attitudinal exhaustion known as depersonalization. Specifically, they become cynical about others, tend to treat them as objects rather than as people, and hold negative attitudes toward them. In addition, they tend to derogate themselves, their jobs, their organizations, and even life in general. To put it simply, they come to view the world around them through stormy rather than rose-colored glasses.
4. Feelings of low personal accomplishment. People suffering from burnout conclude that they haven't been able to accomplish much in the past, and assume that they probably won't succeed in the future, either.

Stress and Health: The Silent Killer. How strong is the link between stress and personal health? The answer, according to medical experts, is "very strong, indeed." In other words, physiological strain reactions can be quite severe. In fact, some authorities estimate that stress plays a role in anywhere from 50 to 70 percent of all forms of physical illness. Moreover, these figures include some of the most serious and life-threatening ailments known to medical science.

Managing Stress: Some Effective Techniques

Stress stems from so many different factors and conditions that to eliminate it entirely from our lives is impossible. What both individuals and organizations can do, however, is take steps to reduce its intensity and to minimize its harmful effects when they occur.

Fortunately, strategies for attaining these goals exist. What steps can people take to protect themselves against the adverse effects of stress? Several good approaches have been identified.

1) *Eat a healthy diet.* Growing evidence indicates that reducing intake of salt and saturated fats, and increasing consumption of fiber rich fruits and vegetables, are steps that can greatly increase the body's ability to cope with the physiological effects of stress.
2) *Be physically fit.* People who exercise regularly obtain many benefits closely related to resistance of the adverse effects of stress. For example, fitness reduces both the incidence of cardiovascular illness and the death rate from such diseases. Similarly, physical fitness lowers blood pressure, an important factor in many aspects of personal health.
3) *Relax and meditate.* When you think of successful executives at work, what picture comes to mind? Most of us probably would conjure up an image of someone on three phones at once, surrounded by important papers in a whirlwind of activity. Probably the farthest thing from your mind would be the image of someone resting calmly in a serene setting. Yet, for a growing number of today's employees, this picture is quite common. What's going on in these companies has been designed to help people become more productive, not in the traditional, stress-inducing way, but by helping them cope more effectively with stress. One technique used in this regard is meditation, the process of learning to clear one's mind of external thoughts, often by repeating a single syllable (known as a mantra) over and over again.
4) *Avoid inappropriate self-talk.* This involves telling ourselves over and over how horrible and unbearable it will be if we fail, if we are not perfect, or if everyone we meet does not like us. Such thoughts seem ludicrous when spelled out in the pages of a book, but considerable evidence indicates that most people entertain them at least occasionally. Unfortunately, such thoughts can add to personal levels of stress, as individuals awfulize or catastrophize in their own minds the horrors of not being successful, perfect, or loved. Fortunately, such thinking can be modified readily. For many people, merely recognizing that they have implicitly accepted such irrational and self-defeating beliefs is sufficient to produce beneficial change and increased resistance to stress.
5) *Learn to react differently.* When faced with stressful events, people often protect themselves from the rising tide of anxiety by adopting actions that are incompatible with such feelings. For example, instead of allowing our speech to become increasingly rapid and intense as we become upset, we can consciously modulate this aspect of our behavior. A reduction in arousal and tension may result. People who practice this skill report great success.
6) *Take a time-out.* When confronted with rising tension, people may find it useful to consciously choose to insert a brief period of delay known as time-out. This can involve taking a short break, going to the nearest restroom to splash cold water on one's face, or any other action that yields a few moments of breathing space. Such actions interrupt the cycle of ever-rising tension that accompanies stress, and can help to restore equilibrium and the feeling of being at least partly in control of ongoing events.
7) *Enroll in a stress management program.* A growing number of companies have introduced programs known as stress management programs that are designed to help employees reduce and/or prevent stress. Typically, these involve systematically training employees in many of the

techniques we described earlier (e.g., meditation, relaxation, life-style management) as well as others.

CHAPTER 9
MAKING DECISIONS IN ORGANIZATIONS

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Identify the eight steps in the decision-making process.
- Describe the various categories of decisions that are made in organizations.
- Distinguish between the rational-economic and the administrative models of decision making.
- Explain how various cognitive biases operate when people make decisions.
- Identify various factors that contribute to imperfect decision making in organizations.
- Describe the conditions under which individuals make better decisions than groups, and vice versa.
- Describe the phenomenon of groupthink and ways of overcoming it.
- Explain how the Delphi technique and the nominal group technique are used to improve the quality of decisions made by groups.
- Describe why people make unethical decisions in organizations and what can be done about it.

Decision making is widely considered as one of the most important, if not the most important, of all managerial activities. Management theorists and researchers agree that decision making represents one of the most common and most crucial of all work activities. In fact, the famous organizational scientist Herbert Simon, who won a Nobel prize for his work on decision making, has described decision making as synonymous with managing. Every day, people in organizations make decisions about a wide variety of things ranging from mundane to monumental. Understanding how these decisions are made and how they can be improved is a major goal of the field of organizational behavior.

This chapter will examine theories, research, and practical managerial techniques concerned with organizational decision making. We will review the basic characteristics of individual decisions and group decisions. For each, we will identify factors that may adversely affect the quality of decisions and techniques for improving decision quality. Then, we will compare the quality of individual and group decisions on a variety of tasks and note the conditions under which individuals or groups are better suited for making decisions. Finally, we will describe various techniques that can be used to improve the quality of decisions made by groups. But first, we will begin by taking a closer look at the general process of decision making and the varieties of decisions made in organizations.

THE BASIC NATURE OF ORGANIZATIONAL DECISION MAKING

Given the central importance of decision making in organizations, we will begin our discussion by highlighting some of the basic steps in the decision-making process and noting the general types of organizational decisions that are made.

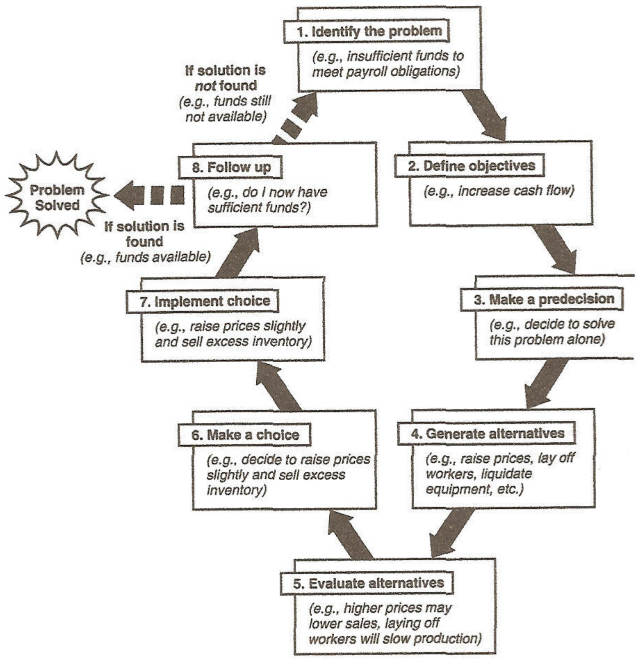
A General Model of Decision Making

Traditionally, scientists have found it useful to conceptualize the process of decision making as a series of steps that groups or individuals take to solve problems. A general model of the decision-making process can help us understand the complex nature of organizational decision making (see

Exhibit 1). This model highlights two important aspects of the decision-making process: formulation, the process of understanding a problem and making a decision about it, and implementation, the process of carrying out the decision made. As we present this model, keep in mind that all decisions might not fully conform to the neat, eight-step pattern described (e.g., steps may be skipped and/or combined). However, for the purpose of pointing out the general way the decision-making process operates, the model is quite useful.

EXHIBIT 1
THE DECISION-MAKING PROCESS

The process of decision making tends to follow the eight steps outlined here. The running example illustrates how a problem, insufficient funds to meet payroll obligations, can be applied to each step.



The first step in decision making is identifying the problem. To decide how to solve a problem, one must first recognize and identify it. For example, an executive may identify as a problem the fact that the company cannot meet its payroll obligations. This step isn't always as easy as it sounds. People frequently distort, omit, ignore, and/or discount information around them that provides important cues regarding the existence of problems. This, of course, is problematic. After all, a problem cannot be solved if it is never recognized. After a problem is identified, the second step is defining the objectives to be met in solving it. It is important to conceive of problems in such a way that possible solutions can be identified. The problem identified in our example may be defined as "inadequate cash flow." By looking at the problem in this way, the objective is clear: increase available cash reserves. Any possible solution to the problem should be evaluated relative to this objective.

The third step in the decision-making process is making a predecision. A predecision is a decision about how to make a decision. By assessing the type of problem in question and other aspects of the situation, managers may opt to make a decision themselves, delegate the decision to another, or have a group make the decision. Predecisions should be based on research that tells us about the effectiveness of decisions made under different circumstances, many of which we will review later in this chapter

For many years, managers have been relying on their own intuition or empirically based information about organizational behavior for the guidance needed to make predecisions. Recently, however, computer programs have been developed summarizing much of this information in a form that gives managers ready access to a wealth of social science information that may help them decide how to make decisions. Such decision support systems (DSS), as they are known, can only be as good as the information that goes into developing them. Research has shown that DSS techniques are generally quite effective in helping people make decisions about solving problems.

The fourth step in the process is generating alternatives, the stage in which possible solutions to the problem are identified. Whenever possible, in attempting to come up with solutions, people tend to rely on previously used approaches that may provide ready-made answers. In our example, some possible ways of solving the revenue shortage problem include reducing the work force, liquidating unnecessary equipment, and increasing sales.

Because all these possibilities may not be equally feasible, the fifth step calls for evaluating alternative solutions. Which solution is best? What would be the most effective way of raising the revenue needed to meet the payroll? The various alternatives need to be identified. Some may be more effective than others, and some may be more difficult to implement than others. For example, although increasing sales would certainly help, that is much easier said than done. It is a solution, but not an immediately practical one.

Next is the sixth step, making a choice. After several alternatives are evaluated, one that is considered acceptable is chosen. As we will describe shortly, different approaches to decision making offer different views of how thoroughly people consider alternatives and how optimal their chosen alternatives are. Choosing which course of action to take is the step that most often comes to mind when we think about the decision-making process.

The seventh step calls for implementing the chosen alternative—that is, carrying out the chosen alternative. The eighth and final step is following up. Monitoring the effectiveness of the decisions put into action is important to the success of organizations. Does the problem still exist? Have any new problems been caused by implementing the solution? It is important to seek feedback about the effectiveness of any attempted solution. If the solution works, the problem may be considered solved and the process ends. If not, a new solution will have to be attempted and the process continues.

Varieties of Organizational Decisions

Consider for a moment the variety of decisions likely to be made in organizations. Some decisions have far-reaching consequences and others are more mundane. People sometimes make decisions in situations in which the likely outcomes are well known (e.g., the decision to underwrite life insurance on the basis of actuarial data), whereas at other times the outcomes are much more uncertain (e.g., the decision to invade a hostile nation for purposes of freeing hostages.) These are good examples of the two major characteristics of organizational decisions: how structured or unstructured the situation is, and how much certainty or risk is involved in the decision.

Programmed versus Nonprogrammed Decisions. Think of a decision that is made repeatedly, according to a preestablished set of alternatives. For example, a word processing operator may decide to make a backup diskette of the day's work, or the manager of a fast-food restaurant may decide to order hamburger buns as the supply starts to get low. Decisions such as these are known as programmed decisions—routine decisions, made by lower-level personnel, that rely on predetermined courses of action.

In contrast, we may identify nonprogrammed decisions—ones for which there are no ready-made solutions. The decision-maker confronts a unique situation in which the solutions are novel. The research scientist attempting to find a cure for a rare disease faces a problem that is poorly structured. Unlike the order clerk whose course of action is clear when the supply of paper clips runs low, the scientist in this example must rely on creativity rather than preexisting answers to solve the problem at hand.

Certain types of nonprogrammed decisions are known as strategic decisions. These decisions are typically made by teams of high-level executives and have important long-term implications for the organization. Strategic decisions reflect a consistent pattern for directing the organization in some specified fashion—that is, according to an underlying organizational philosophy or mission. For example, an organization may make a strategic decision to grow at a specified yearly rate, or to be guided by a certain code of corporate ethics. Both of these decisions are likely to be considered "strategic" because they guide the future direction of the organization.

Exhibit 2 summarizes the differences between programmed and nonprogrammed decisions with respect to three important questions. First, what types of tasks are involved? Programmed decisions are made on tasks that are common and routine, whereas nonprogrammed decisions are made on unique and novel tasks. Second, how much reliance is there on organizational policies? In making programmed decisions, the decision-maker can count on guidance from statements of organizational policy and procedure. However, nonprogrammed decisions require the use of creative solutions that are implemented for the first time; past solutions may provide little guidance. Finally, who makes the decisions? Not surprisingly, nonprogrammed decisions typically are made by upper-level organizational personnel, whereas the more routine, programmed decisions are usually relegated to lower-level personnel.

EXHIBIT 2
PROGRAMMED VERSUS NONPROGRAMMED DECISIONS

Programmed and nonprogrammed decisions differ with respect to the types of tasks on which they are made, the degree to which solutions may be found in existing organizational policies, and the typical decision-making unit.

	Type of Decision	
Variable	*Programmed Decisions*	*Nonprogrammed Decisions*
Type of task	Simple, routine	Complex, creative
Reliance on organizational policies	Considerable guidance from past decisions	No guidance from past decisions
Typical decision maker	Lower-level workers (usually alone)	Upper-level supervisors (usually in groups)

Certain versus Uncertain Decisions. Just think of how easy it would be to make decisions if we knew exactly what the future held in store. Making the best investments in the stock market would be a simple matter of looking up the changes in tomorrow's newspaper. Of course, we never know for sure what the future holds, but we can be more certain some times than at others. Certainty about the factors on which decisions are made is highly desired in organizational decision making.

Degrees of certainty and uncertainty are expressed as statements of risk. All organizational decisions involve some degree of risk—ranging from complete certainty (no risk) to complete uncertainty, "a stab in the dark" (high risk). To make the best possible decisions in organizations, people seek to "manage" the risks they take—that is, to minimize the riskiness of a decision by gaining access to information relevant to the decision.

What makes an outcome risky or not is the probability of obtaining the desired outcome. Decision-makers attempt to obtain information about the probabilities, or odds, of certain events occurring given that other events have occurred. For example, a financial analyst may report that a certain stock has risen 80 percent of the time that the prime rate has dropped, or a meteorologist may report that the precipitation probability is 50 percent (i.e., in the past it rained or snowed half the time certain atmospheric conditions existed.) These may be considered reports of objective probabilities because they are based on concrete, verifiable data. Many decisions are also based on subjective probabilities—personal beliefs or hunches about what will happen. For example, a gambler who bets on a horse because it has a name similar to one of his children's, or a person who suspects it's going to rain because he just washed his car, is basing these judgments on subjective probabilities.

Obviously, uncertainty is an undesirable characteristic in decision-making situations. We may view much of what decision-makers do in organizations as attempting to reduce uncertainty so they can make better decisions. In general, what reduces uncertainty in decision-making situations? The answer is information. Knowledge about the past and the present can be used to help make projections about the future. A modern employee's access to the data needed to make important decisions may be as close as the nearest computer terminal. A variety of online information services are designed to provide organizational decision-makers with the latest information relevant to the decisions they are making.

Of course, not all information needed to make decisions comes from computers. Many managerial decisions are also based on the decision maker's past experiences and intuition. This is not to say that managers rely on subjective information in making decisions (although they might), but that their history of past decisions—both successes and failures—is often given great weight in the decision-making process. In other words, when it comes to making decisions, people often rely on what has worked for them in the past.

Part of the reason this strategy is often successful is because experienced decision makers tend to make better use of information relevant to the decisions they are making. Individuals who have expertise in certain subjects know what information is most relevant and also how to interpret it to make the best decisions. It is, therefore, no surprise that people seek experienced professionals, such as doctors and lawyers, who are seasoned veterans in their fields when it comes to making important decisions. With high levels of expertise comes information relevant to assessing the riskiness of decision alternatives, and how to reduce it. When businesses undertake completely new ventures, not only do they have to make decisions in which they receive no guidance from the past, but they also confront a great deal of risk.

APPROACHESTO DECISION MAKING IN ORGANIZATIONS

We all like to think that we are "rational" people who make the best possible decisions. What does it mean to make a rational decision? Organizational scientists view rational decisions, as ones that maximize the attainment of goals, be they the goals of a person, a group, or an entire organization. In this section, we will present two models of decision making that derive from different assumptions about the rationality of individual decision makers: the rational-economic model, and the administrative model.

The Rational-Economic Model: In Search of the Ideal Decision

What would be the most rational way for an individual to go about making a decision? Economists interested in predicting market conditions and prices have relied on a rational-economic model of decision making, which assumes that decisions are perfect and rational in every way. An economically rational decision-maker will attempt to maximize his or her profits by systematically searching for the optimum solution to a problem. For this to occur, the decision-maker must have complete and perfect information and be able to process all this information in an accurate and unbiased fashion.

In many respects, rational-economic decisions follow the same steps outlined in our general model of decision making (see Exhibit 1). However, what makes the rational-economic approach special is that it calls for the decision-maker to recognize all alternative courses of action (step 4), and to accurately and completely evaluate each one (step 5). It views decision-makers as attempting to make optimal decisions.

Of course, the rational-economic approach to decision making does not fully appreciate the fallibility of the human decision-maker. Based on the assumption that people have access to complete and perfect information and use it to make perfect decisions, the model can be considered a normative (also called prescriptive) approach—one that describes how decision makers ideally ought to behave so as to make the best possible decisions. It does not describe how decision-makers actually behave in most circumstances. This task is undertaken by the next major approach to individual decision making, the administrative model (for a comparison between these two approaches, see Exhibit 3.)

March and Simon's Administrative Model of Decision Making: Exploring the Limits of Human Rationality

Whereas the classical model is prescriptive (it indicates how decisions should be made), the March and Simon's administrative decision-making model is descriptive (it explains how people actually make decisions in organizations. As you know from experience, people generally do not act in a completely rational-economic manner. To illustrate this point, consider how members of a company's human resources department might select a new receptionist. After several applicants are interviewed, the manager might choose the best candidate seen so far and stop interviewing. Had the manager been following a rational-economic model, he or she would have had to interview all possible candidates before deciding on the best one. However, by ending the search after finding a candidate who was good enough, although maybe not perfect in all respects, the manager is using a much simpler approach.

The process used in this example illustrates an approach to decision making known as the administrative model. This conceptualization recognizes that decision makers may have a limited view of the problems confronting them. The number of solutions that can be recognized or implemented is limited by the capabilities of the decision-maker and the available resources of the organization. Also, because decision-makers do not have perfect information about the consequences of their decisions, they cannot tell which one is best.

How are decisions made according to the administrative model? Instead of considering all possible solutions, as suggested by the rational-economic model, the administrative model recognizes that decision makers consider solutions as they become available. Then, they decide on the first alternative that meets their criteria for acceptability. Thus, the decision-maker selects a solution that may be just good enough, although not optimal. Such decisions are referred to as satisfying decisions. Of course, a satisfying decision is much easier to make than an optimal decision. In most decision-making situations, satisfying decisions are acceptable and are more likely to be made than optimal ones. The following analogy has been used to compare the two types of decisions: Making an optimal decision is like searching a haystack for the sharpest needle, but making a satisfying decision is like searching a haystack for a needle that's just sharp enough with which to sew.

EXHIBIT 3
THE RATIONAL-ECONOMIC MODEL VERSUS THE ADMINISTRATIVE MODEL

The rational-economic model and the administrative model of individual decision making are based on a variety of different assumptions about how people make decisions.

Assumption	*Rational-Economic Model*	*Administrative Model*
Rationality of decision maker	Perfect rationality	Bounded rationality
Information available	Compete access	Limited access
Selection of alternatives	Optimal choice	Satisficing choice
Type of model	Normative (prescriptive)	Descriptive

As we have noted, it is often impractical for people to make completely optimal, rational decisions. The administrative model recognizes the limits under which most organizational decision-makers must operate, what is known as bounded rationality. The idea is that people lack the cognitive skills required to formulate and solve highly complex business problems in a completely objective, rational way.

It should not be surprising to hear that the administrative model does a better job than the rational-economic model of describing how decision makers actually behave. Indeed, the model is designed to do precisely this, and is therefore said to be descriptive (also called proscriptive) in nature. This interest in examining the actual, imperfect behavior of decision makers, rather than specifying the ideal, economically rational behaviors that decision makers ought to engage in, lies at the heart of the distinction between the administrative and rational-economic models. Our point is not that decision makers do not want to behave rationally, but that restrictions posed by the innate capabilities of the decision makers themselves and the social environments in which decisions are often made typically preclude "perfect" decisions. With this idea in mind, we will now examine some of the factors limiting optimal decisions.

IMPEDIMENTS TO OPTIMAL INDIVIDUAL DECISIONS

The picture of an imperfect decision maker operating in a complex world is supported by many studies that point to the seemingly irrational decisions people make. These imperfections take many forms, several of which we will review here.

Cognitive Biases in Decision-Making: Framing and Heuristics

Probably the most obvious limitation on people's ability to make the best possible decisions is imposed by their restricted capacity to process information accurately and thoroughly, like a computer. For example, people often focus on irrelevant information in making decisions. They also fail to use all the information made available to them. Obviously, limitations in people's abilities to process complex information adversely influence their decisions. Beyond these general limitations in human information-processing capacity, we may note the existence of several systematic biases in the way people make decisions.

Framing. One well-established decision-making bias has to do with the tendency for people to make different decisions based on how the problem is presented to them—that is, the framing of a problem. Scientists have found that problems framed in a manner that emphasizes the positive gains to be received tend to encourage conservative decisions (i.e., decision makers are said to be risk averse), whereas problems framed in a manner that emphasizes the potential losses to be suffered lead to risk-seeking decisions. Consider the following example:

The government is preparing to combat a rare disease expected to take 600 lives. Two alternative programs to combat the disease have been proposed each of which, scientists believe, will have certain consequences. Program A will save 200 people, if adopted. Program B has a one-third chance of saving all 600 people, but a two-thirds chance of saving no one. Which program do you prefer?

When such a problem was presented to a group of people, 72 percent expressed a preference for Program A, and 28 percent for Program B. In other words, most preferred the "sure thing" of saving 200 people over the one-third possibility of saving them all. However, a curious thing happened when the description of the programs was framed in negative terms. Specifically:

Program C was described as allowing 400 people to die, if adopted. Program D was described as allowing a one-third probability that no one would die, and a two-thirds probability that all 600 would die. Now which program would you prefer?

Compare these four programs. Program C is just another way of stating the outcomes of Program A, and Program D is just another way of stating the outcomes of Program B. However, Programs C and D are framed in negative terms, which led to opposite preferences: 22 percent favored Program C and 78 percent favored Program D. In other words, people tended to avoid risk when the problem was framed in terms of "lives saved" (i.e., in positive terms), but to seek risk when the problem was framed in terms of "lives lost" (i.e., in negative terms).

Scientists believe that such effects are due to the tendency for people to perceive equivalent situations framed differently as being not really equivalent. In other words, focusing on the glass as "half full" leads people to think about it differently than when it is presented as being "half empty," although they might recognize intellectually that the two are really the same. Such findings illustrate our point that people are not completely rational decision-makers, but are systematically biased by the cognitive distortions created by differences in the way problems are framed.

Heuristics. Framing effects are not the only cognitive biases to which decision makers are subjected. It also has been established that people often attempt to simplify the complex decisions they face by using heuristics—simple rules of thumb that guide them through a complex array of decision alternatives. Although heuristics are potentially useful to decision makers, they represent potential impediments to decision making. Two very common types of heuristics may be identified.

First, the availability heuristic refers to the tendency for people to base their judgments on information that is readily available to them—even though it might not be accurate. Suppose, for example, that an executive needs to know the percentage of entering college freshmen who go on to graduate. There is not enough time to gather the appropriate statistics, so she bases her judgments on her own recollections of when she was a college student. If the percentage she recalls graduating, based on her own experiences, is higher or lower than the actual figure, her estimate will be off accordingly. In other words, basing judgments solely on information that is conveniently available increases the possibility of making inaccurate decisions. Yet, the availability heuristic is often used when making decisions.

Second, the representativeness heuristic refers to the tendency to perceive others in stereotypical ways if they appear to be typical representatives of the category to which they belong. For example, suppose you believe that accountants are bright, mild-mannered individuals, whereas salespeople are less intelligent, but much more extroverted. Further, imagine that there are twice as many salespeople as accountants at a party. You meet someone at the party who is bright and mild-mannered. Although mathematically the odds are two-to-one that this person is a salesperson rather than an accountant, chances are you will guess that the individual is an accountant because she possesses the traits you associate with accountants. In other words, you believe this person to be representative of accountants in general—so much so, that you would knowingly go against the mathematical odds in making your judgment. Research has found that people often make this type of error in judgment, thereby providing good support for the existence of the representativeness heuristic.

It is important to note that heuristics do not always deteriorate the quality of decisions made. In fact, they can be quite helpful. People often use rules of thumb to help simplify the complex decisions they face. For example, management scientists employ many useful heuristics to aid decisions regarding such matters as where to locate warehouses or how to compose an investment portfolio. We also use heuristics in our everyday lives, such as when we play chess ("control the center of the board") or blackjack ("hit on 16, stick on 17").

However, the representativeness heuristic and the availability heuristic may be recognized as impediments to superior decisions because they discourage people from collecting and processing as much information as they should. Making judgments on the basis of only readily available information, or on stereotypical beliefs, although making things simple for decision-makers, does so at a potentially high cost—poor decisions. Thus, these systematic biases represent potentially serious impediments to individual decision making.

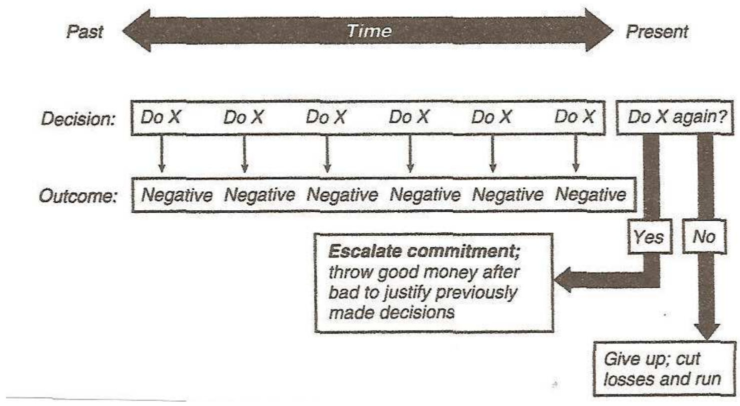
Escalation of Commitment: Throwing Good Money after Bad

It is inevitable that some organizational decisions will be unsuccessful. What would you say is the rational thing to do when a poor decision has been made? Intuitively, it makes sense for the ineffective action to be stopped or reversed, to "cut your losses and run." However, people don't always respond this way. In fact, it is not unusual to find that ineffective decisions sometimes are followed up with still further ineffective decisions.

Although this might not seem like a rational thing to do, this strategy is frequently followed. Consider, for example, how large banks and governments may invest money in foreign governments in the hope of turning them around even though such a result becomes increasingly unlikely.

EXHIBIT 4
ESCALATION OF COMMITMENT

According to the escalation of commitment phenomenon, people who have repeatedly made poor decisions will continue to support those failing courses of action in the future so that they may justify their original decisions.



Why do people do this? If you think about it, you may realize that the failure to back your own previous courses of action in an organization would be taken as an admission of failure—a politically difficult position to take in an organization. In other words, people may be very concerned about saving face—looking good in the eyes of others. Scientists believe that this tendency for self-justification is primarily responsible for people's inclination to protect their beliefs about themselves as rational, competent decision makers. They do this by convincing themselves and others that they made the right decision all along, and back this up by their actions.

As you might imagine, there are times when people will refrain from escalating their commitment to a failing course of action. In particular, people will stop making failing investments when the available funds for making further investments are limited and the threat of failure is overwhelmingly obvious.

It also has been found that people will refrain from escalating commitment when they can diffuse their responsibility for the earlier failing actions. That is, the more people feel they are just one of several people responsible for a failing course of action, the less they are motivated to justify their earlier decisions, and the less likely they are to commit to further failing actions. To conclude, the escalation of commitment phenomenon represents a type of irrational decision making that may occur, but only under certain circumstances.

Organizational Barriers to Effective Decisions

Thus far we have emphasized the human cognitive shortcomings and biases that limit effective decision-making. However, we must not ignore several important organizational factors that also interfere with rational decisions. Indeed, the situations faced by many organizational decision-makers cannot help but interfere with their capacity to make decisions.

One obvious factor is time constraints. Many important organizational decisions are made under severe time pressure. Under such circumstances, it is often impossible for exhaustive decision making to occur. This is particularly the case when organizations face crisis situations requiring immediate decisions. Under such conditions, when decision-makers feel "rushed into" taking action, they frequently restrict their search for information and consideration of alternatives that otherwise may help them make effective decisions.

The quality of many organizational decisions also may be limited by political “face-saving" pressure. In other words, people may make decisions that help themselves look good to others although the resulting decisions might not be in the best interest of their organizations. This would be the case, for example, if a manager yields to pressure from subordinates to purchase a new computer for his department although such expenditure might unduly strain a small company's budget. To the extent that organizational pressures strongly discourage the manager from upsetting his subordinates, these pressures may be considered at least partially responsible for his financially irresponsible decision.

In summary, not only are imperfect decisions the result of limitations in the cognitive capacity of human decision-makers, but also limitations imposed by organizations themselves. With these problems in mind, important decisions are frequently made not by individuals acting alone, but by groups of people working together.

The Role of Information Technology

The use of IT can often help to reduce the effect of these biases and heuristics on decision making. IT systems can generate much more information on which managers can base their decisions. Because IT can be used to link managers at different levels and in different parts of the organization, there is less likelihood of making errors. The application of IT allows managers to spend more time making nonprogrammed decisions that can enhance organizational performance. For example, a company can improve its quality of decision making by using enterprise resource planning system (ERP)—a company-wide Intranet based on multi-module software that allows an organization to link and coordinate its functional activities and operations.

OB IN ACTION - SAP's ERP System

SAP is the world's leading supplier of ERP software. The popularity of the ERP system is that it manages and connects all of a company's functions. SAP's software has modules specifically devoted to each of a company's core functional activities such as marketing and manufacturing. Each module contains a set of functional "best practices," or rules, SAP has found work best to improve the function's efficiency and effectiveness. SAP claims that when a company reconfigures its IT system to make the software work, it can achieve productivity gains of 30 to 50%, which for large companies can amount to billions of dollars in savings.

SAP's ERP system uses a company's Intranet to connect all business functions together. Managers are able to review "best practices," learn from one another, receive feedback on proposed plans, see how their plans will impact others, and review information that will impact their decision making. In essence, SAP's ERPs creates a sophisticated top-level decision-making system that can reason through the huge volume of information being provided by the organization's functions. It can then diagnose common problems and issues and recommend organization-wide solutions.

GROUP DECISIONS: DO TOO MANY COOKS SPOIL THE BROTH?

Decision-making groups are a well-established fact of modem organizational life. Groups such as committees, study teams, task forces, or review panels are often charged with the responsibility for making important business decisions. They are so common, in fact, that it has been said that some administrators spend as much as 80 percent of their time in committee meetings. Given this, it is important to consider the strengths and weaknesses of using groups to make organizational decisions.

Group Decisions: A Double-Edged Sword

There is little doubt that much can be gained by using decision-making groups. Several potential advantages of this approach may be identified. First, bringing people together may increase the amount of knowledge and information available for making good decisions. In other words, there may be a pooling of resources. A related benefit is that in decision-making groups there can be a specialization of labor. With enough people around to share the workload, individuals can perform only those tasks at which they are best, thereby potentially improving the quality of the group's efforts. Another benefit is that group decisions are likely to enjoy greater acceptance than individual decisions. People involved in making decisions may be expected to understand those decisions better and be more committed to carrying them out than decisions made by someone else.

Of course, there are also problems associated with using decision-making groups. One obvious drawback is that groups are likely to waste time. The time spent socializing before getting down to business may be a drain on the group and be very costly to organizations. Another possible problem is that potential disagreement over important matters may breed ill will and group conflict. Although constructive disagreement can actually lead to better group outcomes, highly disruptive conflict may interfere with group decisions. Finally, we may expect groups to be ineffective sometimes because of members' intimidation by group leaders. A group composed of several "yes" men or women trying to please a dominant leader tends to discourage open and honest discussion of solutions.

Given the several pros and cons of using groups to make decisions, we must conclude that neither groups nor individuals are always superior. Obviously, there are important trade-offs involved in using either one to make decisions.

Comparing Group and Individual Decisions: When Are Two (or More) Heads Better Than One?

Since there are advantages associated with both group and individual decision makers, a question arises as to when each should be used. That is, under what conditions might individuals or groups be expected to make superior decisions?

When Are Groups Superior to Individuals? Imagine a situation in which an important decision has to be made about a complex problem—such as whether one company should merge with another. This is not the kind of problem about which any one individual working alone would be able to make a good decision. Its highly complex nature may overwhelm even an expert, thereby setting the stage for a group to do a better job.

Whether a group actually will do better than an individual depends on several important considerations. For one, we must consider who is in the group. Successful groups tend to be composed of heterogeneous group members with complementary skills. So, for example, a group composed of lawyers, accountants, real estate agents, and other experts may make much better decisions on the merger problem than would a group composed of specialists in only one field. Indeed, the diversity of opinions offered by group members is one of the major advantages of using groups to make decisions.

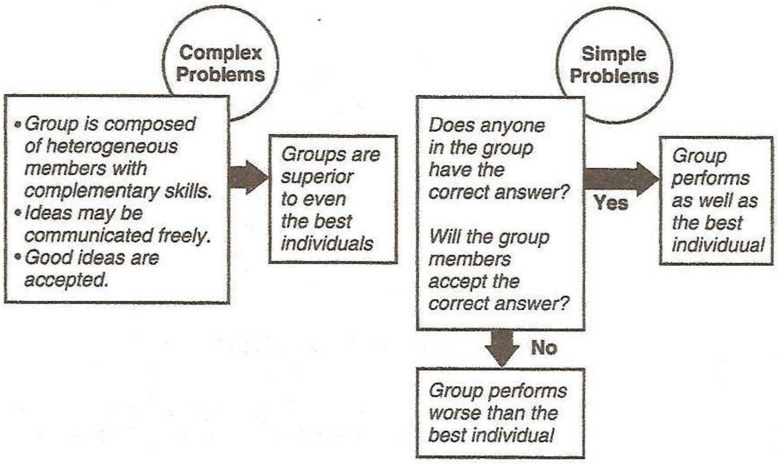
As you might imagine, it is not enough simply to have skills. For a group to be successful, its members also must be able to communicate their ideas to each other freely in an open, nonhostile manner. Conditions under which one individual intimidates another from contributing his or her expertise can easily negate any potential gain associated with composing groups of heterogeneous experts. After all, having expertise and being able to make a contribution by using that expertise are two different things. Only when the contributions of the most qualified group members are given the greatest weight does the group derive any benefit from that member's presence. Thus, for groups to be superior to individuals, they must be composed of a heterogeneous collection of experts with complementary skills who can contribute to their group's product freely and openly.

In contrast to complex decision tasks, imagine a situation in which a judgment is required on a simple problem with a readily verifiable answer. For example, imagine that you are asked to translate a phrase from a relatively obscure language into English. Groups might do better than individuals on such a task, but probably because the odds are increased that someone in the group knows the language and can perform the translation for the group. However, there is no reason to expect that even a large group will be able to perform such a task better than a single individual who has the required expertise. In fact, an expert working alone may do even better than a group. This is because an expert individual performing a simple task may be distracted by others and suffer from having to convince them of the correctness of his or her solution. For this reason, exceptional individuals tend to outperform entire committees on simple tasks. In such cases, for groups to benefit from a pooling of resources, there must be some resources to pool. The pooling of ignorance does not help. In other words, the question "Are two heads better than one?" can be answered this way: On simple tasks, two heads may be better than one if at least one of those heads has enough of what it takes to succeed.

In summary, whether groups make better decisions than individuals depends on the nature of the task performed and the expertise of the people involved. We have summarized some of these key considerations in Exhibit 5.

EXHIBIT 5
COMPARING GROUP AND INDIVIDUAL DECISIONS

As summarized here, group decisions are superior to those made by individuals under specific conditions.



When Are Individuals Superior to Groups? Most of the problems faced by organizations require a great deal of creative thinking. For example, a company deciding how to use a newly developed adhesive in its consumer products is facing decisions on a poorly structured task. Although you would expect that the complexity of such creative problems would give groups a natural advantage, this is not the case. In fact, research has shown that on poorly structured, creative tasks, individuals perform better than groups.

An approach to solving creative problems commonly used by groups is brainstorming. This technique was developed by an advertising executive as a tool for coming up with creative, new ideas. The members of brainstorming groups are encouraged to present their ideas in an uncritical way and to discuss freely and openly all ideas on the floor. Specifically, members of brainstorming groups are required to follow four main roles: (1) avoid criticizing others' ideas, (2) share even far-out suggestions, (3) offer as many comments as possible, and (4) build on others' ideas to create your own.

Does brainstorming improve the quality of creative decisions? To answer this question, researchers conducted a study comparing the effectiveness of individuals and brainstorming groups working on creative problems. Specifically, participants were given 35 minutes to consider the consequences of situations such as "What if everybody went blind?" or "What if everybody grew an extra thumb on each hand?" Clearly, the novel nature of such problems requires a great deal of creativity. Comparisons were made of the number of solutions generated by groups of four or seven people and a like number of individuals working on the same problems alone. The results were clear: Individuals were significantly more productive than groups.

In summary, groups perform worse than individuals when working on creative tasks. A great part of the problem is that some individuals feel inhibited by the presence of others even though one rule of brainstorming is that even far-out ideas may be shared. To the extent that people wish to avoid feeling foolish as a result of saying silly things, their creativity may be inhibited when in groups. Similarly, groups may inhibit creativity by slowing down the process of bringing ideas to fruition.

Groupthink: Too Much Cohesiveness Can Be a Dangerous Thing. One reason groups may fare so poorly on complex tasks lies in the dynamics of group interaction (see Chapter 6). When members of a group develop a very strong group spirit—high levels of cohesiveness—they sometimes become so concerned about not disrupting the like-mindedness of the group that they may be reluctant to challenge the group's decisions. When this happens, group members tend to isolate themselves from outside information, and the process of critical thinking deteriorates. This phenomenon is referred to as groupthink.

The concept of groupthink was proposed initially in an attempt to explain the ineffective decisions made by U.S. government officials that led to fiascos such as the Bay of Pigs invasion in Cuba and the Vietnam War. Analyses of each of these cases have revealed that the president's advisers actually discouraged more effective decision making. An examination of the conditions under which the decision was made to launch the ill-fated space shuttle Challenger in January 1986 revealed that it too resulted from group think. Post-hoc analyses of conversations between key personnel suggested that the team that made the decision to launch the shuttle under freezing conditions did so while insulating itself from the engineers who knew how the equipment should function. Given that NASA had such a successful history, the decision makers operated with a sense of invulnerability. They also worked so closely together and were under such intense pressure to launch the shuttle without further delay that they all collectively went along with the launch decision, creating the illusion of unanimous agreement.

Groupthink doesn't occur only in governmental decision making, of course, but also in the private sector (although the failures may be less publicized). For example, analyses of the business policies of large corporations such as Lockheed and Chrysler have suggested that it was the failure of top management teams to respond to changing market conditions that at one time led these firms to the brink of disaster. The problem is that members of very cohesive groups may have considerable confidence in their group's decisions, making them unlikely to raise doubts about these actions (i.e., "the group seems to know what it's doing"). As a result, they may suspend their own critical thinking in favor of conforming to the group. When group members become fiercely loyal to each other, they may ignore potentially useful information from other sources that challenges the group's decisions. The result of this process is that the group's decisions may be completely uninformed, irrational, or even immoral.

GUIDELINES FOR IMPROVING GROUP DECISIONS

As explained in this chapter, certain advantages can be gained from sometimes using individuals and sometimes using groups to make decisions. A decision-making technique that combines the best features of groups and individuals, while minimizing the disadvantages, would be ideal. Several techniques designed to realize the "best of both worlds" have been widely used in organizations.

The Delphi Technique

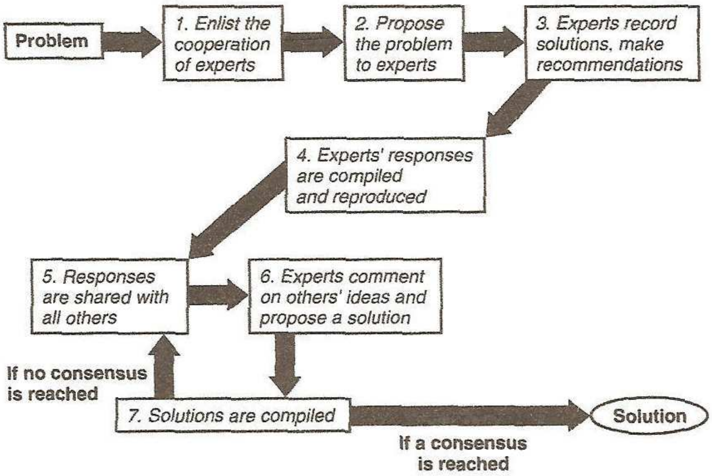
According to Greek mythology, people interested in seeing what fate the future held for them could seek the counsel of the Delphic oracle. Today's organizational decision-makers sometimes consult experts to help them make the best decisions as well. A technique developed by the Rand Corporation, known as the Delphi technique, represents a systematic way of collecting and organizing the opinions of several experts into a single decision. The steps in the process are summarized in Exhibit 6.

The Delphi process starts by enlisting the cooperation of experts and presenting the problem to them, usually in a letter. Each expert then proposes what he or she believes is the most appropriate solution. The group leader compiles all of these individual responses and reproduces them so they can be shared with all the other experts in a second mailing. At this point, each expert comments on the others' ideas and proposes another solution. These individual solutions are returned to the leader, who compiles them and looks for a consensus of opinions. If a consensus is reached, the decision is made. If not, the process of sharing reactions with others is repeated until a consensus is eventually obtained.

The obvious advantage of using the Delphi technique to make decisions is that it allows the collection of expert judgments without the great costs and logistical difficulties of bringing many experts together for a face-to-face meeting. However, the Delphi process can be very time-consuming. Sending out letters, waiting for everyone to respond, transcribing and disseminating the responses, and repeating the process until a consensus is reached can take quite a long time—often, several months. Given this limitation, the Delphi approach would not be appropriate for making decisions in crisis situations, or whenever time is of the essence. However, the approach has been used successfully to make decisions such as what items to put on a conference agenda and what the potential impact of implementing various new policies would be.

EXHIBIT 6
STEPS IN THE DELPHI TECHNIQUE

The Delphi technique allows decisions to be made by several experts without encountering many of the disadvantages of face-to-face group interaction.



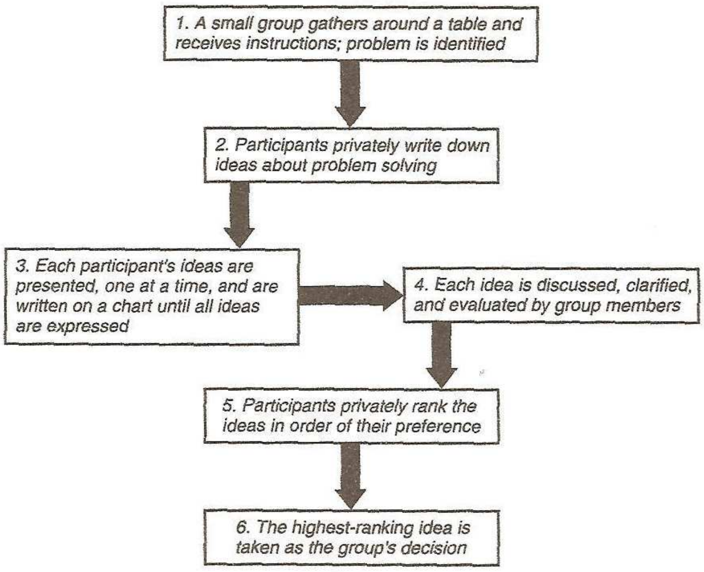
The Nominal Group Technique

When there are only a few hours available to make a decision, group discussion sessions can be held in which members interact with each other in an orderly, focused fashion aimed at solving problems. The nominal group technique (NGT) brings together a small number of individuals (usually about seven to ten) who systematically offer their individual solutions to a problem and share their personal reactions to others' solutions. The technique is referred to as "nominal" because the individuals involved form a group in name only. Participants do not attempt to agree as a group on any solution, but rather, vote on all the solutions proposed. For an outline of the steps in the process, see Exhibit 7.

As shown in Exhibit 7, the nominal group process begins by gathering the group members together around a table and identifying the problem at hand. Members then write down their solutions. Next, one at a time, each member presents his or her solutions to the group and the leader writes these down on a chart. This process continues until all the ideas have been expressed. Following this, each solution is discussed, clarified, and evaluated by the group members. Each member is given a chance to voice his or her reactions to each idea. After all the ideas have been evaluated, the group members privately rank-order their preferred solutions. The idea given the highest rank is taken as the group's decision.

EXHIBIT 7
STEPS IN THE NOMINAL GROUP TECHNIQUE

The nominal group technique structures face-to-face meetings in a way that allows for the open expression and evaluation of ideas.



Although nominal groups traditionally meet in face-to-face settings, advances in modern technology enable nominal groups to meet even when its members are far away from each other. Specifically, a technique known as automated decision conferencing has been used, in which individuals in different locations participate in nominal group conferences by means of telephone lines or direct satellite transmissions. The messages may be sent either via characters on a computer monitor or images viewed during a teleconference. Despite their high-tech look, automated decision conferences are really just nominal groups meeting in a manner that approximates face-to-face contact.

The NGT has several advantages and disadvantages. We have noted already that this approach can be used to arrive at group decisions in only a few hours. Another benefit is that it discourages any pressure to conform to the wishes of a high-status group member because all ideas are evaluated and the preferences are expressed in private balloting. The technique must be considered limited, however, in that it requires the use of a trained group leader. In addition, using NGT successfully requires that only one narrowly defined problem be considered at a time. So, for very complex problems, several NGT sessions would have to be run—and only if the problem under consideration can be broken down into smaller parts.

THE CHALLENGE OF MAKING ETHICAL DECISIONS

There can be no escaping the ethical scandals that capture the headlines of today's newspapers. Whether it's allegations of high-ranking political figures seeking questionable campaign contributions, government leaders accused of engaging in sexually inappropriate behavior, repair shops charging customers for unnecessary work, or clinics overcharging government agencies for goods and services, it's clear that ethical issues loom large when it comes to decision making. Sadly, practices such as these go on almost routinely in many organizations.

Why is this so? In other words, what accounts for the unethical decisions that people make in organizations? In this final section of the chapter we will present some answers to this important question. After examining the underlying reasons behind the making of unethical decisions, we will turn our attention to a very important question: What can be done about it?

Why Do People Make Unethical Decisions in Organizations?

Philosophers and social scientists have devoted a great deal of attention over the years to the matter of why people behave ethically and unethically. Although these general reasons apply to the behavior of organizational decision makers, some of the answers are uniquely related to organizational variables. These are the approaches that we will consider.

Organizations Often Reward Behaviors That Violate Ethical Standards. It is easy to understand that people may behave unethically on the job to the extent that they are encouraged to do so. Consider, for example, how many business executives are expected to deal in bribes and payoffs, and how good corporate citizens blowing the whistle on organizational wrongdoing may fear being punished for their actions. Organizations tend to develop counternorms—accepted organizational practices that are contrary to the prevailing ethical standards.

Some Managerial Values Undermine Integrity. There can be no doubt that the vast majority of practicing managers recognize that "good ethics is good business." However, it also appears to be the case that some managers have developed ways of thinking that leads them to making unethical decisions—even if they are quite unaware of it. And, given how very influential top leaders are when it comes to influencing others in their organizations, it should not be surprising that unethical managerial values promote unethical organizational decisions.

Several forms of unethical thinking are as follows.

Bottom line mentality - This line of thinking supports financial success as the only value to be considered. It promotes short-term decisions that are immediately financially sound, despite the fact that they may cause long-term problems for the organization.

Exploitative mentality - This view encourages "using" people in a way that promotes stereotypes and that undermines empathy and compassion. This highly selfish perspective sacrifices concern for others in favor of benefits to one's own immediate interests.

Madison Avenue mentality - This perspective suggests that anything is right if the public can be made to see it as right. The idea is that executives may be more concerned that their decisions appear to be right than about their legitimate morality. This kind of thinking leads some companies to hide their unethical behavior (e.g., dumping toxic waste under cover of night) or to otherwise justify them as acceptable.

Recognizing the problems associated with these various orientations is not difficult. Their overemphasis on short-term monetary gain may lead to decisions that not only hurt individuals in the long run but that also threaten the very existence of organizations themselves. It is with this in mind that some executives have gone out of their way to promote the highly ethical decisions they make. Anita Roddick of the Body Shop and Tom Chapell of Tom’s of Maine are two good examples. These company founders have long engaged in highly ethical practices with respect to the treatment of animals and preservation of the natural environment, and have prospered in great part because of consumers' appreciation of these policies.

What Can Be Done to Promote Ethical Decision Making? As you might imagine, getting people to make ethical decisions is no simple matter. However, several useful suggestions may be offered.

The first thing that should be done is to test the ethics of any decision you are contemplating. In this regard, there are four main questions you should ask yourself.

- *Is it right?* Although it is not always easy to judge whether a certain decision is right or wrong, there are certain universally accepted principles that should not be violated. For example, it is widely considered wrong to steal.

- *Is it fair?* Fairness demands treating likes as likes. So for example, two equally qualified people should be paid the same wages for doing the same job.
- *Is it purely selfish?* If enacting your decision benefits only yourself, then it may be unethical. Morally acceptable behaviors are ones that benefit the greatest number and harm the fewest.
- *How would you feel if others found out?* If you think you might be embarrassed by having your decisions described on the front page of your local newspaper, then those actions may be ethically inappropriate.

A second step that can be taken to promote ethical behavior, and one that many organizations have been using, is to develop a code of ethics. These are documents describing what the organization stands for, and the general rules of conduct expected of employees (e.g., to avoid conflicts of interest, to be honest, and so on). Some codes are highly specific, stating, for example, the maximum size of gifts that can be accepted, whereas others are far more general. Research has shown that codes of ethics are especially effective when they are used in conjunction with training programs that reinforce a company's ethical values. In the absence of such training, too many codes come across as "window dressing," and are ignored, if even read at all.

One final recommendation involves something you can do as an individual interested in making ethical decisions: Challenge your rationalizations about ethical behavior. We all tend to rationalize the things we do so that we can convince ourselves that they are right—even if they really are wrong. Some of the most common rationalizations are as follows:

- **Convincing yourself that something is morally acceptable just because it is legally acceptable.** You should think of the law as the minimum standard of acceptable behavior, and strive for higher moral standards.
- **Convincing yourself that something is right just because it benefits yourself.** It may be easy to talk yourself into accepting a bribe because you feel underpaid. Regardless, it is still wrong.
- **Convincing yourself that something is right because you will never get caught.** What's wrong is wrong, even if you don't stand a chance of getting caught.
- **Convincing yourself that something is right because it benefits the company.** Don't expect the company to condone your immoral actions, even if doing so gives it a competitive edge. The best companies want to succeed because they have taken the moral high road, not because of the unacceptable practices of their employees.

As you might imagine, it isn't always easy to avoid these rationalizations. Still, you may wish to do your best to catch yourself in the act of rationalizing your decisions. To the extent that you are doing so, you may just be covering up potentially unethical behavior.

CHAPTER 10
CULTURE, CREATIVITY, AND INNOVATION

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Define organizational culture.
- Distinguish between dominant culture and subcultures.
- Describe culture's role in organizations.
- Identify factors that lead to the creation of organizational culture.
- Identify the tools through which organizational culture is transmitted.
- Describe the effects of organizational culture on organizational functioning.
- Identify the factors responsible for getting organizational culture to change.
- Define creativity and describe the basic components of individual and team creativity.
- Define innovation and identify the basic components of innovation and the various stages of the innovation process.

Anyone who has worked in several different organizations surely knows that in one way or another, each is unique. Even organizations concerned with the same activities or that provide similar products or services can be very different places to work. For example, in the world of retailing, Costco employees are encouraged to be agents for the customer, focusing on service and satisfaction. In contrast, employees at some retailers allegedly have been pressured into meeting sales quotas, pushing customers to make unnecessary purchases.

How can such similar businesses be so very different in their approaches? It's tempting to speculate that because people have different personalities, the organizations in which they work are likely to be different from each other as well. However, when you consider that entire organizations are so often consistently different from each other, it's apparent that there's more involved than simple differences in the personalities of the employees. In fact, in many organizations, the employees are constantly changing; some leave as others join. Despite such shifts, however, the organizations themselves alter slowly, if at all. In fact, it is often the new employees who themselves change rather than their organizations. In a sense, then, organizations have a stable existence of their own, quite apart from the unique combination of people of which they are composed at any given time.

What accounts for such stability? To a great extent, the answer involves the shared beliefs, expectations, and core values of people in the organization—what is known as *organizational culture*. Once established, these beliefs, expectancies, and values tend to be relatively stable and exert strong influences on organizations and those working in them.

Among these lies one particularly important influence—the organization's tendency toward creativity and innovation. People in some organizations regularly take novel, ingenious, and cutting-edge approaches to the problems they face. What accounts for such differences in creativity? Why are some organizations more innovative than others? It's unlikely that people in one organization will just happen, by chance alone, to be more creative than people in another. Indeed, companies such as 3M, General Electric, and Rubbermaid go out of their way to breed the kind of cultures in which creativity and innovation flourish. What makes these companies—and others like them—the kinds of places where people routinely do the nonroutine? This question, concerning the culture of creativity and innovation, will be addressed in this chapter.

To set the stage for answering this question, we will begin our discussion by describing the basic nature of organizational culture, including the role it plays in organizations. Then, we will describe the processes through which organizational culture is formed and maintained. Finally, we will review the effects of organizational culture on individual and organizational functioning, and examine when and how culture is subject to change.

ORGANIZATIONAL CULTURE: ITS BASIC NATURE

To fully appreciate organizational culture we have to understand its basic nature. With this in mind, we will now examine three key aspects of culture: (1) its basic characteristics, (2) whether there is generally only one or more than one culture within organizations, and (3) the role that culture plays in organizational functioning.

Organizational Culture: A Definition and Core Characteristics

Although we have been talking about organizational culture in general terms, a specific definition is in order. Accordingly, we define organizational culture as a cognitive framework consisting of attitudes, values, behavioral norms, and expectations shared by organization members. At the root of any organization's culture is a set of core characteristics that are collectively valued by members of an organization. Several such characteristics are especially important.

Organizations may be distinguished with respect to their basic values, such as the very fundamental ones summarized here.

- Sensitivity to needs of customers and employees
- Freedom to initiate new ideas
- Willingness to tolerate taking risks
- Openness to communication options

First, organizations differ with respect to their sensitivity to the needs of customers and employees. For example, several years ago, the culture at UPS was relatively rigid and inflexible with respect to customers' needs. Today, however, its new culture places a high value on customer service and satisfaction.

Second, organizations differ with respect to their interest in having employees generate new ideas. Walt Disney Co. employees—or, "cast members," as they are called—undergo lengthy orientation programs to ensure that they know exactly what to say and how to behave toward guests. In contrast, people working at GE are encouraged to be unique, and to bring fresh ideas to their work.

Third, companies also differ with respect to the value placed on taking risks. For example, whereas Bank of America is very conservative, making only the safest investments, buyers at The Limited are discouraged from making too many "safe" choices.

The fourth value has to do with the openness of available communication options. In some companies, such as DuPont, employees are expected to make decisions freely and to communicate with whomever is needed to get the job done. At IBM, however, the tradition has been to work within the proper communication channels and to vest power in the hands of only a few key individuals (although this appears to be changing). These examples clearly illustrate different sets of core values that are reflected in the cultures of organizations.

Cultures within Organizations: One or many?

Our discussion thus far has implied that each organization has only a single, uniform culture—one set of shared values, beliefs, and expectations. In fact, this is rarely the case. Instead, organizations, particularly large ones, typically have several cultures operating within them.

In general, people tend to have more attitudes and values in common with others in their own fields or work units than they do with those in other fields or other parts of the organization.

These various groups may be said to have several different subcultures—cultures existing within parts of organizations rather than entirely through them. These typically are distinguished with respect to either functional differences (i.e., the type of work done) or geographic distances (i.e., the physical separation between people). Indeed, research suggests that several subcultures based on occupational, professional, or functional divisions usually exist within any large organization.

This is not to say, however, that there isn't a dominant culture, a distinctive, overarching "personality" of an organization—the kind of culture to which we have been referring. An organization's dominant culture reflects its core values, dominant perceptions that are generally shared throughout the organization. Typically, while members of subcultures may share additional sets of values, they generally also accept the core values of their organizations as a whole. Thus, subcultures should not be thought of as a bunch of totally separate cultures, but rather, "mini" cultures operating within a larger, dominant culture.

Culture's Role in Organizations

As you read about the various cultural values that make organizations special, it probably strikes you that culture is an intangible force—albeit, one with far-reaching consequences. Indeed, culture plays several important roles in organizations.

Most obviously, an organization's culture provides a sense of identity for its members. The more clearly an organization's shared perceptions and values are defined, the more strongly people can associate themselves with their organization's mission, and feel a vital part of it.

A second important function of culture is to generate commitment to the organization's mission. Sometimes it's difficult for people to go beyond thinking of their own interests, questioning how everything that is done might affect themselves. However, when there is a strong, overarching culture, people feel that they are part of that larger, well-defined whole, and are involved in the entire organization's work. Bigger than any one individual's interests, culture reminds people of what their organization is all about.

The third important function of culture is that it serves to clarify and reinforce standards of behavior. While this is essential for newcomers, it also is beneficial for seasoned veterans. In essence, culture guides employees' words and deeds, making it clear what they should do or say in a given situation. In this sense, it provides stability to behavior, both with respect to what one individual might do at different times, but also what different individuals may do at the same time. For example, in a company with a culture that strongly supports customer satisfaction, employees will have clear guidance as to how they are expected to behave: doing whatever it takes to please the customer. By serving these three important roles, it is clear that culture is an important force-influencing behavior in organizations.

THE FORMATION AND MAINTENANCE OF ORGANIZATIONAL CULTURE

Now that we have described what organizational culture is and how it operates, we are prepared to consider two more important issues: how culture is initially created, and how it is sustained—that is, what keeps it going once it is created.

How Is Organizational Culture Created?

Why do many individuals within an organization share basic attitudes, values, and expectations? Several factors contribute to this state of affairs, and hence, to the emergence of organizational culture.

Company Founders. First, organizational culture may be traced, at least in part, to the founders of the company. These individuals often possess dynamic personalities, strong values, and a clear vision of how their organizations should operate. Since they are on the scene first, and play a key role in hiring initial staff, their attitudes and values are readily transmitted to new employees. The result: These views become the accepted ones in the organization, and persist as long as the founders are on the scene.

For example, the culture at Microsoft calls for working exceptionally long hours, in large part because that's what co-founder Bill Gates has always done. Sometimes, founders' values can continue to drive an organization's culture even after that individual is no longer around. For example, the late Ray Kroc founded the McDonald's restaurant chain on the values of good food at a good value served in clean, family-oriented surroundings—key cultural values that persist today. Likewise, although he's no longer with us, Walt Disney's wholesome family values are still cherished at the company that bears his name—in large part because employees ask themselves, "What would Walt think?" These individuals' values continue to permeate their entire companies and are central parts of their dominant cultures.

Experience with the Environment. Second, organizational culture often develops out of an organization's experience with the external environment. Every organization must find a niche for itself in its industry and in the marketplace. As it struggles to do so in its early days, it may find that some values and practices work better than others. For example, one company may determine that delivering defect-free products is its unique market niche; By doing so, it can build a core of customers who prefer it to competing businesses. As a result, the organization may gradually acquire a deep, shared commitment to high quality. In contrast, another company may find that selling products of moderate quality, but at attractive prices, works best. The result: A dominant value centering on price leadership takes shape. In these and countless other ways, an organization's culture is shaped by its interaction with the external environment.

Contact with Others. Third, organizational culture develops out of contact between groups of individuals within an organization. To a large extent, culture involves shared interpretations of events and actions on the part of organization members. In short, organizational culture reflects the fact that people assign similar meaning to various events and actions – that they come to perceive the key aspects of the world, those relevant to the organization's work, in a similar manner.

Tools for Transmitting Culture

How are cultural values transmitted between people? In other words, how do employees come to learn about their organizations' cultures? Several key mechanisms are involved: symbols, stories, jargon, ceremonies, and statements of principle.

Symbols: Objects That Say More Than Meets the Eye. First, organizations often rely on symbols – material objects that connote meanings that extend beyond their intrinsic content. For example, some companies use impressive buildings to convey their organization's strength and significance, signifying that it is a large, stable place. Other companies rely on slogans to symbolize their values, including such classic examples as GE's "Imagination at Work," or Lexus' "Pursuing Perfection." Corporate cars (or even jets!) also are used to convey information about certain aspects of an organization's culture, such as who wields power.

An interesting study showed drawings of company reception areas to people and then asked them to evaluate the companies pictured. It was found that different types of symbols projected different images of the organizations' likely cultures. For example, firms in which contained lots of plants and flower arrangements were judged to have friendly, person-oriented cultures, whereas those in which waiting areas were adorned with awards and trophies were believed to have cultures that emphasized achieving success. These findings suggest that material symbols are potent tools for sending messages about organizational culture.

Stories: "In the Old Days, We Used to ..." Organizations also transmit information about culture by virtue of the stories that are told in them, both formally and informally. Stories illustrate key aspects of an organization's culture, and telling them can effectively introduce or reaffirm those values to employees.

It is important to note that stories need not involve some great event, such as someone who saved the company with a single wise decision, but may be small tales that become legends because they so effectively communicate a message.

Jargon: The Special Language That Defines a Culture. Even without telling stories, the everyday language used in companies helps sustain culture. For example, the slang or jargon that is used in a company helps its members define their identities as members of an organization (see Chapter 6). For example, for many years employees at IBM referred to disk drives as "hard files" and circuit boards as "planar boards," terms that defined the insulated nature of IBM's corporate culture. Someone who works in a human resources department may be found talking about the ERISA (the Employee Retirement Income Security Act), BFOQs (bona fide occupational qualifications), RMs (elections to vote out a union), and other acronyms that sound odd to the unaffiliated. Over time, as organizations—or departments within them—develop unique language to describe their work, their terms, although strange to newcomers, serves as a common factor that brings together individuals belonging to a corporate culture or subculture.

Ceremonies: Special Events That Commemorate Corporate Values. Organizations also do a great deal to sustain their cultures by conducting various types of ceremonies. Indeed, ceremonies may be seen as celebrations of an organization's basic values and assumptions. Just as a wedding ceremony symbolizes a couple's mutual commitment and a presidential inauguration ceremony marks the beginning of a new presidential term, various organizational ceremonies also celebrate some important accomplishment. For example, one accounting firm celebrated its move to much better facilities by throwing a party, a celebration signifying that it "has arrived," or "made it to the big time." Such ceremonies convey meaning to people inside and outside the organization. Ceremonies are to the culture what the movie is to the script.

Statements of Principle: Defining Culture in Writing. A fifth way in which culture is transmitted is via the direct statements of principle. Some organizations have explicitly written their principles for all to see. For example, Forrest Mars, the founder of the candy company Mars, developed his "Five Principles of Mars" which still guide his company today: quality (everyone is responsible for maintaining quality), responsibility (all employees are responsible for their own actions and decisions), mutuality (creating a situation in which everyone can win), efficiency (most of the company's 41 factories operate continuously), and freedom (giving employees opportunities to shape their futures).

Some companies have chosen to make explicit the moral aspects of their cultures by publishing codes of ethics—explicit statements of a company's ethical values (see Chapter 9).

OB IN ACTION — Sam Walton and Wal-Mart's Culture

A large part of Wal-Mart's success is due to the nature of the culture that its founder, the late Sam Walton, established for the company. Walton wanted all his managers and workers to take a hands-on approach to their jobs and be totally committed to Wal-Mart's main goal, which he defined as total customer satisfaction. To motivate his employees, Walton created a culture that gave employees at all levels, continuous feedback about their performance and the company's performance.

Sam Walton used strong cultural values and norms to assist him in encouraging his employees to endorse his goal of total customer satisfaction. Some norms were simple, such as always greeting customers and make eye contact with them. Others were more complicated, such as striving to answer customer requests by sundown the day they were made. He also used stories to indicate Wal-Mart's concern for customers.

ORGANIZATIONAL CULTURE: ITS CONSEQUENCES AND CAPACITY TO CHANGE

By now, you are probably convinced that organizational culture can play an important role in the functioning of organizations. To make this point more explicit, we will now examine the various ways in which organizational culture has been found to affect organizations and the behavior of individuals in them. Because some of these effects might be undesirable, organizations are sometimes interested in changing their cultures. Accordingly, we also will consider why and how organizational culture might be changed.

The Effects of Organizational Culture

Organizational culture exerts many effects on individuals and organizational processes – some dramatic, and others more subtle. Culture generates strong pressures on people to go along, to think and act in ways consistent with the existing culture. Thus, if an organization's culture stresses the importance of product quality and excellent service, its customers generally will find their complaints handled politely and efficiently. If, instead, the organization's culture stresses high output at any cost, customers seeking service may find themselves on a much rockier road. An organization's culture can strongly affect everything from the way employees dress (e.g., the white shirts traditionally worn by male employees of IBM) and the amount of time allowed to elapse before meetings begin, to the speed with which people are promoted.

Turning to the impact of culture on organizational processes, considerable research has focused on the possibility of a link between culture and performance. Research has shown that to influence performance, organizational culture must be strong. In other words, approval or disapproval must be expressed to those who act in ways consistent or inconsistent with the culture, respectively, and there must be widespread agreement on values among organizational members. Only if these conditions prevail will a link between organizational culture and performance be observed.

This idea has important implications both for individuals and for organizations. First, it suggests that people seeking employment should examine carefully the prevailing culture of an organization before deciding to join it. If they don't, they run the risk of finding themselves in a situation where their own values and those of their company clash. Second, it also suggests that organizations should focus on attracting individuals whose values match their own (what is referred to as person-organization fit). This involves identifying key aspects of organizational culture, communicating these to prospective employees, and selecting those for whom the person-organization fit is best. Considerable effort may be involved in completing these tasks. Given that high levels of person-organization fit can contribute to commitment, satisfaction, and low rates of turnover among employees, the effort may be well worthwhile.

Why and How Does Organizational Culture Change?

Our earlier comments about the relative stability of organizational culture may have left you asking the following questions: If culture tends to be so stable, why and how does it ever change? Why isn't it simply passed from one generation of organizational members to the next in a totally static manner? The basic answer, of course, is that the world which all organizations operate is constantly changing (see Chapter 14). External events such as shifts in market conditions, new technology, altered government policies, and many other factors change over time, necessitating changes in an organization's mode of doing business – and hence, in its culture.

When a woman took over as head designer of the previously all-male design team at Ford, she instituted changes in the culture that led to cars being designed with greater attention to the needs of women drivers

Composition of the Workforce. Over time, the people entering an organization may differ in important ways from those already in it, and these differences may impinge on the existing culture of the organization. For example, people from different ethnic or cultural backgrounds may have contrasting views about various aspects of behavior at work. For instance, they may hold dissimilar views about style of dress, the importance of being on time (or even what constitutes "on time" behavior), the level of deference one should show to higher status people, and even what foods should be served in the company cafeteria. In other words, as people with different backgrounds and values enter the workplace, changes in organizational culture may be expected to follow

.

Mergers and Acquisitions. Other, more dramatic, sources of cultural change are mergers and acquisitions, events in which one organization purchases or otherwise absorbs another. When this occurs, there is likely to be a careful analysis of the financial and material assets of the acquired organization. However, it is rare that any consideration is given to the acquired organization's culture. This is unfortunate, as there have been several cases in which the merger of two organizations with incompatible cultures leads to serious problems, referred to as culture clashes.

In many cases, the larger, more powerful, acquiring company attempts to dominate the smaller, acquired company, based on the mistaken belief that it knows best. In such instances, clashes can result when the two merging organizations have certain combinations of cultures. For example, when each is heavily autocratic, neither group will be interested in giving up its ways, resulting in considerable conflict. Similarly, when the dominant culture is highly autocratic and the culture of the acquired organization is highly person-oriented, neither side may see the wisdom of the other's approach.

Planned Organizational Change. Even if an organization doesn't change by acquiring another, cultural change still may result from other planned changes, such as conscious decisions to alter the internal structure or the basic operations of an organization (see Chapter 11). Once such decisions are reached, many practices in the company that both reflect and contribute to its culture may change. For example, the company may adopt different criteria for recruiting newcomers or promoting current employees. Similarly, managers may be directed to focus their attention on different goals from those in the past. As these shifts take place, new norms governing preferred or acceptable behavior emerge, and attitudes and values supporting these norms may take shape. The result may be a considerable shift in existing culture.

To conclude, it is clear that although organizational culture is generally stable, it is not immutable. In fact, culture often evolves in response to outside forces (e.g., changes in workforce composition) as well as deliberate attempts to change the design of organizations (e.g., through mergers, and corporate restructuring). An important aspect of culture that organizations frequently strive toward is the degree to which it approaches problems in creative and innovative ways. With this in mind, we will now turn attention to the topics of creativity and innovation in organizations.

CREATIVITY IN INDIVIDUALS AND TEAMS

Although you probably have no difficulty recognizing creativity when you see it, defining creativity can be a bit more challenging. According to several scientists, we define creativity as the process by which individuals or small groups produce novel and useful ideas.

Having defined these terms, we now will explain in more detail how the processes of creativity and innovation operate. We will begin by describing the components of individual and team productivity and then outline the basic steps involved in the process of innovation.

Components of Individual and Team Creativity

Creativity in individuals and teams is composed of three basic components—domain-relevant skills, creativity-relevant skills, and intrinsic task motivation.

Domain-Relevant Skills. Whether it's the manual dexterity required to play the piano or to use a computer keyboard, or the sense of rhythm and knowledge of music needed to conduct an orchestra, specific skills and abilities are necessary to perform these tasks. In fact, virtually any task you might undertake requires certain talents, knowledge, or skills. These skills and abilities that we already have constitute the raw materials needed for creativity to occur. After all, without the capacity to perform a certain task at even a basic level, one has no hope of demonstrating creativity on that task. For example, before he can even begin to think about extravagant automotive stunts, a stunt driver must have the basic skills of dexterity and hand-eye coordination required to drive a car.

In what is surely among the more unusual creativity-generating skills, employees of Shiseido, Japan's largest cosmetics maker, participate in sessions in which they are required to discuss the physical peculiarities of their co-workers.

Creativity-Relevant Skills. Beyond the basic skills, being creative also requires additional skills – special abilities that help people approach the things they do in novel ways. Specifically, when fostering creativity, it helps to do the following.

- *Break mental sets and take new perspectives.* Creativity is enhanced when people do not limit themselves to old ways of doing things. Restricting oneself to the past can inhibit creativity. Take a fresh look at even the most familiar things.
- *Understand complexities.* Instead of making things overly simplistic, don't be afraid to consider complex ways in which ideas may be interrelated.
- *Keep options open and avoid premature judgments* Creative people are willing to consider

all options. To do so, they consider all the angles and avoid reaching conclusions prematurely.

- *Follow creativity heuristics.* People sometimes follow certain strategies, known as creativity heuristics, to help them come up with creative new ideas. These are rules that people follow to help them approach tasks in novel ways. They may involve such techniques as considering counterintuitive ideas (i.e., those that go against the usual ways of thinking about things), and using analogies.
- *Use productive forgetting.* Sometimes, our creativity is inhibited by becoming fixated on certain ideas that we just can't seem to get out of our heads. With this in mind, it helps to practice productive forgetting – the ability to abandon unproductive ideas and temporarily put aside stubborn problems until new approaches can be considered.

To help individuals and groups become more creative, many organizations invite employees to participate in training exercises designed to promote some of these skills.

Intrinsic Task Motivation. The first two components of creativity, domain-relevant skills and creativity-relevant skills, focus on what people are capable of doing. However, the third component, intrinsic task motivation, refers to what people are willing to do. The idea is simple: For someone to be creative, he or she must be willing to perform the task in question. Someone who has the capacity to be creative, but who isn't motivated to do what it takes to produce creative outcomes, certainly wouldn't be considered creative.

Intrinsic task motivation tends to be high under several conditions. For example, when an individual has a personal interest in the task at hand, he or she will be motivated to perform it – and, may go on to do so creatively. It is certain, however, that anyone who doesn't find a task interesting surely isn't going to perform it long enough to demonstrate any signs of creativity. Likewise, task motivation will be high whenever an individual perceives that he or she has internal reasons to be performing that task. People who come to believe that they are performing a task for some external reason – such as high pay, or pressure from a boss—are unlikely to find the work inherently interesting, and are unlikely to show much creativity when performing it.

Putting It All Together

As you might imagine, the components of creativity are important as they can be used to paint a picture of situations that are most likely to produce creativity. Given this connection, scientists claim that people will be at their most creative when they have high amounts of all three of these components.

Specifically, it has been claimed that there is a multiplicative relationship between these three components of creativity. Thus, if any one component that is low, the overall level of creativity will be low. In fact, people will not be creative at all if any one of these components is at zero (i.e., it is completely missing). This makes sense when looked at in detail. After all, you would be unlikely to be creative at a job if you didn't have the skills needed to do it, regardless of how motivated you were to be creative and how well-practiced you were at coming up with new ideas. Likewise, creativity would be expected to be nonexistent if either creativity-relevant skills or motivation were zero. The practical implications are clear: To be as creative as possible, people must strive toward attaining high levels of all three components of creativity.

THE PROCESS OF INNOVATION

Now that we have examined the process of individual and team creativity, we are prepared to extend our analyses to situations in which people implement their creative skills for the sake of improving the organization.

This is the process of innovation to which we referred earlier. Specifically, innovation may be defined as the successful implementation of creative ideas within an organization.

To understand this process we will review the various stages through which innovation progresses. Before doing this, however, we first must identify the various components of innovation.

Components of Innovation: Basic Building Blocks

Earlier, we depicted individual creativity as being composed of three components—motivation, resources, and skills. As it works out, these same components are involved in organizational innovation as well, albeit in somewhat different ways.

Motivation to Innovate. Just as individual creativity requires that people are motivated to do what it takes to be creative, organizational innovation requires that organizations have the kind of cultures that encourage innovation. When top executives fail to promote a vision of innovation, and accept the status quo, change is unlikely. However, at companies such as Microsoft, where leaders (including chairman and co-founder, Bill Gates), envision innovation as being part of the natural order of things, it is not surprising that innovative efforts are constantly underway.

Resources to Innovate. Again, a parallel to individual creativity is in order. Just as people must have certain basic skills to be creative, so too must organizations possess certain basic resources that make innovation possible. For example, to be innovative, at the very least, organizations must have what it takes in terms of human and financial resources. After all, unless the necessary skilled people and deep pockets are available to do what it takes to innovate, stagnation is likely to result.

Innovation Management. Finally, just as individuals must hone special skills needed to be creative, so too must organizations develop special ways of managing people so as to encourage innovation – that is, innovation management. Most notable in this regard is the matter of balance. Specifically, managers help promote innovation when they show balance with respect to three key matters: goals, reward systems, and time pressure.

- Organizational innovation is promoted when goals are carefully linked to the corporate mission. However, they should not be so specific as to tie the hands of those who put them into practice. Innovation is unlikely when such restrictions are imposed.
- Reward systems should generously and fairly recognize one's contributions, but they should not be so specific as to connect literally every move to a bonus or some type of monetary reward. To do so, discourages people from taking the kinds of risks that make innovation possible.
- Innovation management requires carefully balancing the time pressures under which employees are placed. If pressures are too great, people may be unimaginative and offer routine solutions. By the same token, if pressure is too weak, employees may have no sense of time urgency and believe that the project is too unimportant to warrant any creative attention on their part

Stages of the Organizational Innovation Process

Any CEO who snaps her fingers one day and expects her troops to be innovative on command will surely be in for disappointment. Innovation does not happen all at once. Rather, innovation occurs gradually, through a series of stages. Specifically, scientists have identified five specific stages through which the process of organizational innovation progresses. We will now describe each of these five stages.

Stage 1: Setting the agenda. The first stage of the process of innovation begins by setting the agenda for innovation. This involves creating a mission statement—a document describing an organization's overall direction and general goals for accomplishing that movement. The component of innovation that is most involved here is motivation. After all, the highest-ranking officials of the organization must be highly committed to innovation before they will initiate a push toward it.

Stage 2: Setting the stage. Once an organization's mission has been established, it is prepared to set the stage for innovation. This may involve narrowing down certain broad goals into narrower, more specific tasks and gathering the resources to meet them. It also may involve assessing the environment, both outside and inside the organization, searching for anything that either may support or inhibit later efforts to "break the rules" by being creative. Effectively setting the stage for innovation requires using the skills necessary for innovation management as well as full use of the organization's human and financial resources.

Stage 3: Producing the ideas. This stage of the process involves coming up with new ideas and testing them. It is in this third stage that individual and small group creativity enters the picture. As a result, all of the components of individual creativity mentioned earlier are involved. What's more, these may combine in important ways with various organizational factors. For example, an individual who has the skills and motivation to be highly creative might find his motivation waning as he attempts to introduce novel new ideas in an organization that is not committed to innovation and that fails to make the necessary resources available.

In contrast, the highly innovative culture of an organization may bring out the more creative side of an individual who may not have been especially creative.

Stage 4: Testing and implementing the ideas. This is the stage where implementation occurs. Now, after an initial group of individuals has developed an idea, other parts of the organization get involved. For example, a prototype product may be developed and tested, and market research may be conducted. In short, input from the many functional areas of the organization is provided.

Skills in innovation management are very important in this stage of the process. In large part this is because for good ideas to survive it is necessary for them to be "nourished" and supported throughout the organization. Even the best ideas may be "killed off" if people in some parts of the organization are not supportive. For this same reason, resources are another important component involved in this stage. After all, unless adequate amounts of money, personnel, material systems, and information are provided, the idea will be unlikely to survive.

Stage 5: Outcome assessment. The final stage of the process involves assessing the new idea. What happens to that idea depends on the results of the assessment. Three outcomes are possible. If the resulting idea (e.g., a certain product or service) has been a total success, it will be accepted and carried out in the future. This ends the process. Likewise, the process is over if the idea has been a complete failure. In this case, there is no good reason to continue. However, if the new idea shows promise, and makes some progress toward the organization's objectives, but still has some problems, the process starts all over again at stage 2.

Although this five-stage process does not account for all innovations you may find in organizations, this general model does a good job of identifying the major steps through which most innovations go as they travel along their path from a specific organizational need to a product or service that meets that need.

CHAPTER 11
DESIGNING EFFECTIVE ORGANIZATIONS

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Define organizational structure.
- Distinguish between five aspects of organizational structure that are represented in an organization chart.
- Distinguish between functional organizations, product organizations, and matrix organizations.
- Describe the new form of organization known as the horizontal organization.
- Define organizational design.
- Distinguish between classical and neoclassical approaches to organizational design.
- Describe the contingency approach to organizational design.
- Describe the boundaryless organization.
- Explain the differences between the five organizational forms identified by Mintzterg.
- Identify two different types of interorganizational designs.

How should companies organize themselves into separate units so as to be most effective? This question is a venerable one in the field of business—and a very important one. OB researchers and theorists have provided considerable insight into the matter by studying what is called organizational structure—the way individuals and groups are arranged with respect to the tasks they perform—and organizational design—the process of coordinating these structural elements in the most effective manner. Finding the best manner of structure and design organizations is no simple matter. However, understanding the structure and design of organizations is key to fully appreciating their functioning. Organizational effectiveness can be defined as meeting organizational objectives and prevailing societal expectations in the near future, adapting and developing in the intermediate future, and surviving in the distant future. In the near term (about one year), it should be effective in achieving its goals, efficient in its use of resources, and a source of satisfaction to its constituencies (owners, employees, customers, and society). In the intermediate term (2 to 4 years), it should adapt to new possibilities and obstacles and develop its abilities and those of its members. In the long term (5+ years), the organization should be able to survive in an uncertain world.

To begin, we will identify the basic building blocks of organizations, which can be identified by the organization chart, a useful pictorial way of depicting key features of organizational structure. Following this, we will examine how these structural elements can be most effectively combined into productive organizational designs.

STRUCTURAL DIMENSIONS OF ORGANIZATIONS

Think about how a simple house is constructed. It is composed of a wooden frame positioned atop a concrete slab covered by a roof and siding materials. Within this basic structure are separate systems operating to provide electricity, water, and telephone services. Similarly, the structure of the human body is composed of a skeleton surrounded by various systems of organs, muscle, and tissue serving bodily functions such as respiration, digestion, and the like. It is also possible to extend these analogies to the structure of organizations.

Let's use a college for example. It is probably composed of various departments working together to serve special functions. Individuals and groups are dedicated to tasks such as teaching, providing financial services, maintaining the physical facilities, and so on. Of course, within each group, even more distinctions can be made between the jobs people perform. For example, it's unlikely that the OB instructor also is teaching seventeenth-century French literature. This illustrates our main point: An organization is not a haphazard collection of people, but a meaningful combination of groups and individuals working together purposefully to meet organizational goals. The term organizational structure refers to the formal configuration between individuals and groups with respect to the allocation of tasks, responsibilities, and authority within organizations.

Strictly speaking, one cannot directly see the structure of an organization; it is an abstract concept. However, the connections between various clusters of functions of which an organization is composed can be represented in the form of a diagram known as an organization chart. Specifically, an organization chart may be considered a representation of an organization's internal structure. Organization charts are useful tools for specifying how various tasks or functions are interrelated within organizations. For example, look at the chart depicting part of a hypothetical manufacturing company shown in Exhibit 1. Each box represents a specific job, and the lines connecting them reflect the formally prescribed lines of communication between the individuals performing those jobs (see Chapter 6). To specialists in organizational structure, however, such diagrams reveal a great deal more.

Hierarchy of Authority

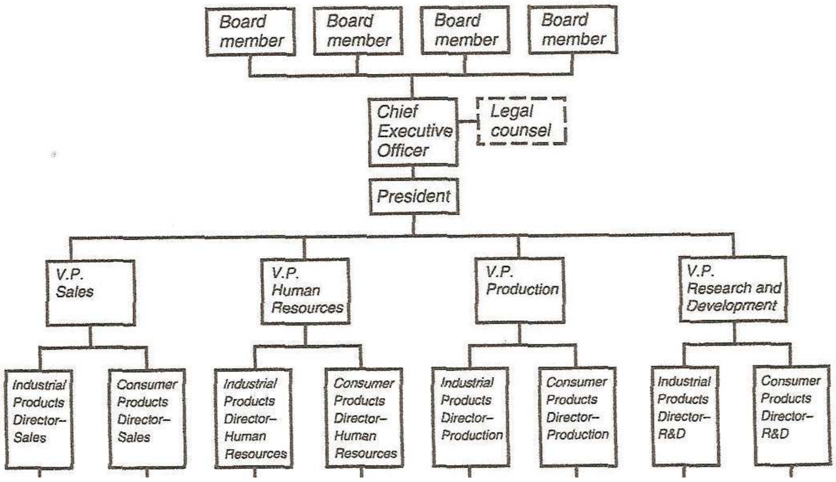
Organization charts provide information about who reports to whom – what is known as hierarchy of authority. Such diagrams reveal which particular lower-level employees are required to report to which particular individuals immediately above them in the organizational hierarchy. In our hypothetical example in Exhibit 1, the various regional salespeople (at the bottom of the diagram) report to their respective regional sales directors, who report to the vice president of sales, who reports to the president, who reports to the chief executive officer, who reports to the members of the board of directors. As we trace these reporting relationships, we work our way up the organization's hierarchy. In this case, the organization has six levels. Organizations may have many levels, in which case their structure is considered tall, or only a few, in which case their structure is considered flat.

In recent years, a great deal has appeared in the news about organizations restructuring their work forces by flattening them out. Although it has not been uncommon for large companies to lay off people in low-level jobs, in recent years, middle managers and executives, who long felt secure in their positions, found themselves unemployed as their companies "downsize," "rightsize," "de-layer," or "retrench" by eliminating entire layers of organizational structure. Even the U.S. Army has downsized by 30 percent in recent years. The underlying assumption behind these changes is that fewer layers reduce waste and enable people to make better decisions (by moving them closer to the problems at hand), thereby leading to greater profitability. Management experts claim that although some layers of hierarchy are necessary, too many can be needlessly expensive. Moreover, as technology advances, fewer people are needed to carry out traditional management roles.

EXHIBIT 1

ORGANIZATIONAL CHART OF A HYPOTHETICAL MANUFACTURING FIRM

An organizational chart, such as this one, identifies pictorially the various functions performed within an organization and the lines of authority between people performing those functions.



Division of Labor

The standard organization chart reflects the fact that the many tasks to be performed within an organization are divided into specialized jobs, a process known as division of labor. The more tasks are divided into separate jobs, the more those jobs are specialized and the narrower the range of activities incumbents are required to perform.

In theory, the fewer tasks a person performs, the better he or she may be expected to perform them, freeing others to perform the tasks that they perform best. (We say "in theory" because if specialization is too great, people may lose their motivation to work at a high level, possibly causing performance to suffer. Taken together, an entire organization is composed of people performing a collection of specialized jobs. This is probably the most obvious feature of an organization that can be observed from the organization chart.

As you might imagine, the degree to which employees perform specialized jobs is likely to depend on the size of the organization. The larger the organization, the more likely opportunities for specialization exist. For example, an individual working in a large advertising agency may get to specialize in a highly narrow field, such as writing jingles for radio and TV spots for automobiles. In contrast, someone working at a much smaller agency may be required to do all writing of print and broadcast ads in addition to helping out with the artwork and meeting with the clients. Obviously, the larger company might be expected to reap the benefits of efficiently using the talents of employees (a natural result of an extensive division of labor).

When companies downsize, many managerial jobs become less specialized. For example, at General Electric, quite a few middle-management positions have been eliminated in recent years. As a consequence, the remaining managers must perform a wider variety of jobs, making their own jobs less specialized.

Span of Control

Exactly how many individuals should a manager be responsible for? The earliest management theorists and practitioners alike, dating back to the Roman legions, addressed this question. When you examine an organization chart, the number of people formally required to report to each individual manager is immediately clear. This number constitutes what is known as a manager's span of control. Those responsible for many individuals are said to have a wide span of control, whereas those responsible for fewer are said to have a narrow span of control. In our organization chart (Exhibit 1), the CEO is responsible for only the actions of the president, giving this individual a narrower span of control than the president himself, who has a span of control of four individuals.

Sometimes, when an organization is concerned that it does not have enough control over lower-level employees, it restructures so that managers have responsibility over a smaller numbers of subordinates. This was the case at Canada's largest bank, Royal Bank, where a team of top managers recently recommended that area managers reduce the number of branches under their control from about twenty to between seven and twelve.

When a manager's span of control is wide, the organization itself has a flat hierarchy. In contrast, when a manager's span of control is narrow, the organization itself has a tall hierarchy. This is demonstrated in Exhibit 2. The diagram at the top shows a tall organization—one in which there are many layers in the hierarchy, and the span of control is relatively narrow (i.e., the number of people supervised is low). In contrast, the diagram at the bottom of Exhibit 2 shows a flat organization—one in which there are only a few levels in the hierarchy, and the span of control is relatively wide. Although both organizations depicted here have 31 positions, these are arranged quite differently.

It is not readily possible to specify the "ideal" span of control that should be sought. Instead, it makes better sense to consider what form of organization is best suited for various purposes. For example, because supervisors in a military unit must have tight control over subordinates and get them to respond quickly and precisely, a narrow span of control is likely to be effective. As a result, military organizations tend to be extremely tall. In contrast, people working in a research and development lab must have an open exchange of ideas and typically require little managerial guidance to be successful. Units of this type tend to have very flat structures.

Line versus Staff Positions

The organization chart shown in Exhibit 1 reveals an additional distinction that should be highlighted – that between line positions and staff positions. People occupying line positions (e.g., the various vice presidents and managers) have decision-making power. In contrast, the individual shown in the dotted box—the legal counsel—cannot make decisions, but provides advice and recommendations to be used by the line managers. For example, such an individual may help corporate officials decide whether a certain product name can be used without infringing on copyright restrictions. This individual may be said to hold a staff position. In many of today's organizations, human resource managing may be seen as staff positions because they may provide specialized services regarding testing and interviewing procedures as well as information about the latest laws on personnel administration.

Differences between line and staff personnel are not unusual. Specifically, staff managers tend to be younger, better educated, and more committed to their fields than to their organizations. Line managers might feel more committed to their organizations, not only because of the greater opportunities they have to exercise decisions, but also because they are more likely to perceive themselves as part of a company, rather than as an independent specialist whose identity lies primarily within his or her specialty area.

Comparing Span of Control in Organization Charts

One of the easiest things to determine about a company by looking at its organization chart is its span of control.

Decentralization

During the first half of the twentieth century, as companies grew larger and larger, they shifted power and authority into the hands of a few upper-echelon administrators – executives whose decisions influenced the many people below them in the organizational hierarchy. In fact, it was during the 1920s that Alfred P. Sloan, Jr., then the president of General Motors, introduced the notion of a "central office," the place where a few individuals made policy decisions for the entire company. Another part of Sloan's plan involved pushing decisions regarding the day-to-day operation of the company lower on the organizational hierarchy, thereby allowing the individuals who were most affected by corporate decisions to make those decisions themselves. This process of delegating power from higher to lower levels within organizations is known as decentralization. It is the opposite of centralization, the tendency toward allowing only a few powerful individuals or groups to hold most of the decision-making power.

Recent years have seen a marked trend toward increasing decentralization. As a result, organization charts might show fewer staff positions, as decision-making authority is pushed farther down the hierarchy. Many organizations have moved toward decentralization to promote managerial efficiency and to improve employee satisfaction (the result of giving people greater opportunities to take responsibility for their own actions).

For example, in recent years, thousands of staff jobs have been eliminated at companies such as 3M, Eastman Kodak, and GE, as these companies have decentralized. In particular, people working in research and development positions are likely to enjoy the autonomy to make decisions that decentralization allows. With this in mind, many companies heavily involved in research and development—including parts of Hewlett-Packard, Intel Corporation, and Philips Electronics—have shifted to more decentralized designs.

In contrast, people working on production jobs are likely to be less interested in taking responsibility for decisions and may enjoy not having to take such responsibility. In this case, highly centralized authority makes the most sense. For example, at Delta Airlines, CEO Ronald W. Allen must personally approve each expenditure over $5,000 (except jet fuel). By doing so, he can very carefully monitor the company's expenses and keep it afloat during difficult times. Despite the possible benefits likely to result from relieving Allen of these chores, he believes that it is necessary to tightly enforce the decisions made at times when the margin for error is small. In conclusion, although the potential exists to derive considerable benefits from decentralization, the process should be avoided under certain conditions (see Exhibit 3).

EXHIBIT 2

TALL VERSUS FLAT ORGANIZATIONS

In tall organizations, the hierarchy has many layers, and managers have a narrow span of control. However, in flat organizations, the hierarchy has few layers and managers have a wide span of control.

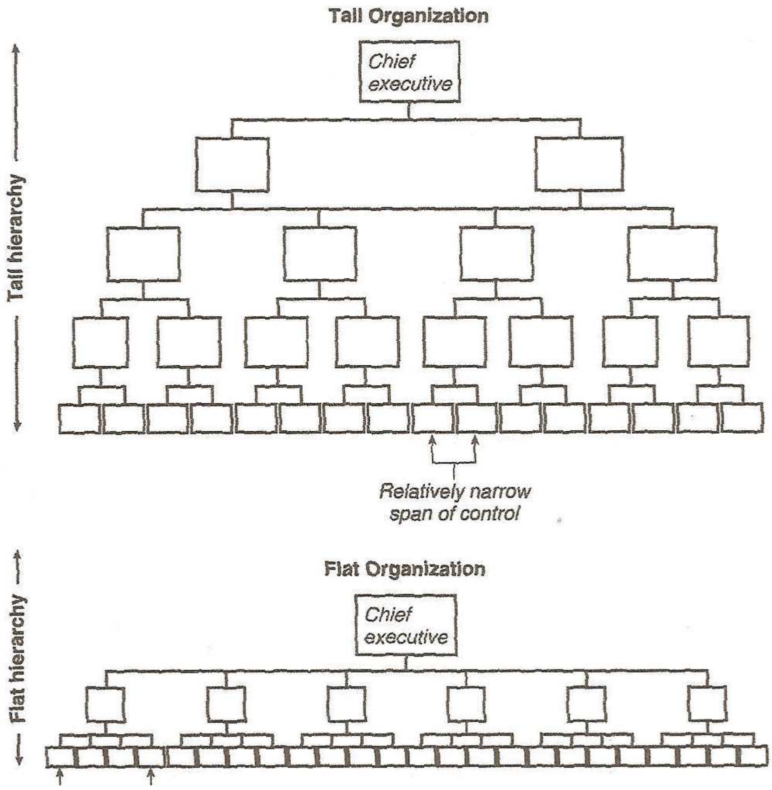


EXHIBIT 3

DECENTRALIZATION: BENEFITS WHEN LOW AND WHEN HIGH

Various benefits are associated with low decentralization (high centralization) and high decentralization (low centralization) within organizations.

Low Decentralization (High Centralization)	*High Decentralization (Low Centralization)*
Eliminates the additional responsibility not desired by people performing routine jobs	Can eliminate levels 0f management, making a leaner organization
Permits crucial decisions to be made by individuals who see the "big picture"	Promotes greater opportunities for decisions to be made by people closest to problems

DEPARTMENTALIZATION: WAYS OF STRUCTURING ORGANIZATIONS

Thus far, we have been focusing on organizations with respect to the organization chart. Typically, such charts, like the one shown in Exhibit 1, divide the organization according to the various functions performed. However, this is only one option. Organizations can be divided up not only by function, but also by product or market, or by a combination of both. We will now take a closer look at these various ways of breaking up organizations into coherent units—that is, the process of departmentalization.

Functional Organizations: Departmentalization by Task

Because it is the form organizations usually take when they are first created, and because it is how we usually think of organizations, the functional organization can be considered the most basic approach to departmentalization. Essentially, functional organizations departmentalize individuals according to the functions they perform, with people who perform similar functions assigned to the same department. For example, a manufacturing company might consist of separate departments devoted to basic functions such as production, sales/marketing; research and development, and human resources (recall Exhibit 1).

Naturally, as organizations grow and become more complex, additional departments are added or deleted as the need arises. Consider, for example, something that is beginning to happen at Johnson & Johnson (J&J).

Although this company has long been highly decentralized, certain functions are now beginning to become centralized (e.g., the legal and human resources operations). This makes it possible for resources to be saved by avoiding duplication of effort, resulting in a higher level of efficiency. Not only does this form of organizational structure take advantage of economies of scale (by allowing employees performing the same jobs to share facilities and not duplicating functions), but it also allows people to specialize, thereby performing only those tasks at which they are most experienced. The result is a highly skilled work force – a direct benefit to the organization.

Partly offsetting these advantages, however, are several potential limitations. The most important of these stems from the fact that functional organizational structures encourage separate units to develop their own narrow perspectives and to lose sight of overall organizational goals. For example, in a manufacturing company, an engineer might see the company's problems in terms of the reliability of its products, and lose sight of other key considerations, such as market trends, overseas competition, and so on. Such narrow-mindedness is the inevitable result of functional specialization—the downside of people seeing the company's operations through a narrow lens.

Product Organizations: Departmentalization by Type of Output

Organizations – at least successful ones – do not stand still; they constantly change in size and scope. As they develop new products and seek new customers, they might find that a functional structure doesn't work as well as it once did. Manufacturing a wide range of products using a variety of different methods, for example, might put a strain on a manufacturing division of a functional organization.

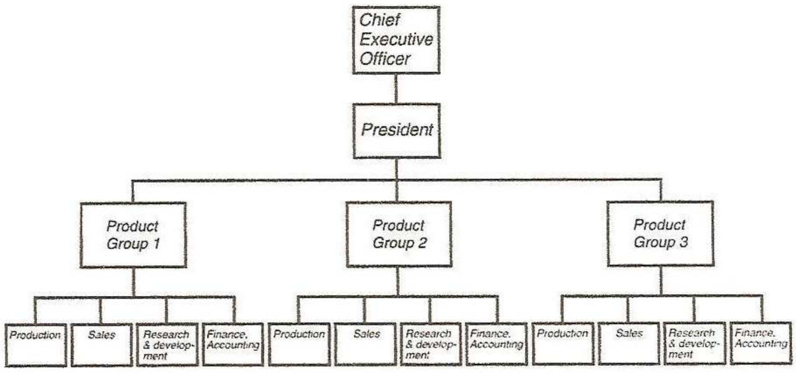
Similarly, keeping track of the varied tax requirements for different types of business (e.g., restaurants, farms, real estate, and manufacturing) might pose quite a challenge for a single financial division of a company. In response to such strains, a product organization might be created. This type of departmentalization creates self-contained divisions, each of which is responsible for everything to do with a certain product or group of products. For a look at the structure of a hypothetical product organization, see Exhibit 3. When organizations are departmentalized by products, separate divisions are established, each of which is devoted to a certain product or group of products. Each unit contains all the resources needed to develop, manufacture, and sell its products. The organization is composed of separate divisions, operating independently, the heads of which report to top management. Although some functions might be centralized within the parent company on a day-to-day basis (e.g., human resource management or legal staff), each division operates autonomously as a separate company.

Consider, for example, how the various divisions of General Motors are devoted to manufacturing cars, trucks, locomotives, refrigerators, auto parts, and the like. The managers of each division can devote their energies to one particular business. Organizations may benefit from a marketing perspective as well. Consider, for example, Honda's 1987 introduction of its line of luxury cars, Acura. By creating a separate division, manufactured in separate plants and sold by a separate network of dealers, the company made its higher-priced cars look special, and avoided making its less expensive cars appear less appealing, by putting them together with superior products on the same showroom floors. Given Honda's success with this configuration, it is not surprising that Toyota and Nissan followed when they introduced their own luxury lines, Lexus and Infiniti, in 1989.

Product organizations also have several drawbacks. The most obvious of these is the loss of economies of scale stemming from the duplication of various departments within operating units. For example, if each unit carries out its own research and development functions, the need for costly equipment, facilities, and personnel may be multiplied. Another problem associated with product designs involves the organization's ability to attract and retain talented employees. Since each department within operating units is necessarily smaller than a single combined one would be, opportunities for advancement and career development may suffer. This, in turn, may pose a serious problem with respect to the long-term retention of talented employees. Finally, problems of coordination across product lines may arise. In fact, in extreme cases, actions taken by one operating division may have adverse effects on the outcomes of one or more others.

EXHIBIT 3
A PRODUCT ORGANIZATION

In a product organization, separate units are established to handle different products' lines. Each of these divisions contains all the departments necessary for it to operate as an independent unit.



A clear example of such problems was provided by Hewlett-Packard, a major manufacturer of computers, printers, and scientific test equipment. During most of its history, Hewlett-Packard adopted a product design. It consisted of scores of small, largely autonomous divisions, each concerned with producing and selling certain products. As the company grew, it found itself in an increasingly untenable situation in which sales representatives from different divisions sometimes attempted to sell different lines of equipment, often to be used for the same basic purposes, to the same customers! To deal with such problems, top management at Hewlett-Packard decided to restructure the company into sectors based largely on the markets they served (such as business customers, and scientific and manufacturing customers). In short, Hewlett-Packard switched from a fairly traditional product organization to an internal structure driven by market considerations.

The Hewlett-Packard case points out a particular variation in the basic theme of market departmentalization. Self-contained operating units also can be established on the basis of specific geographic regions or territories, and even customers. So, for example, a large retail chain might develop separate divisions for different regions of the country (e.g., Macy's-New York; and Macy's California), or for different customer bases (e.g., Bloomingdales by Mail and Bloomingdales Retail). Similarly, a large record company (itself likely a division of a larger entertainment company) may establish independent divisions (each with its own labels) to sign, develop, produce, and promote recordings of interest to people in different markets (e.g., children, classical, Latin, pop). By departmentalizing in this fashion, like having separate companies within a large company, a company can give artists the attention they would expect from a smaller company, while benefiting from the specialization and economies of scale they would expect from a large company.

Regardless of the exact basis for departmentalizing—whether it be product, region, market, or customer group—the basic rationale remains the same: Divide the organization's operations in a way that enhances efficiency.

Matrix Organizations: Departmentalization by Both Function and Product

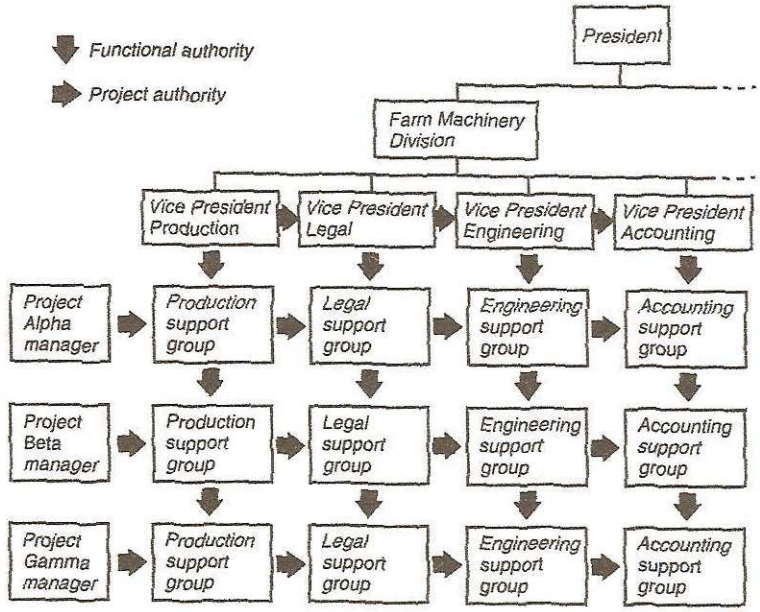
When the aerospace industry was first developing, the U.S. government demanded that a single manager in each company be assigned to each of its projects so that it was immediately clear who was responsible for the progress of each project. In response to this requirement, TRW established a "project leader" for each project, someone who shared authority with the leaders of the existing functional departments. This temporary arrangement later evolved into what is known as a matrix organization, the type of organization in which an employee is required to report to both a functional (or division) manager and the manager of a specific project (or product). In essence, they developed a complex type of organizational structure that combines both the function and product forms of departmentalization. To better understand matrix organizations, let's take a closer look at the partial organization chart shown in Exhibit 4.

Employees in matrix organizations have two bosses (or, technically, they are under dual authority). One line of authority, shown by the vertical axes in Exhibit 4, is functional authority, managed by vice presidents in charge of various functional areas. The other, shown by the horizontal axes, is product authority (or it may be a specific project or temporary business), managed by specific individuals in charge of certain products (or projects).

In matrix designs, managers play three major roles. First, there is the top leader – the individual who has authority over both lines (the one based on function and the one based on product or project). It is this individual's task to enhance coordination between functional and product managers and to maintain an appropriate balance of power between them. Second, there are the matrix bosses—people who head functional departments or specific projects. Since neither functional managers nor project managers have complete authority over subordinates, they must work together to assure that their efforts mesh rather than conflict. In addition, they must agree on issues such as promotions and raises for specific people working under their joint authority. Finally, there are two-boss managers—people who must report to both product and functional managers, and attempt to balance the demands of each. Because people working in this fashion have two bosses, they must be given sufficient freedom to attain their objectives. As you might imagine, a fair amount of coordination, flexibility, openness, and trust is essential for such a program to work, suggesting that not everyone adapts well to such a system.

EXHIBIT 4
A MATRIX ORGANIZATION

In a matrix organization, a product structure is superimposed on a functional structure. This results in a dual system of authority in which some managers report to two bosses—a project (or product) manager and a functional (departmental) manager.



Organizations are most likely to adopt matrix designs when they confront certain conditions. These include a complex and uncertain environment (one with frequent changes), and the need for economies of scale in the use of internal resources. Specifically, a matrix approach is often adopted by medium-size organizations with several product lines that do not possess sufficient resources to establish fully self-contained operating units. Under such conditions, a matrix design provides a useful compromise.

We have noted several advantages offered by matrix designs. First, they permit flexible use of an organization's human resources. Individuals within functional departments can be assigned to specific products or projects as the need arises and then return to their regular duties when this task is completed. Second, matrix designs offer medium-size organizations an efficient means of responding quickly to a changing, unstable environment. Third, such designs often enhance communication among managers; indeed, they literally force matrix bosses to discuss and agree on many matters. Unfortunately, matrix designs can create frustration and stress caused by having to report to two different supervisors. However, in situations in which organizations must stretch their financial and human resources to meet challenges from the external environment or take advantage of new opportunities, matrix designs can play a useful role.

The Horizontal Organization: Structuring by Process

If the experts are right, we are in store for a new way of structuring work in tomorrow's organizations – one that means more than just tinkering with the boxes on an organization chart. Enter the horizontal organization—an approach advocated by many organizational experts, and touted by consultants, as "the first real, fundamentally different, robust alternative" to the functional organization.

The essence of the idea is simple. Instead of organizing jobs in the traditional, vertical fashion, by having a long chain of groups or individuals perform parts of a task (e.g., one group that sells the advertising job, another that plans the ad campaign, and yet another that produces the ads), horizontal organizations have flattened hierarchies. That is, they arrange autonomous work teams (see Chapter 6) in parallel, each performing many different steps in the process (e.g., members of an advertising team may bring different skills and expertise to a single team responsible for all aspects of advertising). Essentially, organizations are structured around processes instead of tasks. Performance objectives are based on customers' needs, such as lowered cost or improved service. Once the core processes that meet these needs (e.g., order generation, new product development) have been identified, they become the company's major components—instead of the traditional departments, such as sales or manufacturing (for a summary, see Exhibit 5).

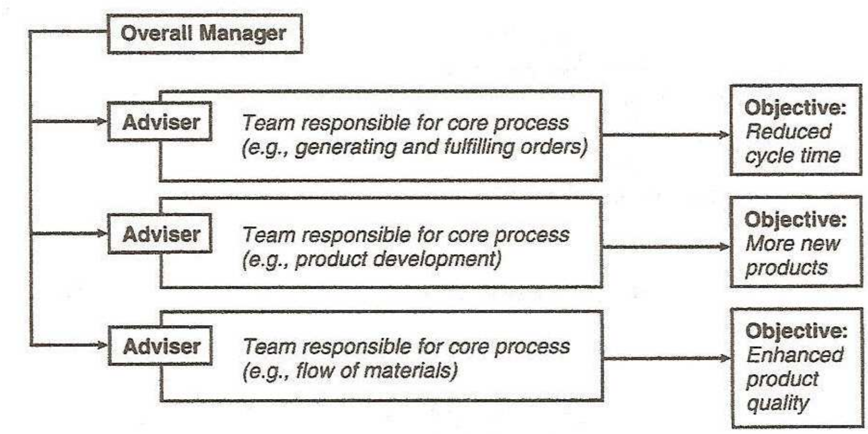
According to consultant Michael Hammer:

In the future, executive positions will not be defined in terms of collections of people, like head of the sales department, but in terms of processes, like senior VP of getting stuff to customers, which includes sales, shipping, and billing. You'll no longer have a box on an organization chart. You'll own part of a process map. Envision it as an organization chart lying on its side, and organized by process. We'll organize around them. The people who run them will be the leaders of the business.

In an industrial company, for example, these processes might include things like new-product development, flow of materials, and the order-delivery-billing cycle. Individuals will constantly move into and out of various teams as needed, drawing from a directory of broadly skilled in-house corporate experts available to lend their expertise.

EXHIBIT 5
THE HORIZONTAL ORGANIZATION

In a horizontal organization, teams of employees with diverse skills are created to meet objectives relating to various core processes that must be performed.



Although carefully controlled studies have yet to assess the impact of this new approach, those who have used it are convinced of its effectiveness. Some claim that this new approach to organizational design can help companies cut their costs by at least one-third.

ORGANIZATIONAL DESIGN: COMBINING THE STRUCTURAL ELEMENTS OF ORGANIZATIONS

We began this chapter by likening the structure of an organization to the structure of a house. Now we are prepared to extend that analogy for purposes of introducing the concept of organizational design. Just as a house is designed in a particular fashion by combining its structural elements in various ways, so too can an organization be designed by combining its basic elements in certain ways. Accordingly, organizational design refers to the process of coordinating the structural elements of organizations in the most appropriate manner.

Classical and Neoclassical Approaches: The Quest for the One Best Design

It is not difficult to realize that for organizations to function effectively, their designs must not be static, but dynamic—changing in response to various conditions (e.g., governmental regulations, competition, and so on.). As obvious as this may be to us today, the earliest theorists interested in organizational design paid little attention to the need for organizations to be flexible. Instead, they approached the task of designing organizations as a search for "the one best way," seeking to establish the ideal form for all organizations under all conditions – the universal design.

Previously, we described the efforts of organizational scholars such as Max Weber and Frederick Taylor. These theorists believed that effective organizations were ones that had a formal hierarchy, a clear set of rules, specialization of labor, highly routine tasks, and a highly impersonal working environment. You may recall that Weber referred to this organizational form as a bureaucracy. This classical organizational theory has fallen into disfavor because it is insensitive to human needs and is not suited to a changing environment.

Unfortunately, the "ideal" form of an organization, according to Weber, did not take into account the realities of the world within which it operates. Apparently, what is ideal is not necessarily what is realistic.

In response to critics, and with inspiration from the Hawthorne studies, the classical approach to organization theory soon gave way to more attention on human relations. Several organizational theorists attempted to improve upon the classical model, which is why their approach is labeled the neoclassical organizational theory. This approach recognizes that economic effectiveness is not the only goal of an industrial organization, but also employee satisfaction. The key to effectiveness, they argued, was not rigidly controlling people's actions, but actively promoting their feelings of self-worth and their importance to the organization. The neoclassical approaches called for organizations to be designed with flat hierarchical structures (minimizing managerial control over subordinates) and a high degree of decentralization (encouraging employees to make their own decisions). Indeed, such design features may well serve the underlying neoclassical philosophy.

Like the classical approach, the neoclassical approach also may be faulted on the grounds that it promoted a single best approach to organizational design. Although there may be many benefits to flat, decentralized designs, to claim that this represents the universal or ideal form for all organizations would be naive. In response to this criticism, more contemporary approaches to organizational design have given up on finding the one best way to design organizations in favor of identifying different designs that are appropriate for the different circumstances and contexts within which organizations operate.

The Contingency Approach: Design Based on Environmental Conditions

Today, it is widely believed that the best design for an organization depends on the nature of the environment (e.g., the economy, geography, labor markets) in which the organization is operating. This is known as the contingency approach to organizational design. Although many features of the environment may be taken into account when considering how an organization should be designed, a key determinant appears to be how stable (unchanging) or unstable (turbulent) the environment is.

Designs for Stable versus Turbulent Conditions. If you've ever worked at a McDonald's restaurant, you probably know how highly standardized each step of the most basic operations must be. Boxes of fries are to be stored two inches from the wall in stacks one inch apart. Making those fries is another matter – one that requires nineteen distinct steps, each of which is clearly laid out in a training film shown to new employees. The process is the same, whether it's done in Idaho or Moscow, Russia. This is an example of a highly mechanistic task. Organizations can be highly mechanistic when conditions don't change. Although the fast-food industry has changed a great deal in recent years (with the introduction of healthier menu items and competitive pricing), making fries at McDonald's has not changed. The key to mechanization is a lack of change.

If the environment doesn't change, a highly mechanistic form of organization can be very efficient. An environment is considered stable whenever there is little or no unexpected change in product, market demands, technology, and the like. Have you ever seen an old-fashioned looking bottle of E. E. Dickinson's witch hazel (a topical astringent used to cleanse the skin in the area of a wound)? Since the company has been making the product following the same distillation process since 1866, it is certainly operating in a relatively stable manufacturing environment. Without change, people can easily specialize. When change is inevitable, specialization is impractical.

Mechanistic organizations can be characterized in several additional ways (for a summary, see Exhibit 6). Not only do mechanistic organizations allow for a high degree of specialization, but they also impose many rules. Authority is vested in a few people located at the top of a hierarchy who give direct orders to their subordinates. Mechanistic organizational designs tend to be most effective under conditions in which the external environment is stable and unchanging.

EXHIBIT 6
MECHANISTIC VERSUS ORGANIC DESIGNS

Mechanistic designs and organic designs differ along several key dimensions identified here. These represent extremes; many organizations fall in between.

	Structure	
	Mechanistic	Organic
Stability	Change unlikely	Change likely
Specialization	Many specialists	Many generalists
Formal rules	Rigid rules	Considerable flexibility
Authority	Centralized in a few top people	Decentralized, diffused throughout the organization

Now, think about high-tech industries, such as those dedicated to computers, aerospace products, and biotechnology. Their environmental conditions are likely to be changing all the time. In fact, these industries are so prone to change that new ways of operating sometimes have to be altered as soon as they are introduced. It isn't only technology that makes an environment turbulent. Turbulence also can be high in industries in which adherence to rapidly changing regulations is essential. For example, times were turbulent in the hospital industry when new Medicaid legislation was passed, and times were turbulent in the nuclear power industry when governmental regulations dictated the introduction of many new standards that had to be followed. With the dominance of foreign automobiles in the United States, the once-stable American auto industry has faced turbulent times. Unfortunately, in this case, the design of the auto companies could not rapidly accommodate the changes needed for more organic forms (since the American auto industry was traditionally highly mechanistic).

The pure organic form of organization may be characterized in several different ways.

The degree of job specialization possible is very low; instead, a broad knowledge of many different jobs is required. Very little authority is exercised from the top. Rather, self-control is expected, and an emphasis is placed on coordination between peers. As a result, decisions tend to be made in a highly democratic, participative manner. Be aware that the mechanistic and organic types of organizational structure described here are ideal forms. The mechanistic-organic distinction should be thought of as polar opposites along a continuum rather than as completely distinct options for organization. Certainly, organizations can be relatively organic or relatively mechanistic compared with others; however, they are not likely to be located at either extreme.

Testing the Contingency Approach. Research supports the idea that organizational effectiveness is related to the degree to which an organization's structure (mechanistic or organic) is matched to its environment (stable or turbulent). Rather than specifying which structure is best, the contingency approach specifies when each type of organizational design is most effective. (Although it has not yet been tested, it is an intriguing idea that the effectiveness of each form also is related to people's feelings about that type of organization.

Mintzberg's Framework: Five Organizational Forms

Although the distinction between mechanistic and organic designs is important, it is not terribly specific with respect to exactly how organizations should be designed. Filling this void, however, is the work of contemporary organizational theorist, Henry Mintzberg. Specifically, Mintzberg claims that organizations are composed of five basic elements, or groups of individuals, any of which may predominate in an organization. The one that does will determine the most effective design in that situation. The five basic elements are as follows.

- Operating core: Employees who perform the basic work related to the organization's product or service. Examples include teachers (in schools) and chefs and waiters (in restaurants).
- Strategic apex: Top-level executives responsible for running the entire organization. Examples include the entrepreneur who runs her own small business, and the general manager of an automobile dealership.
- Middle line: Managers who transfer information between the strategic apex and the operating core. Examples include middle managers, such as regional sales managers (who connect top executives with the sales force) and the chair of an academic department in a college or university (an intermediary between the dean and the faculty).
- Technostructure: Those specialists responsible for standardizing various aspects of the organization's activities. Examples include accountants and auditors, and computer systems analysts.
- Support staff: Individuals who provide indirect support services to the organization. Examples include consultants on technical matters, and corporate attorneys.

What organizational design is best fit under conditions in which each of these five groups dominate? Mintzberg has identified five specific designs: simple structure, machine bureaucracy, professional bureaucracy, the divisionalized structure, and the adhocracy.

Simple Structure. Imagine that you open up an antique shop and hire a few people to help you out around the store. You have a small, informal organization in which there is a single individual with the ultimate power. There is little in the way of specialization or formalization, and the overall structure is organic in nature. The hierarchy is quite flat, and all decision-making power is vested in a single individual – you. An organization so described, simple in nature, with the power residing at the strategic apex, is referred to by Mintzberg as having a simple structure.

As you might imagine, organizations with simple structure can respond quickly to the environment and be very flexible. For example, the chef-owner of a small, independent restaurant can change the menu to suit the changing tastes of customers whenever needed, without first consulting anyone else. The downside of this, however, is that the success or failure of the entire enterprise is dependent on the wisdom and health of the individual in charge. Not surprisingly, organizations with simple structure are risky ventures.

Machine Bureaucracy. If you've ever worked for your state's department of motor vehicles, you probably found it to be a very large place, with numerous rules and procedures for employees to follow. The work is highly specialized (e.g., one person gives the vision tests, and another completes the registration forms), and decision-making is concentrated at the top (e.g., you need to get permission from your supervisor to do anything other than exactly what's expected). This type of work environment is highly stable, and does not have to change. An organization so characterized, where power resides with the technostructure, is referred to as a machine bureaucracy. Although machine bureaucracies can be highly efficient at performing standardized tasks, they tend to be dehumanizing and very boring for the employees.

Professional Bureaucracy. Suppose you are a doctor working at a large city hospital. You are a highly trained specialist with considerable expertise in your field. You don't need to check with anyone else before authorizing a certain medical test or treatment for your patient; you make the decisions as they are needed, when they are needed. At the same time, the environment is highly formal (e.g., there are lots of rules and regulations for you to follow). Of course, you do not work alone; you also require the services of other highly qualified professionals, such as nurses and laboratory technicians.

Organizations of this type (e.g., universities, libraries, consulting firms, and hospitals) maintain power with the operating core, and are called professional bureaucracies. Such organizations can be highly effective because they allow employees to practice those skills for which they are best qualified. However, sometimes specialists become so overly narrow that they fail to see the "big picture," leading to errors and potential conflict between employees.

Divisional Structure. When you think of large organizations, such as General Motors, DuPont, Xerox, and IBM, the image that comes to mind is probably closest to what Mintzberg describes as divisional structure. Such organizations consist of a set of autonomous units coordinated by a central headquarter (i.e., they rely on departmental structure based on products). In such organizations, because the divisions are autonomous (e.g., a General Motors employee at Buick does not have to consult with another at Chevrolet to do his or her job) division managers have considerable control.

Divisional designs preclude the need for top-level executives to think about the day-to-day operations of their companies and free them to concentrate on larger scale, strategic decisions. At the same time, companies organized into separate divisions frequently tend to have high duplication of effort (e.g., separate order processing units for each division). Having operated as separate divisions for the past seventy years, General Motors is considered the classic example of divisional structure. Although the company has undergone many changes during this time – including the addition of the Saturn Corporation – it has maintained its divisional structure.

Adhocracy. After graduating from college, where you spent years learning how to program computers, you take a job at a small software company. Compared to your friends who found positions at large accounting firms, your professional life is much less formal. You work as a member of a team developing a new time-management software product. There are no rules, and schedules are made to be broken. You all work together, and although there is someone who is "officially" in charge, you'd never know it. Using Mintzberg's framework, you work for an adhocracy – an organization in which power resides with the support staff.

Essentially, this is the epitome of the organic structure identified earlier. Specialists coordinate with each other not because of their shared functions (e.g., accounting, manufacturing), but as members of teams working on specific projects. The primary benefit of the adhocracy is that it fosters innovation. Some large companies, such as Johnson & Johnson, nest within their formal divisional structure units that operate as adhocracies. In the case of J&J, it's the New Products Division, a unit that has been churning out an average of 40 products per year during recent years.

As in the case of all other designs there are disadvantages to adhocracies. In this case, the most serious limitations are their high levels of inefficiency (they are the opposite of machine bureaucracies in this regard), and a great potential for disruptive conflict.

The Boundaryless Organization: A New Corporate Architecture

You hear it all the time: Someone is asked to do something, but responds defiantly, saying, "It's not my job." As uncooperative as this may seem, such a comment may make a great deal of sense when it comes to the traditional kind of organizational structures we've been describing – ones with layers of carefully connected boxes neatly stacked atop each other in hierarchical fashion. The advantage of these types of organizations is that they clearly define the roles of managers and employees. Everyone knows precisely what he or she is supposed to do. The problem with such arrangements, however, is that they are inflexible. As a result, they do not lend themselves to the rapidly changing conditions in which today's organizations operate.

Sensitive to this limitation, Jack Welch, former CEO of General Electric had proposed the boundaryless organization. This is an organization in which chains of command are eliminated, spans of control are unlimited, and rigid departments give way to empowered teams. Replacing rigid distinctions between people are fluid, intentionally ambiguous and ill-defined roles. Welch's vision was that GE would operate like a family grocery store (albeit a $60 billion one) – one in which the barriers within the company that separate employees from each other, and that separate the company from its customers and suppliers would be eliminated.

For boundaryless organizations to function effectively, they must meet many of the same requirements as successful teams. For example, there must be high levels of trust between all parties concerned. Also, everyone involved must have such high levels of skill that they can operate without much, if any, managerial guidance. Insofar as the elimination of boundaries weakens traditional managerial power bases, some executives may find it difficult to give up their authority, leading to political behavior. However, to the extent that the elimination of boundaries leverages the talents of all employees, such limitations are worth striving to overcome.

The boundaryless organizations we have been describing involve breaking down both internal and external barriers. As a result, they are sometimes referred to as barrier-free organizations. However, there are variations of the boundaryless organization involving only the elimination of external boundaries. These include the modular organization (in which secondary aspects of the company's operations are outsourced) and the virtual organization (in which organizations combine forces with others on a temporary basis to form new organizations, usually only briefly).

Modular Organizations. Many of today's organizations outsource noncore functions to other companies while retaining full strategic control over their core business. Such companies may be thought of as having a central hub surrounded by networks of outside specialists that can be added or subtracted as needed. As such, they are referred to as modular organizations.

As a case in point, you surely recognize Nike and Reebok as major designers and marketers of athletic shoes. However, you probably didn't realize that Nike's production facilities are limited, and that Reebok doesn't even have any plants of its own. Both organizations contract all their manufacturing to companies in countries such as Taiwan and South Korea where labor costs are low. In so doing, not only can they avoid making major investments in facilities, but they can concentrate on what they do best—tapping the changing tastes of their customers. While doing this, their suppliers can focus on rapidly retooling to make the new products. Similarly, such popular computer companies such as Dell and Gateway buy computer components made by other companies and perform only the final assembly themselves (as ordered by customers). These apparel and computer companies are both examples of modular organizations

Virtual Organizations. Another approach to the boundaryless organization is the virtual organization. Such an organization is composed of a continually evolving network of companies (e.g., suppliers and customers) that are linked together to share skills, costs, and access to markets. They form a partnership to capitalize on their existing skills, pursuing common objectives. Then, after these objectives have been met, they disband. Unlike modular organizations, which maintain close control over the companies with which they do outsourcing, virtual organizations give up some control and become part of a new organization, at least for a while.

Corning, the giant glass and ceramics manufacturer, is a good example of a company that builds upon itself by developing partnerships with other companies (including Siemens, the German electronics firm, and Vitro, the largest glass manufacturer from Mexico). In fact, Corning officials see their company not as a single entity, but as "a network of organizations." Although Corning's alliances tend to be long-lived, most virtual organizations are formed on a limited basis—including the Rolling Stones "Voodoo Lounge" Tour.

The underlying idea of a virtual organization is that each participating company contributes only its core competencies (i.e., its areas of greatest strength). By several companies mixing and matching the best of what they can offer, a joint product is created that may be better than that which any single company could have created alone. Virtual corporations are not unusual in the entertainment industry. Indeed, Time Warner also has become part of several multimedia ventures. By sharing risks, costs, and expertise, many of today's companies are finding the virtual organization to be a highly appealing type of organizational structure.

INTERORGANIZATIONAL DESIGNS: GOING BEYOND THE SINGLE ORGANIZATION

All the organizational designs we have examined thus far have concentrated on the arrangement of units within an organization – what may be termed intraorganizational designs. However, sometimes parts of different organizations must operate jointly. To coordinate their efforts on such projects, organizations must create interorganizational designs, plans by which two or more organizations come together. Two such designs are commonly found: conglomerates and strategic alliances.

Conglomerates: Diversified "Megacorporations"

When an organization diversifies by adding an entirely unrelated business or product to its organizational design, it may be said to have formed a conglomerate. Some of the world's largest conglomerates may be found in the Asia. For example, in Korea, companies such as Samsung and

Hyundai produce home electronics, automobiles, textiles, and chemicals in large, unified conglomerates known as chaebols. These are all separate companies overseen by the same parent company leadership.

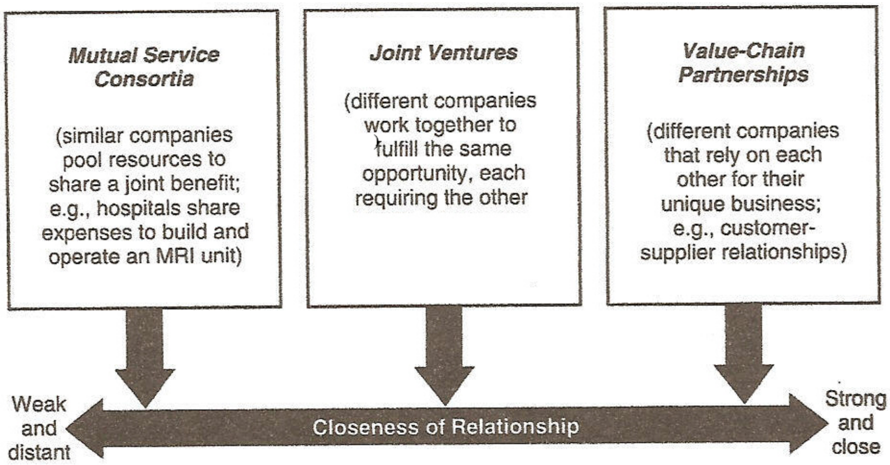
Companies form conglomerates for several reasons. First, as an independent business, the parent company can enjoy the benefits of diversification. Thus, as one industry languishes, another may excel, allowing for a stable economic outlook for the parent company. In addition, conglomerates may provide built-in markets and access to supplies, since companies typically support other organizations within the conglomerate. Conglomerates can benefit by providing a network of organizations that are dependent on each other for products and services, thereby creating considerable business advantages. In recent years, however, many large conglomerates have been selling off parts of themselves in a move to concentrate on their core business.

Strategic Alliances: Joining Forces for Mutual Benefit

A strategic alliance is a type of organizational design in which two or more separate firms join their competitive capabilities to operate a specific business. The goal of a strategic alliance is to provide benefits to each individual organization that could not be attained if they operated separately. They are low-risk ways of diversifying (adding new business operations) and entering new markets. Some companies, such as GE and Microsoft have strategic alliances with many others. Some alliances last only a brief time, whereas others have remained in existence for well over twenty years, and are still going strong. Three major types of strategic alliances may be identified. As shown in Exhibit 7, these may be arranged along a continuum from those alliances that are weak and distant, at one end, to those that are strong and close, at the other end.

EXHIBIT 7
STRATEGIC ALLIANCES:
A CONTINUUM OF INTERORGANIZATIONAL RELATIONSHIPS

The three types of strategic alliances identified here may be distinguished with respect to their location along a continuum ranging, at one end, from weak and distant, to strong and close, at the other end.



Mutual Service Consortia. At the weak end of the scale are strategic alliances known as mutual service consortia. These are arrangements between two similar companies from the same or similar industries to pool their resources to receive a benefit that would be too difficult or expensive for either to obtain alone. Often, the focus is some high-tech capacity, such as an expensive piece of diagnostic equipment that might be shared by two or more local hospitals (e.g., magnetic-resonance imaging, or MRI unit).

Value-Chain Partnerships. At the opposite end of the scale are the strongest and closest type of collaboration, referred to as a value-chain partnership. These are alliances between companies in different industries that have complementary capabilities. Customer-supplier relationships are a prime example. In such arrangements one company buys necessary goods and services from another so that it can do business. Because each company greatly depends on the other, each party's commitment to their mutual relationship is high. As noted earlier, Toyota has a network of 230 suppliers with whom it regularly does business. The relationship between Toyota and these various companies represent value-chain partnerships.

Joint Ventures. Between these two extremes are joint ventures. These are arrangements in which companies work together to fulfill opportunities that require the capabilities of the other. For example, two companies might enter into a joint venture if one has a valuable technology and the other has the marketing knowledge to help transform that technology into a viable commercial product.

There are clear benefits to be derived from forming joint ventures. These primarily come in the form of improved technology, widened markets, and greater economies of scale (e.g., sharing functional operations across organizations). However, as you might imagine, for these benefits to be realized, a high degree of coordination and fit must exist between the parties, each delivering on its promise to the other.

Not surprisingly, not all strategic alliances are successful. For example, AT&T and

Olivetti tried unsuccessfully to work together on manufacturing personal computers. Strong differences in management styles and organizational culture were cited as causes (see Chapter 10). Clearly, for strategic alliances to work, the companies must not only be able to offer each other something important, but they also must be able to work together to make it happen.

OB IN ACTION — Daimler-Chrysler's Cross-Functional Global Team Structure

Daimler's desire to merge with Chrysler came about because Chrysler had pioneered the use of cross-functional teams and new information technology to lower manufacturing costs and speed the introduction of new products. Daimler needed this expertise. Chrysler's use of cross-functional teams came about when they acquired American Motors and all their talented design engineers. Rather than dismissing or integrating this talent into the organization in traditional ways, Chrysler formed cross-functional teams with the abundant pool of talent. These teams designed the Jeep Grand Cherokee. Eventually, Chrysler built a $1 billion technology center to house all of the teams. Once Chrysler merged with Daimler, the same cross-functional team concept was transferred to that organization.

The cross-functional team concept has worked well because of the infusion of a sophisticated computer network that allows for all teams to stay in contact with one another. The network also allows different teams to access information from other teams so that all teams share information as design problems are being addressed. The key has been a willingness to embrace the concept of cross-functional teams and the effectiveness of the computer network.

CHAPTER 12
MANAGING ORGANIZATIONAL CHANGE AND DEVELOPMENT

LEARNING OBJECTIVES

After reading this chapter you will be able to:

- Distinguish between different types of change in organizations, giving examples of each.
- Identify the three main ways in which organizations may change.
- Identify the general conditions under which organizational change is likely to occur.
- Describe why people are resistant to change in organizations and ways in which this resistance may be overcome.
- Define organizational development.
- Describe four techniques of organizational development and describe the effectiveness of each.
- Identify the sides of the ethical debate with respect to using OD techniques.

Think of the many changes in the ways businesses operate as seen in recent years. To name just a few, the menus of many fast food restaurants have become more diversified, commerce over the internet now occurs regularly, and banks are merging into "mega-financial institutions." Not surprisingly, the impact of organizational change can be found everywhere. However, most people have difficulty accepting that they may have to alter their work methods. After all, if you're used to working a certain way, a sudden change can be very unsettling. Fortunately, social scientists have developed various methods, known collectively as organizational development techniques, that are designed to implement needed organizational changes in a manner that is both acceptable to employees and that enhances the effectiveness of the organizations involved.

We will examine these techniques and their effectiveness in this chapter. Before doing so, however, we will take a closer look at the organizational change process by chronicling different forces for change acting on organizations. Then we will explore some major issues involved in the organizational change process, such as what is changed, when change will occur, why people are resistant to change, and importantly—how this resistance can be overcome.

FORCES FOR ORGANIZATIONAL CHANGE

A century ago, advances in machine technology made farming so highly efficient that fewer hands were needed to plant and reap the harvest. The displaced laborers fled to nearby cities, seeking jobs in newly opened factories, seizing opportunities created by some of the same technologies that sent them from the farm. The economy shifted from agrarian to manufacturing, and the industrial revolution was under way. With it, came drastic shifts in where people lived, how they worked, how they spent their leisure time, how much money they made, and how they spent it. Today's business analysts claim that we are currently experiencing another industrial revolution—one driven by a new wave of economic and technological forces.

With so many companies making such drastic changes, the message is clear: either adapt to changing conditions or shut your doors. As technology and markets change, organizations face a formidable challenge to adapt. However, not all organizational changes are the result of unplanned factors. Some organizational changes are planned, and quite intentional.

A dynamic and complex organizational environment faces constant change, so the level of uncertainty increases. The more uncertainty an organization faces, the more organic the structure should be. Organic organizations tend to be flexible and adaptive to change.

Planned Change

A great deal of organizational change comes from strategic decisions to alter the way an organization does business or the very nature of the business itself.

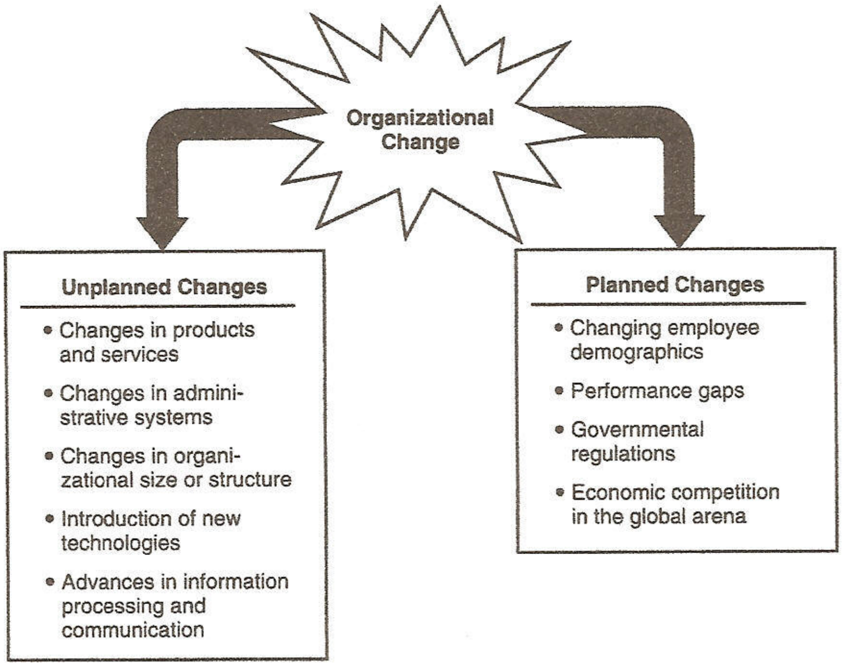
Changes in Products or Services. Imagine that you and a friend begin a small janitorial business. The two of you divide the duties, each doing some cleaning, buying supplies, and performing some administrative work. Before long, the business grows and you expand, adding new employees, and really begin "cleaning up." Many of your commercial clients express interest in window cleaning, and so you and your partner think it over and decide to expand into the window-cleaning business as well. This decision to take on a new direction to the business, to add a new, specialized service, will require a fair amount of organizational change. Not only will new equipment and supplies be needed, but also new personnel will have to be hired and trained, new insurance will have to be purchased, and new accounts will have to be secured. In short, the planned decision to change the company's line of services necessitates organizational change.

Changes in Administrative Systems. Although an organization may be forced to change its policies, it is not unusual for changes in administrative systems to be planned in advance strategically. Such changes may stem from forces such as the desire to improve efficiency or to change the company's image. As an example of this, consider the decision by PepsiCo to structurally reorganize. For many years, PepsiCo had a separate international food service division, which included the operation of 62 foreign locations of the company's Pizza Hut and Taco Bell restaurants. Because of the great profit potential of these foreign restaurants, PepsiCo officials decided to reorganize, putting these restaurants directly under the control of the same executives responsible for the successful national operations of Pizza Hut and Taco Bell. This type of departmentalization allows the foreign operations to be managed under the same careful guidance as the national operations (see Chapter 11).

Changes in Organizational Size and Structure. Just as organizations change their products, services, or administrative systems to stay competitive, so too do they alter the size and basic configurations of their organizational charts – that is they restructure. In many cases, this has meant reducing the number of employees needed to operate effectively—a process known as downsizing. 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*. Whatever you call it, the bottom line is painfully clear: Many organizations need fewer people to operate today than in the past—sometimes, far fewer.

EXHIBIT 1
PLANNED AND UNPLANNED ORGANIZATIONAL CHANGES

Organizational changes may be considered either planned or unplanned. Some examples of each are listed here.



Another way organizations are restructuring is by completely eliminating parts of themselves that focus on noncore sectors of the business, and hiring outside firms to perform these functions instead—a practice known as *outsourcing*. For example, companies like ServiceMaster, which provides janitorial services, and ADP, which provides payroll processing services, make it possible for organizations to concentrate on the business functions most central to their mission, thereby freeing them from these peripheral support functions.

Some critics fear that outsourcing represents a "hollowing out" of companies—a reduction of functions that weakens organizations by making them more dependent on outsiders. 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 the only way to succeed requires outside assistance. If you think that outsourcing is an unusual occurrence, guess again. One industry analyst has estimated that 30 percent of the largest American industrial firms outsource over half their manufacturing.

Introduction of New Technologies. As you know, advances in technology have produced changes in the way organizations operate. Senior scientists and engineers, for example, can probably tell you how their work was drastically altered in the mid-1970s, when their ubiquitous plastic slide rules gave way to powerful pocket calculators. Things changed again only a decade later, when calculators were supplanted by powerful desktop microcomputers, which have revolutionized the way documents are prepared, transmitted, and filed in an office. Manufacturing plants also have seen a great deal of growth recently in the use of computer-automated technology and robotics. Each of these examples represents an instance in which technology has altered the way people do their jobs.

Advances in Information Processing and Communication. Although we now easily take for granted everyday events such as fax machines and e-mail, these things were merely exotic dreams not too many years ago. If you've ever seen an old western film in which the Pony Express rider struggled through uncharted territories to deliver messages to people in distant western cities, you are well aware of the difficulties that people faced communicating over long distances. Of course, with today's sophisticated satellite transmission systems, fiber-optic cables crisscrossing the planet, digital cellular phones, teleconferencing facilities, and the like, it is easier than ever for businesses to communicate with each other and with their clients. The key point is that as such communication systems improve, opportunities for organizational growth and improvement follow.

Unplanned Change

Not all forces for change are the result of strategic planning. Indeed, organizations also must be responsive to changes that are unplanned. Such forces include changes in the demographic composition of the work force, performance gaps, government regulation, and international competition.

Changing Employee Demographics. It is easy to see how, even within your own lifetime, the composition of the work force has changed. As noted in Chapter 4, the American workforce is now more highly diverse than ever. To people concerned with the long-term operation of organizations, these are not simply curious sociological trends, but shifting conditions that will force organizations to change. For example, questions regarding how many people will be working, what skills they will bring to their jobs, and what new influences they will bring to the workplace are of key interest to human resources managers.

Performance Gaps. If you've ever heard the phrase "If it's not broken, don't fix it," you already have a good feel for one of the most potent sources of unplanned internal changes in organizations – performance gaps. A product line that isn't moving, a vanishing profit margin, a level of sales that isn't up to corporate expectations—these are examples of gaps between real and expected levels of organizational performance. Few things force change more than sudden and unexpected information about poor performance. Organizations usually stay with a winning course of action and change in response to failure; in other words, they follow a win-stay/lose-change rule. Indeed, a performance gap is one of the key factors providing an impetus for organizational innovation. Those organizations that are best prepared to mobilize change in response to unexpected downturns are expected to be the ones that succeed.

Government Regulation. One of the most commonly witnessed unplanned organizational change results from government regulations. In the 1990s, restaurant owners in the United States had to alter the way they report the income of waiters and waitresses to the federal government for purposes of collecting income taxes. More recently, the U.S. federal government has been involved in both imposing and eliminating regulations in industries such as commercial airlines (e.g., mandating inspection schedules, but no longer controlling fares) and banking (e.g., restricting the amount of time checks can be held before clearing, but organizations change in many ways and for many reasons. For a summary of these sources of organizational change, see Exhibit 1.

THE PROCESS OF ORGANIZATIONAL CHANGE: FOUR BASIC QUESTIONS

When it comes to organizational change, several basic questions warrant consideration. First, what are the targets of organizational change efforts? Second, when will organizational change occur? Third, why is organizational change resisted? Fourth, how can resistance to change be overcome? We will now address these questions.

Targets: What Is Changed?

Imagine that you are an engineer responsible for overseeing the maintenance of a large office building. The property manager has noted a dramatic increase in the use of heat in the building, causing operating costs to skyrocket. In other words, a need for change exists—specifically, a reduction in the building's heat usage. You cannot get the power company to lower its rates, so you realize you must bring about changes in the use of heat. But how? One possibility is to rearrange job responsibilities so that only maintenance personnel are permitted to adjust thermostats. Another option is to put timers on all thermostats so that the building temperature is automatically lowered during periods of nonuse. Finally, you consider the idea of putting stickers next to the thermostats, requesting that occupants do not adjust them. These three options represent excellent examples of the three potential targets of organizational change we will consider—changes in organizational structure, technology, and people.

Changes in Organizational Structure. In Chapter 11 we described the key characteristics of organizational structure. Here, we note that altering the structure of an organization may be a reasonable way of responding to a need for change. In the above example, a structural solution to the heat-regulation problem came in the form of reassigning job responsibilities. Indeed, modifying rules, responsibilities, and procedures may be an effective way to manage change. Changing the responsibility for temperature regulation from a highly decentralized system (whereby anyone can make adjustments) to a centralized one (in which only maintenance personnel may do so) is one way of implementing organizational change in response to a problem. This particular structural solution called for changing the power structure (i.e., who was in charge of a particular task).

Different types of structural changes can take form. For example, changes can be made in an organization's span of control, altering the number of employees for which supervisors are responsible. Structural changes also may take the form of revising the basis for creating departments – such as from product-based departments to functional departments. Other structural changes may be much simpler, such as clarifying someone's job description or the written policies and procedures followed.

Changes in Technology. In our thermostat example, we noted that one possible solution would be to use thermostats that automatically reduce the building's temperature while it is not in use. This is an example of a technological approach to the problem of conserving heat in the building. Placement of regulating devices on the thermostats that would thwart attempts to raise the temperature also would be possible. The thermostats also could be encased in a locked box, or simply removed altogether. A new, modem, energy-efficient furnace could be installed in the building. All of these suggestions represent technological approaches to change.

Changes in People. You've probably seen stickers next to light switches in hotels and office buildings asking the occupants to turn off the lights when not in use. These are similar to the suggestion in our opening example of affixing signs near thermostats asking occupants to refrain from adjusting them. Such efforts represent attempts to respond to the needed organizational change by altering the way people behave. The basic assumption is that the effectiveness of organizations is greatly dependent on the behavior of the people working within them.

As you might imagine, the process of changing people is not easy—indeed, it lies at the core of most of the topics discussed in this book. However, theorists have identified three basic steps that summarize what's involved in the process of changing people. The first step is known as unfreezing. This refers to the process of recognizing that the current state of affairs is undesirable and in need of a change.

Realizing that change is needed may be the result of some serious organizational crisis or threat (e.g., a serious financial loss, a strike, or a major lawsuit), or simply becoming aware that current conditions are unacceptable (e.g., antiquated equipment, inadequately trained employees). In recent years, some executives have gotten employees to accept the need to change while things are still good by creating a sense of urgency. They introduce the idea that there is an impending crisis although conditions are, in fact, currently acceptable—an approach referred to as *doomsday management*. This process effectively unfreezes people, stimulating change before it's too late to do any good.

After unfreezing, change may occur. This step occurs when some planned attempt is made to create a more desirable state for the organization and its members. Change attempts may be quite ambitious (e.g., an organization wide restructuring) or only minor (e.g., altering a training program). A thorough discussion of such planned change techniques will be presented in the next major part of this chapter.

Finally, refreezing occurs when the changes made are incorporated into the employees' thinking and the organization's operations (e.g., mechanisms for rewarding behaviors that maintain the changes are put in place). Hence, the new attitudes and behaviors become a new, enduring aspect of the organizational system.

Readiness for Change: When Will Organizational Change Occur?
As you might imagine, there are times when organizations are likely to change, and times during which change is less likely. In general, change is likely to occur when the people involved believe that the benefits associated with making a change outweigh the costs involved. The factors contributing to the benefits of making a change are as follows.

- the amount of dissatisfaction with current conditions,
- the availability of a desirable alternative, and
- the existence of a plan for achieving that alternative.

Theorists have claimed that these three factors combine multiplicatively to determine the benefits of making a change. Thus, if any one of these factors is zero, the benefits of making a change, and the likelihood of change itself, will be zero. If you think about it, this makes sense. After all, people are unlikely to initiate change if they are not at all dissatisfied, or if they don't have any desirable alternative in mind (or any way of attaining that alternative, if they do have one in mind). Of course, for change to occur, the expected benefits also must outweigh the likely costs involved (e.g., disruption, uncertainties).

Why Is Organizational Change Resisted?

Although people may be unhappy with the current state of affairs confronting them in organizations, they may be afraid that any changes will be potentially disruptive and will actually make things worse. Indeed, fear of new conditions is quite real and it creates unwillingness to accept change. Organizational scientists have recognized that resistance to change stems from both individual and organizational variables.

Individual Barriers to Change. Researchers have noted several key factors that are known to make people resistant to change in organizations.

1. Economic insecurity: Because any changes on the job have the potential to threaten one's livelihood—either by loss of job or reduced pay – some resistance to change is inevitable.
2. Fear of the unknown: Employees derive a sense of security from doing things the same way, knowing who their co-workers will be, and whom they're supposed to answer to from day to day. Disrupting these well-established, comfortable patterns creates unfamiliar conditions, a state of affairs that often is rejected.
3. Threats to social relationships: As people continue to work within organizations, they form strong bonds with their co-workers. Many organizational changes (e.g., the reassignment of job responsibilities) threaten the integrity of friendship groups that provide valuable social rewards.
4. Habit: Jobs that are well learned and become habitual are easy to perform. The prospect of changing the way jobs are done challenges people to develop new job skills. Doing this is clearly more difficult than continuing to perform the job as it was originally learned.
5. Failure to recognize need for change: Unless employees can recognize and fully appreciate the need for changes in organizations, any vested interests they may have in keeping things the same may overpower their willingness to accept change.

Organizational Barriers to Change. Resistance to organizational change also stems from conditions associated with organizations themselves. Several such factors may be identified.

1. Structural inertia: Organizations are designed to promote stability. To the extent that

employees are carefully selected and trained to perform certain jobs, and rewarded for doing them well, the forces acting on individuals to perform in certain ways are very powerfully determined – that is, jobs have structural inertia. Thus, because jobs are designed to have stability, it is often difficult to overcome the resistance created by these forces.

2. Work group inertia: Inertia to continue performing jobs in a specified way comes not only from the jobs themselves but also from the social groups within which people work – work group inertia. Because of the development of strong social norms within groups (see Chapter 6), potent pressures exist to perform jobs in certain ways. Introducing change disrupts these established normative expectations, leading to formidable resistance.

3. Threats to existing balance of power: If changes are made with respect to who's in charge, a shift in the balance of power between individuals and organizational subunits is likely to occur. Those units, which now control the resources, have the expertise, and wield the power, may fear losing their advantageous positions resulting from any organizational change.

4. Previously unsuccessful change efforts: Anyone who has lived through a past disaster understandably may be reluctant to endure another attempt at the same thing. Similarly, groups or entire organizations that have been unsuccessful in introducing change in the past may be cautious about accepting further attempts at introducing change into the system.

Over the past decade, General Electric (GE) has undergone a series of widespread changes in its basic strategy, organizational structure, and relationship with employees. In this process, it experienced several of the barriers just identified. For example, GE managers had mastered a set of bureaucratic traditions that kept their habits strong and their inertia intact. The prospect of doing things differently was scary for those who were so strongly entrenched in doing things “the GE way." In particular, the company's interest in globalizing triggered many fears of the unknown. Resistance to change at GM also was strong because it threatened to strip power from those units that traditionally possessed most of it (e.g., the Power Systems and Lighting division). Changes also were highly disruptive to GE's "social architecture"; friendship groups were broken up and scattered throughout the company. In all, GE has been a living example of many different barriers to change all rolled into a single company.

How Can Resistance to Organizational Change Be Overcome?

Because organizational change is inevitable, managers should be sensitive to the barriers to change so that resistance can be overcome. This, of course, is easier said than done. However, several useful approaches have been suggested, and the key ones are summarized here.

1. Shape political dynamics. For change to be accepted, it often is useful, if not absolutely necessary, to win the support of the most powerful and influential

individuals in the company. Doing so builds a critical internal mass of support for change. Demonstrating that key organizational leaders endorse the change is an effective way to get others to go along with it – either because they share the leader's vision or because they fear the leader's retaliation. Either way, their support will facilitate acceptance of change.

2. Educate the work force. Sometimes, people are reluctant to change because they fear what the future has in store for them. Fears about economic security, for example, may be put to rest by a few reassuring words from power holders. As part of informing employees of what organizational changes may mean for them, top management must show a considerable amount of emotional sensitivity. Doing so makes it possible for the people affected by change to help make it work. Some companies have found that simply answering the question, "what's in it for me?" can help allay a lot of fears.

3. Involve employees in the change efforts. It is well established that people who participate in making a decision are more strongly committed to the outcomes of that decision than those who are not involved. Accordingly, employees who are involved in responding to unplanned change, or who are made part of the team charged with planning a needed organizational change, may be expected to have very little resistance to change. Organizational changes that are "sprung" on the work force with little or no warning might be expected to encounter resistance simply as a knee-jerk reaction until employees have had a chance to assess how the change affects them. In contrast, employees who are involved in the change process are better able to understand the need for change, and are therefore less likely to resist it.

4. Reward constructive behaviors. One rather obvious, and quite successful, mechanism for facilitating organizational change is rewarding people for behaving in the desired fashion. Changing organizational operations may necessitate changing the kinds of behaviors that need to be rewarded by the organization. This is especially critical when an organization is in the transition period of introducing the change. For example, employees who are required to learn to use new equipment should be praised for their successful efforts. Feedback on how well they are doing not only provides a great deal of useful assurance to uncertain employees, but also helps shape the desired behavior.

5. Create a "learning organization." Like it or not, all organizations change and some do so more effectively than others. Those organizations that have developed the capacity to adapt and change continuously are known as learning organizations. In learning organizations, people set aside old ways of thinking, freely share ideas with others, form a vision of the organization, and work together on a plan for achieving that vision. Examples of learning organizations include Yahoo, General Electric, and Motorola.

As you might imagine, becoming a learning organization is no simple feat. In fact, it involves implementing many of the principles of organizational behavior described in this book. Specifically, for a firm to become a continual learner, management must take the following steps.

- Establish commitment to change- Unless all employees clearly see that top management is strongly committed to changing and improving the organization, they will be unlikely to make the changes necessary to bring about improvements.
- Adopt an informal organizational structure- Change is more readily accepted when organizational structures are flat (see Chapter 11), cross-functional teams are created (see Chapter 6), and the formal boundaries between people are eliminated.
- Develop an open organizational culture- As we described in Chapter l1, managers play a key role in forming organizational culture. To effectively adapt to changes in their environments, organizations should have cultures that embrace risk taking, openness, and growth. Companies whose leaders are reluctant to confront the risk of failure are ones that will be unlikely to grow and develop.

Although these suggestions may be easier to state than to implement, efforts at following them will prove rewarding. Given the many forces that make employees resistant to change, managers should keep these guidelines in mind.

OB IN ACTION — Reengineering at Hallmark Cards

Hallmark Cards has a 55 percent share of the 8 billion card market sold each year in the United States. However, in the 1990s Hallmark slipped. To reverse their fortunes, Hallmark self-analyzed. The clear result of the analysis was that the company needed to change to remain competitive. The company found that their design process was slow. Armed with this information, managers set out to make needed changes.

Before the changes took place, Hallmark took three years for a design to reach the market. After the changes, it took one year for a new card to reach customers. The managers made over 100 recommendations that would speed up the process. The primary problem was the number of handoffs between various parts of the company's business functions and processes. Employees were empowered and held accountable for design work that used to go through too many hands. A computerized feedback system focused on the point of sale and gave the company quick information on what was selling and what was not. The changes at Hallmark were dramatic and once again propelled the company into the industry lead.

ORGANIZATIONAL DEVELOPMENT INTERVENTIONS: IMPLEMENTING PLANNED CHANGE

Now that we have shed some light on the basic issues surrounding organizational change, we are ready to look at planned ways of implementing it—collectively known as techniques of organizational development (OD). Formally, we define organizational development as a set of social science techniques designed to plan and implement change in work settings, for purposes of enhancing the personal development of individuals and improving the effectiveness of organizational functioning. By planning organization wide changes involving people, OD seeks to enhance organizational performance by improving the quality of the work environment and the attitudes and well-being of employees.

Over the years, many different strategies for implementing planned organizational change (referred to as OD interventions) have been used by specialists attempting to improve organizational functioning (referred to as OD practitioners). All the major methods of organizational development attempt to produce some kind of change in individual employees, work groups, and/or entire organizations. This is the goal of the four OD interventions we will review here.

1. Survey Feedback

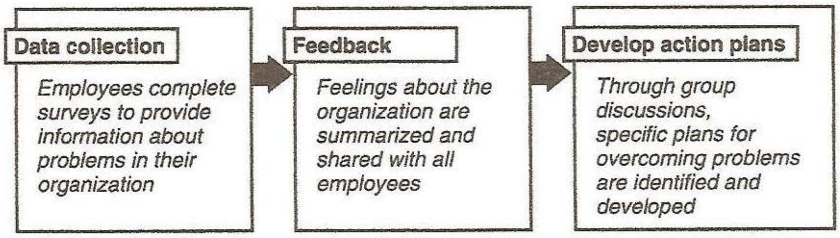
For effective organizational change to occur, employees must understand the organization's current strengths and weaknesses. That's the underlying rationale behind the survey feedback method. This technique follows the three steps summarized in Exhibit 2. First, data are collected that provide information about matters of general concern to employees, such as organizational climate, leadership style, and job satisfaction. This may take the form of intensive interviews, structured questionnaires, or both. Because it is important that this information be as unbiased as possible, employees providing feedback should be assured that their responses will be kept confidential. For this reason, this process is usually conducted by outside consultants.

The second step calls for reporting the information obtained back to the employees during small group meetings. Typically, this consists of summarizing the average scores on the attitudes assessed in the survey. Profiles are created of feelings about the organization, its leadership, the work done, and related topics. Discussions also focus on why the scores are as they are, and what problems are revealed by the feedback. The final step involves analyzing problems with communication, decision making, and other organizational processes to make plans for dealing with them. Such discussions are usually most effective when they are carefully documented and a specific plan of implementation is developed, with someone put in charge of carrying it out.

Survey feedback is a widely used organizational development technique. This is not surprising in light of the advantages it offers. It is efficient, allowing a great deal of information to be collected relatively quickly. Also, it is very flexible and can be tailored to the needs of different organizations facing a variety of problems. However, the technique can be no better than the quality of the questionnaire used – it must measure the things that really matter to employees. Of course, to derive the maximum benefit from survey feedback, it must have the support of top management. The plans developed by the small discussion groups must be capable of being implemented with the full approval of the organization. When these conditions are met, survey feedback can be a very effective OD technique.

EXHIBIT 2
SURVEY FEEDBACK

The survey feedback method of OD follows the three steps outlined here: collecting data, giving feedback, and developing action plans.



2. Quality of Work Life Programs

When you think of work, do you think of drudgery? Although many people believe these two terms go together naturally, it has grown increasingly popular to attempt to systematically improve the quality of life experienced on the job. As more people demand satisfying and personally fulfilling places to work, OD practitioners have attempted to systematically create work situations that enhance employees' motivation, satisfaction, and commitment–factors that may contribute to high levels of organizational performance. Such efforts are known collectively as quality of work life (QWL) programs. Specifically, such programs are ways of increasing organizational output and improving quality by involving employees in the decisions that affect them on their jobs. Typically, QWL programs support highly democratic treatment of employees at all levels and encourage their participation in decision making. Although many approaches to improving the quality of work life exist, they all share a common goal: humanizing the workplace.

One popular approach to improving the quality of work life involves work restructuring–the process of changing the way jobs are done to make them more interesting to workers. We already discussed several such approaches to redesigning jobs – including job enlargement, job enrichment, and the job characteristics model. These techniques also are considered effective ways of improving the quality of work life for employees.

Another approach to improving the quality of work life is quality circles (QCs). These are small groups of volunteers (usually around 10) who meet regularly (usually weekly) to identify and solve problems related to the quality of the work they perform, and the conditions under which people do their jobs. An organization may have several QCs operating at once, each dealing with a particular work area about which it has the most expertise. To help them work effectively, the members of the circle usually receive some form of training in problem solving. Large companies such as Westinghouse, Hewlett-Packard, and Eastman Kodak, to name a few, have included QCs as part of their QWL efforts over the years. Groups have dealt with issues such as how to reduce vandalism, how to create safer and more comfortable working environments, and how to improve product quality. Research has shown that although quality circles are very effective at bringing about short-term improvements in quality of work life, or those lasting up to 18 months, they are less effective at creating more permanent changes.

As you might imagine, a variety of benefits (even if short-term) might result from QWL programs. These fall into three major categories. The most direct benefit is usually increased job satisfaction, organizational commitment, and reduced turnover among the work force. A second benefit is increased productivity. Related to these first two benefits is a third—increased organizational effectiveness (e.g., profitability, goal attainment).

Achieving these benefits is not automatic, however. Two major potential pitfalls must be avoided for QWL programs to be successfully implemented. First, both management and labor must cooperate in designing the program. Should any one side believe that the program is really just a method of gaining an advantage over the other, it is doomed to fail. Second, the plans agreed to by all concerned parties must be fully implemented. It is too easy for action plans developed in QWL groups to be forgotten amid the hectic pace of daily activities. It is the responsibility of employees at all levels – from the highest executive to the lowest-level laborer—to follow through on their parts of the plan.

3. Management by Objectives

Not only individuals, but entire organizations stand to benefit from setting specific goals. For example, an organization may strive to raise production and improve the quality of its manufactured goods. These goals, well-intentioned though they may be, may not be as useful to an organization as more specific ones, such as increase production of widgets by 15 percent or lower the failure rate of widgets by 25 percent. After all, as the old saying goes, "It's easier to get somewhere if you know where you're going." Peter Drucker is credited with promoting the benefits of specifying clear organizational goals—a technique known as *management by objectives* (MBO).

The MBO process consists of three basic steps. First, goals are selected that employees will try to attain to best serve the needs of the organization. The goals should be selected by managers and their subordinates together. The goals must be set mutually by all those involved, not simply imposed. Further, these goals should be directly measurable and have some time frame attached to them. Goals that cannot be measured, such as “make the company better,” or that have no time limits, are useless. It also is crucial that managers and their subordinates work together to plan ways of attaining the goals they have selected—developing what is known as an action plan.

Once goals are set and action plans have been developed, the second step calls for implementation—carrying out the plan and regularly assessing its progress. Is the plan working? Are the goals being approximated? Are there any problems being encountered in attempting to meet the goals? Such questions need to be considered while implementing an action plan. If the plan is failing, a mid-course correction may be in order – changing the plan, the way it's carried out, or even the goal itself. Finally, after monitoring progress toward the goal, the third step may be instituted: evaluation—assessing goal attainment. Were the organization's goals reached? If so, what new goals should be set to further improve things? If not, what new plans can be initiated to help meet the goals? Because the process of goal assessment determines the selection of new goals, MBO is a continuous process.

MBO represents a potentially effective source of planning and implementing strategic change for organizations. Individual efforts designed to meet organizational goals get the individual employee and the organization itself working together toward common ends. Hence, system wide change results. Of course, for MBO to work, everyone involved has to buy into it. Because MBO programs typically require a great deal of participation by lower-level employees, top managers must be willing to accept and support the cooperation and involvement of all. Making MBO work also requires a great deal of time – anywhere from 3 to 5 years.

Hence, MBO may be inappropriate in organizations that do not have the time to commit to making it work. Despite these considerations, MBO has become one of the most widely used techniques for affecting organizational change in recent years. It is not only used on an ad hoc basis by many organizations, but also constitutes an ingrained element of the organizational culture in some companies, such as Hewlett-Packard and IBM.

4. Team Building

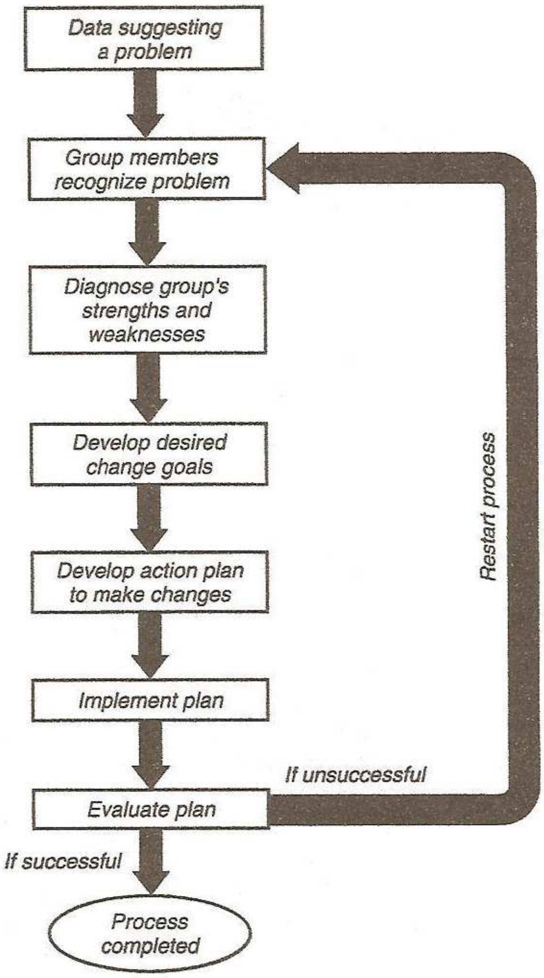
The technique of team building attempts to get members of a work group to diagnose how they work together, and to plan how this may be improved. Given the importance of group efforts in effective organizational functioning, attempts to improve the effectiveness of work groups are likely to have profound effects on organizations. If one assumes that work groups are the basic building blocks of organizations, it follows that organizational change should emphasize changing groups instead of individuals.

Team building begins when members of a group admit that they have a problem and gather data to provide insight into it. The problems that are identified may come from such sources as production figures or attitude surveys. These data are then shared, in a diagnostic session, to develop a consensus regarding the group's current strengths and weaknesses. From this, a list of desired changes is created, along with some plans for implementing these changes. In other words, an action plan is developed – a task-oriented approach to solving the group's problems. Following this step, the plan is carded out, and its progress is evaluated to determine whether the originally identified problems remain. If the problems are solved, the process is completed and the team may stop meeting. If not, the process should be restarted. (See Exhibit 3 for a summary of these steps.)

Work teams have been used effectively to combat a variety of important organizational problems. For these efforts to be successful, however, all group members must participate in the gathering and evaluating of information as well as the planning and implementing of action plans. Input from group members is also especially crucial in evaluating the effectiveness of the team-building program. Keep in mind that because the team-building approach is highly task-oriented, interpersonal problems between group members may be disruptive and need to be neutralized by an outside party.

EXHIBIT 3
TEAM BUILDING

Team building, a popular OD technique, follows the steps outlined here.



With interpersonal strain out of the way, the stage is set for groups to learn to effectively solve problems on their own. However, this does not happen overnight. To be effective, team building should not be approached as a one-time exercise completed in just a few days. Rather, it should be thought of as an ongoing process that takes several months (or even years) to develop. Given the great impact of effective teams on organizational functioning (see Chapter 6), efforts to build effective work teams seem quite worthwhile.

Some techniques used in team-building exercises for attaining high levels of interpersonal trust are highly unorthodox. For example, as part of many team-building exercises, group members are put into highly challenging real-life situations that are metaphors for how they have to pull together to meet challenges on the job. The idea is that by facing these difficult off-the-job challenges successfully, they will develop the skills needed for working together effectively on the job.

SPECIAL ISSUES IN ORGANIZATIONAL DEVELOPMENT

No discussion of organizational development would be complete without addressing two very important questions – do the techniques work, and are they ethical?

The Effectiveness of Organizational Development: Does It Really Work?
Thus far, we have described some of the major techniques used by OD practitioners to improve organizational functioning. It is clear that carrying out these techniques requires a considerable amount of time, money, and effort. Accordingly, it is appropriate to ask if this investment is worthwhile. In other words, does OD really work? Given the popularity of OD in organizations, this question is very important.

Among the different types of OD interventions studied, survey feedback, QWL, MBO, and team building, the investigators categorized the research with respect to whether they found the effects of the interventions to be beneficial, harmful, or nonexistent. The outcomes studied were both individual (e.g., job satisfaction) and organizational (e.g., profit, productivity) in nature. A sizable percentage of the studies found the effects of the various interventions to be beneficial—mostly in the area of improving organizational functioning.

We hasten to add that any conclusions about the effectiveness of OD should be qualified in several important ways. First, OD interventions tend to be more effective among blue-collar employees than among white-collar employees. Second, the beneficial effects of OD can be enhanced by using a combination several techniques (e.g., four or more together) instead of any single one. Finally, the effectiveness of OD techniques depends on the degree of support they receive from top management: The more programs are supported from the top, the more successful they tend to be.

Despite the importance of attempting to evaluate the effectiveness of OD interventions, a great many of them go unevaluated. Although there are undoubtedly many reasons for this, one key factor is the difficulty of assessing change. Since many factors can cause people to behave differently in organizations, and since such behaviors may be difficult to measure, many OD practitioners avoid the problem of measuring change altogether. Additionally, political pressures to justify OD programs may discourage some OD professionals from honestly and accurately assessing their effectiveness. After all, in doing so, one runs the risk of scientifically demonstrating one's wasted time and money.

In conclusion, despite some limitations, organizational development is an approach that shows considerable promise in its ability to benefit organizations and the individuals working within them.

Is Organizational Development Inherently Unethical? A Debate
By its very nature, OD applies powerful social science techniques in an attempt to change attitudes and behavior. From the perspective of a manager attempting to accomplish various goals, such tools are immediately recognized as very useful. However, if you think about it from the perspective of the individual being affected, several ethical issues arise?

For example, it has been argued that OD techniques impose the values of the organization on the individual without taking the individual's own attitudes into account. OD is a very one-sided approach, reflecting the imposition of the more powerful organization on the less powerful individual. A related issue is that the OD process does not provide any free choice on the part of the employees. As a result, it may be seen as coercive and manipulative. When faced with a "do it, or else" situation, employees tend to have little free choice, and are forced to allow themselves to be manipulated, a potentially degrading prospect.

Another issue is that the unequal power relationship between the organization and its employees makes it possible for the true intent of OD techniques to be misrepresented. As an example, imagine that an MBO technique is presented to employees as a means of allowing greater organizational participation, whereas in reality it is used as a means of holding individuals responsible for their poor performance and punishing them as a result. Although such an event might not happen, the potential for abuse of this type does exist, and the potential to misuse the technique—even if not originally intended—might later prove to be too great a temptation.

Despite these considerations, many professionals do not agree that OD is inherently unethical. Such a claim, it has been countered, is to say that the practice of management is itself unethical. After all, the very act of going to work for an organization requires one to submit to the organization's values and the overall values of society at large. One cannot help but face life situations in which others' values are imposed. This is not to say that organizations have the right to impose patently unethical values on people for the purpose of making a profit. Indeed, because they have the potential to abuse their power (such as in the MBO example above), organizations have a special obligation to refrain from doing so.

Although abuses of organizational power are all too common, OD itself is not necessarily the culprit. Indeed, OD, like a gun, is not inherently good or evil. Instead, whether the tool is used for good or evil will depend on the individual using it. With this in mind, the ethical use of OD interventions will require that they be supervised by professionals in an organization that places a high value on ethics. To the extent that top management officials embrace ethical values and behave ethically themselves, norms for behaving ethically are likely to develop in organizations. When an organization has a strong ethical culture, it is unlikely that OD practitioners would even think of misusing their power to harm individuals. The need to develop such a culture has been recognized as a way for organizations to take not only moral leadership in their communities, but financial leadership as well.

GLOSSARY

Action research. An approach to change in which the change agent collaborates extensively with the client in gathering and feeding back data.
Active Listening. Listening for both the content of and the feelings behind a message.
Adhocracy. A structure that uses temporary liaison devices to encourage mutual adjustment among organizational members.
Affective conflict. Conflict that arises when competing emotions accompany incompatible goals and cause stress.
Affinity diagram technique. A technique for structuring brainstorming that allows groups to organize ideas, show their relationships, and develop action steps via diagrams.
Alternatives. A set of realistic and potentially acceptable solutions to a problem or ways of accomplishing objectives.
Anchoring and adjustment bias. A heuristic whereby individuals make assessments by anchoring onto an initial value and then adjusting it before making a final decision.
Arbitration. A quasi-legal procedure for dispute resolution by an arbitrator acting as a judge.
Attainable-ideal norm. A norm that dictates increasing amounts of a particular behavior until a certain goal is reached and does not advocate exceeding that amount.
Attitude. A relatively stable cluster of feelings, beliefs, and behavioral predisposition (i.e., intentions) toward some specific target.
Attribution. Specification of the perceived cause of events.
Automation. The use of machinery (computers) to perform tasks previously done by people.
Autonomous work group. A self-regulating worker group in which employees work on interdependent tasks in a single unit, control their own task assignment, and perform many roles traditionally assigned to management.
Availability bias. A heuristic according to which individuals tend to overestimate the likelihood that an event will occur if they can recall past instances.
Bargaining range. The range in which both parties in a dispute would find an agreement acceptable.
BATNA. The best alternative if a negotiated settlement is not reached in a dispute.
Belongingness and love needs. A worker's needs that are focused on the social aspects of work.
Benchmarking. The process of gathering information about how well a company is doing in comparison to a "best- in-class" company in specific areas.
Best-member strategy. A decision-making strategy in which the group relies upon the person who has the most information and ability in this situation.
Bonus. A one-time, lump-sum payment that is tied to exceptional performance.
Boundary spanner. A person who is in a position to interact with individuals or groups in other organizations, and, thereby, has significant power potential; a lateral communication specialist at the point where two groups interact.
Bounded rationality. Herbert Simon's decision-making model that reflected the limits of the rational decision-making process by such real-world considerations as a decision maker's inability to obtain the necessary information.
Brainstorming. A technique whereby persons or groups generate large numbers of ideas or suggestions without evaluating their merits.
Broadbanding. A compensation system that places more jobs within the same wage level.
Bureaucracy. Max Weber's basic form of organization, characterized by order, system,

rationality, and consistency.
Burnout. The emotional exhaustion that results from being overworked, overwhelmed, or overstressed over a period of time.
Bypassing. The process of missing meaning in communication.
Career. A life-long sequence of related jobs and experiences.
Chain of command. The supervisory relationships in an organization.
Change agent. The person responsible for overseeing a change effort.
Classical conditioning. A process whereby, after repeated pairing of neutral and unconditioned stimuli, the neutral stimulus alone leads to a conditioned response.
Classical school. Henri Fayol's theory of management that described the basic duties and principles of managers.
Clique network. A group of individuals or departments who communicate exclusively with each other.
Codetermination. An organizational structure that gives workers a direct voice in the operation of the companies where they work.
Cognitive conflict. An intellectual discomfort created by trying to achieve incompatible goals.
Cognitive dissonance. A condition that arises, when a situation contains contradictions to a person's information, beliefs, or attitudes.
Cohesive groups. Groups that have a strong interpersonal attraction among group members.
Commission. An incentive system that links pay to sales levels.
Communication overload. Too much information contained in a message.
Communication underload. Too little information contained in a message.
Comparison other. The worker that an employee chooses to compare his job situation to and determine whether he feels motivated or unmotivated.
Compatibility test. A test in which a decision maker compares alternatives to a set of standards and chooses the alternative that fits best with the standards.
Conflict. A disagreement, opposition, or struggle between two or more people or groups.
Connotation. An emotional message that affects the meanings of words.
Contingency theory. A theory that calls for an accommodation between organizational processes and the characteristics of the particular situation.
Contingent worker. A worker hired by a company to complete specific projects or tasks.
Coordination. The extent and means by which an organization integrates or holds together its various parts and helps them work together to accomplish a goal or activity.
Core values. Those values that are least susceptible to change in a work situation.
Creativity. The generation of novel and useful ideas.
Cultural ethnocentrism. The belief in the preeminence of one's own culture.
Cultural integrator. A person who understands cultural differences and helps an organization adapt to them.
Culture. The set of assumptions, beliefs, and values that organizational members share and use to guide their behavior.
Deep strategy. A strategy that affects the private and central aspects of a worker's life.
Deep structures. Basic activity patterns of an organization or subsystem that make incremental adjustments to adapt to external changes.
Delegating. A leadership style in which the leader monitors and observes employees' performance after giving them responsibility for decisions and implementation.
Delphi technique. A structured decision-making technique that uses repeated administration of

rating scales to obtain opinions about a decision.
Denotation. The literal meaning of words.
Diagnosis. The application of theories and concepts to explain the reasons for or causes of behavior or attitudes in a real situation.
Diversity. Differences in age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background and capabilities/disabilities.
Diversity training. A series of programs and activities that highlight differences among workers and offer strategies for handling them.
Double-loop organization. A generative organization that uses experience to reevaluate its objectives and values and modify its culture.
Downshifter. A worker who gets off the career ladder for personal or other reasons.
Downsizing. The process by which organizations lay off managers and workers to reduce costs.
Dynamic network. A structure that combines a variety of subcontractors into a working organization; also known as a modular organization.
Early career stage. The career stage at which a worker is concerned with advancement and establishing a career path.
Empowerment. The process of giving employees throughout an organization the authority to make important decisions and to be responsible for their outcomes.
Entry stage. The career stage at which a worker tries to become an accepted member of the organization as rapidly as possible.
Environment. The factors outside an organization that influence its functioning.
Equity sensitivity. A concept that suggests that people have different preferences for and perceptions of equity.
Equity theory. A theory based on the hypothesis that workers make judgments about job equity based on comparison to another worker in a similar position.
Esteem needs. An individual's needs for mastery, competence, and status.
Exemplars. Person schemas that represent concrete examples rather than general characteristics.
Expectancy. An individual's perception that his or her effort will result in performance.
Extinction. The process of eliminating undesired behavior by withholding positive reinforcement.
Extrinsic rewards. Rewards not linked to the job's content such as pay, job title, or other perks.
Extrovert. An outgoing person who likes variety, enjoys functioning in a social environment, often acts without thinking, and may dominate situations or people.
Feedback. The process of using information about outputs to modify inputs to gain more desirable outcomes.
Feeling type. A person who likes harmony and responds to the values and feelings of others as well as their thoughts.
Fixed reinforcer. A reinforcer that occurs at a predetermined and expected time.
Flat organization. A company that has relatively few levels in the hierarchy.
Flexible benefit plan. A plan in which workers receive a fixed amount of money or points to allocate to various benefit areas as they choose.
Flextime. A discretionary working arrangement that allows workers the choice of starting and ending times to their day so long as they work certain specific hours within a day and meet the requirements of a normal work week.
Flexyear. A discretionary working arrangement that allows workers to agree to the number of hours that they will work in a year but allows them to allocate those hours as desired.

Force-field analysis. An analytical technique that views a problem as the product of forces working in opposite directions.
Formal communication. Transmissions that use formally established or regularly scheduled channels.
Formal goal. A goal that has been specifically stated either orally or in writing.
Frustration. A sense of insecurity and dissatisfaction arising from the inability to satisfy a need or desire.
Full membership stage. The career stage at which a worker is concerned with effective performance, responsibility, management of subordinates, and skill development.
Functional role. A role that is determined by a group's needs for leadership and expertise, the members' abilities and attitudes, and the activities of the group.
Functional structure. A grouping of employees according to major categories of work.
Gainsharing program. An incentive system that allows workers to share in productivity increases by earning bonuses based on group performance.
Garbage can model. A decision-making model that uses the image of a garbage can to describe the serendipitous pairing of seemingly unrelated problems and solutions.
Gatekeeper. A special boundary spanner who screens information and access to a group or individual.
Glass ceiling. The invisible barrier preventing women and ethnic minorities from movement into top management; a form of discrimination
Global learning. The process of acquiring and learning the skills, knowledge, and organizational behaviors and procedures that have helped companies abroad become major global competitors.
Goal. A desired object or future state.
Goal displacement. The process by which individuals or groups divert their energies from the organization's original goals.
Grapevine. The pattern of communication created outside of a formal organization and official channels.
Grievance procedure. A formal process by which a worker can complain to management.
Group. A collection of two or more interacting individuals who share common goals and have a stable pattern of relationships between them.
Group attractiveness. The extent to which groups appeal to people and make them want to belong.
Group decision support systems (GDSS). Computer software (such as electronic mail) that helps groups make decisions; see also **Groupware**.
Group process. Activities dealing with the interpersonal interactions within a group.
Groupthink. The mentality that exists when group members avoid critical evaluation so that they can maintain a sense of group unity and consensus.
Groupware. Computer software that helps groups make decisions, for example, electronic mail and electronic meeting capabilities; see also **Group decision support systems (GDSS)**.
Habitual routines. Group routines that affect group performance either positively or negatively.
Halo effect. The tendency to let one key feature or trait dominate the evaluation of a person or thing.
Harassment. The behavior of an individual or group of individuals that another person finds offensive, aggravating, or otherwise unwelcome.
Hawthorne effect. The first dramatic indication that workers' attitudes and feelings could significantly affect productivity.

Heuristics. Simplifying strategies used by decision makers; often a source of error.
Hidden agenda. Goals that individuals conceal from the working group.
Horizontal differentiation. The grouping of jobs at the same organizational level according to their function.
Hostile environment. An organization's environment characterized by conflict, threat, or unexpected or overwhelming competition.
Hourly wages. Wages that are determined by the number of hours worked and are measured in dollars per hour.
Human relations school. A theory that concentrates on how workers' personalities, emotions, and attitudes affect their work.
Hygiene factors. According to Herzberg's theory, the features of a job's context that affects workers' dissatisfaction.
Hypothesis. A proposed explanation of the relationship between the dependent and independent variables.
Images. The values, morals, beliefs, goals, and plans in a set of standards in a compatibility test.
Impression construction. Selection of the image to be conveyed and the way it will be conveyed.
Impression management. The attempt to influence the perceptions of others by controlling the impression one makes upon them.
Improved nominal group technique. Differs from the nominal group technique; characterized by anonymous personal contributions, limited discussion to a single aspect of the problem, and delayed evaluation until all items have been brought forward.
Incentive program. A program that pays workers only for what they produce.
Individual role. A role within a group that tends to be dysfunctional as it puts individual needs above group needs.
Industrial engineer. An engineer who studies the exact series of motions in a job in order to evaluate and improve work processes.
Informal communication. Spontaneous communication that occurs without regard for the formal channels of communication.
Informal goal. A goal that has been implied but never explicitly stated.
Information architect. A person who "cuts through the clutter" and helps deliver important information concisely.
Information technology (IT). The many different kinds of computer and communications hardware and software and the related skills held by designers, programmers, managers, and technicians.
Innovation champion. A manager or employee who takes personal responsibility for introducing an innovation and marshaling the resources to produce it.
Innovation manager. A manager who creates the conditions in which creativity can occur and oversees the more practical aspects of product or system development.
Instrumentality. A person's perception that performance will have certain positive or negative outcomes.
Integrated structure. A hybrid structure that can incorporate both functional and market-oriented structures.
Internet. An international network of computer networks that offers low-cost global communications and access to the World Wide Web.
Interval schedule. A schedule that applies reinforcers after a regular amount of time.

Intragroup conflict. Disagreement among members of a group.
Intrinsic reward. A reward linked to the job itself such as challenge, responsibility, autonomy, etc.
Introvert. A shy and withdrawn person who prefers quiet, dislikes interruptions, and works contentedly alone.
Intuitive decision-making. Decision-making in which a manager relies on instinct rather than rational reason.
Intuitive type. A person who dislikes repetitive actions and enjoys learning new skills.
Job characteristics model. A job enrichment model that specifies the five core characteristics of the job that significantly influence workers' behaviors and attitudes.
Job enlargement. The concept of expanding the scope of a particular job by increasing the number of different but related processes that a worker does.
Job enrichment. The concept of changing a job horizontally, by adding tasks and vertically, by adding responsibility.
Job extension. A job enlargement program in which a worker does more of the same type of activities.
Job rotation. A form of job enlargement in which the worker performs two or more tasks but alternates them in a predefined way over a period of time.
Job-based pay. Pay that rewards workers for performing certain jobs.
Johari Window. A model that provides an analytical tool to identify information that is available for use in communication; helps diagnose the openness of communication.
Judgment type. A person who likes to finish tasks and works best with a plan.
Kaizen. The Japanese concept that every employee will seek gradual, continuous improvement in performance.
Keiretsu. A Japanese family of companies joined under various financial agreements with interlocking directorates.
Leader-centered team. A team with a strong internal leader as well as a manager.
Leadership Effectiveness and Description (LEAD). An instrument used to measure leadership style.
Learning. The acquisition of skills, knowledge, ability, or attitudes.
Learning organization. An organization that has the ability to fundamentally and regularly revitalize itself.
Life cycle. A series of developmental stages that an organization or an individual moves through from "birth" to "death."
Life-cycle theory. Also known as the situational theory, states that effective leadership results from the fit between a leader's style and the readiness of his or her followers.
LPC (Least-Preferred Coworker) Contingency Theory. A theory that calls for matching managers' preferred styles along the dimensions of task orientation and relations orientation to leader-member relations, task structure, and leader position power.
Machiavellian personality. An individual who demonstrates manipulative and un-ethical behavior and attitudes; term derived from Machiavelli's The Prince.
Maintenance role. A role that helps build and maintain group performance.
Matrix. An integrated structure that combines the best aspects of the functional and product structures.
Mechanistic structure. A pattern of organizational structure characterized by centralized decision-making, a unitary chain of command, specialized and standardized work activities, and

direct supervision.
Mediation. A third-party intervention in which a neutral party helps to resolve disputes.
Mentor. An organization member who helps a younger employee move through the organizational ranks and supports the growth of the younger person's career.
Mentoring. A process through which an experienced member of an organization (the mentor) provides advice and guidance to a less experienced member (the protégé) and helps the less experienced person learn the ropes and do the right things to advance in the organization.
Midcareer. The career stage at which a worker may face a midlife transition that may lead to new choices.
Min-max strategy. A process by which parties in a dispute determine their acceptable alternatives by asking a certain set of questions related to maximum and minimum requirements and goals.
Mission statement. A brief expression of the basic philosophy and goals of an organization.
Modular organization. An organization that combines a variety of subcontractors into a working organization; also known as a dynamic network.
Motivator. According to Herzberg's theory, a feature of a job's content that satisfies higher-order needs.
Munificent environment. An organization's environment that lacks conflict, threat, or unexpected or overwhelming competition.
Mutual adjustment. Informal but direct communication between individuals.
National culture. The set of values or beliefs that a society considers important and the norms of behavior that are approved or sanctioned in that society.
Need for achievement. The desire to accomplish and demonstrate mastery.
Need for affiliation. The need for social interaction, love, and affection.
Need for power. The need for control over work or other people.
Negative reinforcement. The process of punishing undesired, negative behaviors.
Negotiation. The process by which two or more interdependent parties use bargaining reconcile their differences.
Network analysis. Analysis of the patterns of interactions; allows managers to analyze the effectiveness of the patterns.
Noise. Interference, psychological or actual, in the communication process.
Nominal group technique (NGT). A decision-making technique that uses a structured group meeting in which persons brainstorm and then rank order a series of ideas as a way of resolving group conflict.
Norm. An unwritten and informal expectation that guides behavior.
Normative decision theory. Suggests that managers select a leadership style according to the amount of participation in decision making that is appropriate for a particular situation.
Operant conditioning. A process in which undesired behaviors are eliminated through the process of negative reinforcement.
Organic structure. A pattern of organizational structure that de-emphasizes job descriptions and specialization, decentralizes decision-making, and has less horizontal and vertical differentiation than personal and spatial differentiation.
Organization chart. Presents in graphic form all chains of command in an organization; illustrates how workers in an organization are grouped into departments, to whom they report, and how their activities are coordinated.
Organization development (OD). A behavioral approach that improves communication, group

and intergroup behavior, leadership skills, and power relations by changing employees' knowledge, skills, interactions, and attitudes, as well as the organizational culture.
Organizational behavior (OB). The study of human behavior in organizational settings, the interface between human behavior and the organization, and of the organization itself.
Organizational justice. The fairness with which individuals are treated in the workplace.
Organizational simulation. A computerized or non-computerized model of an organization that gives researchers the ability to study and control complex behavior.
Orientation to people. The degree to which a leader addresses the individual needs of his or her workers.
Orientation to task. The degree to which a leader structures his or her role and the employees' roles to accomplish the group's task.
Outcome. For a worker, the result of labor such as pay or promotion.
Outsourcing. The process of employing people and groups outside the organization, or other organizations, to perform specific jobs or types of work activities that used to be performed by the organization itself.
Overjustification effect. The concept that the overpaid worker will work harder to justify his or her pay; a result of cognitive dissonance.
Participating style. A leadership style in which the leader shifts significant responsibility to the employees.
Participative design. A method that focuses on ways of democratizing decision-making.
Pay compression. A situation in which newly hired workers earn more than current workers doing the same job.
Perception. The active process of sensing reality and organizing it into meaningful views or understanding.
Perception type. A person who adapts well to changing situations; may tend to procrastinate.
Peripheral norm. A norm that guides behavior that is important but not essential to the organization,
Peripheral value. A value that is more susceptible to change in a work situation.
Personal differentiation. Division of labor according to the worker's expertise or training.
Personal network. A group of individuals who communicate with specific individuals.
Personality. A set of distinctive personal characteristics, including motives, emotions, values, interests, attitudes, and competencies.
Personality inventory. A test that presents questions to describe the test-taker's personality.
Physiological needs. An individuals most basic needs for food, water, shelter, and sex.
Piecework system. An incentive system that ties compensation to individual performance by paying workers for each item produced.
Pivotal norm. A norm that guides the behavior that is essential to the organization.
Planned change. The systematic process of introducing new behaviors, structures, and technologies for addressing problems and challenges organizations face.
“Plateau” performer. A worker who cannot advance because of limited opportunities and whose job responsibilities never change.
Pooled interdependence. A relationship of groups that rely on each other only because they belong to the same parent organization.
Position power. The extent to which a leader has the official power to influence others.
Positive reinforcement. The process of rewarding desired behavior when it occurs.
Power distance. The extent to which a society accepts the unequal distribution of power.

Preferred-value norm. A norm that dictates the proper amount of behavior from any worker.
Prepotent need. A primary or salient need.
Procedural justice theory. A theory that is concerned with the perceived fairness of the procedures used to make decisions about inputs, performance, and the distribution of outcomes.
Procedures. The rules and regulations that generate worker behavior.
Process observer. An individual who gathers information about a team's communication, decision-making, and leadership for analysis.
Projective test. An unstructured test that requires the test-taker to describe or tell a story about a relatively ambiguous stimulus; example: Rorschach Inkblot Test.
Prototype. A person schema.
Punctuated equilibrium model. A non-continuous model of group development in which the group's behavior changes over the life of the job or project.
Punctuated equilibrium paradigm. A paradigm that suggests that organizational change occurs as an alternation of long periods of stability and short periods of revolutionary change.
Punishment. A negative consequence that results from an undesired behavior.
Ratio schedule. A schedule that applies reinforcers after a certain number of behaviors occur.
Rational process. A step-by-step, systematic decision-making process.
Reciprocal interdependence. A relationship of two groups whose operations precede and act as prerequisites to each other's.
Re-engineering. Identification of the core processes of an organization's business systems and reorganization of these systems so as to eliminate unnecessary processes and steps.
Reinforcement theory. A motivational theory that assumes that encouragement of desired behaviors will cause them to be repeated.
Reinforcer. A reward for exhibiting desired behavior.
Relations-oriented style. A permissive, passive, and considerate style of leadership.
Relationship behaviors. The communication behaviors of a leader – listening, supporting, facilitating, etc.
Relationship constellation. A group of individuals from various departments in an organization who provide mutual support, friendship, and sponsorship.
Representativeness bias. A heuristic whereby individuals judge an event in terms of their perception of its absolute frequency, ignoring its relative frequency.
Richness. The amount of information that media convey and the amount of understanding that results.
Role. A prescribed set of activities or potential behavior.
Role ambiguity. Lack of clarity about the expectations of a role.
Role conflict. Differing and often incompatible expectations that pressure a role holder to perform in two different ways.
Role overload. A situation in which a role player finds his or her role requires too much time, effort, or knowledge.
Role set. Comparable or related roles that interact with each other.
Role-playing exercise. A testing or training activity that has the test-taker act a role in a pre-specified situation.
Safety and security needs. An individual's desire for security or protection.
Salary. A fixed yearly wage.
Sanction. A coercive measure adopted to encourage agreement among group members and compliance with norms.

Satisfice. To accept satisfactory choices rather than insist on optimal choices.
Schema. A cognitive framework that includes descriptions of the characteristic features of people, situations, or objects obtained through experience; can be a stereotype.
Scientific management. Frederick W. Taylor's theory of management as a science with managers and employees having clearly specified yet different responsibilities.
Script. A schema about a sequence of events.
Self-actualization needs. An individual's needs to grow and develop to the fullest possible degree.
Self-efficacy. A person's perception that he or she can successfully perform a task.
Self-managed team. A team in which all the team members share the management responsibility.
Selling. A leadership style in which the leader explains and clarifies decisions and persuades his or her employees to follow directions.
Sensing type. A person who likes action and focuses on accomplishment.
Sequential interdependence. A relationship that occurs when one group's operations precede and act as prerequisites for a second group's operations.
Sexual harassment. A situation in which unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature becomes a condition of a person's employment, is used as the basis for an employment decision, or interferes with a person's work performance by creating a hostile, intimidating, or offensive atmosphere.
Simulation. A test that asks the test-taker to behave in a pre-specified situation.
Single-loop organization. An adaptive organization that uses routine learning to accomplish its ends without significant changes in its basic assumptions.
Skill-based pay. Pay that rewards workers for building more competencies and increasing their skills.
Social comparison theory. A theory based on the hypothesis that workers make judgments about job equity based on comparison to another worker in a similar position.
Social network analysis. Evaluation of the pattern of interactions among organizational members.
Span of control. The number of people a manager is responsible for.
Spatial differentiation. Grouping of jobs or workers according to their geographical location.
Specialization. The degree to which a job focuses on a specific and limited set of activities.
Standardization of outputs. Employer specification of the exact nature of the workers' output.
Standardization of work processes. Employer specification of the actual steps that employees should follow in performing their jobs.
Strategy. A statement of an organization's basic mission, purpose, and goals, as well as the means for accomplishing them.
Stress. A psychological and physiological state that results when certain features of the environment cause discomfort, anxiety, or a feeling of being overwhelmed.
Stress interview. A testing instrument that places the test-taker in a pre-specified situation to test action under stress.
Stressor. Environmental features that cause stress.
Structure. The delineation of jobs and reporting relationships in an organization.
Surface strategy. A strategy that deals with the external issues of workers.
System. The representation of an organization as a set of interdependent subsystems in which inputs are transformed into outputs.

Systems theory. A theory that represents an organization as an open system with such characteristics as openness, interrelatedness, the ability to transform inputs into outputs, the need to maintain equilibrium, multiplicity of goals, and equifinality.
Tactics. Short-term, focused maneuvers of negotiators in a dispute.
Take-off stage. The maturation stage of an organization that signals its movement from the entrepreneurial to the professional stage.
Tall organization. A company with many levels in the hierarchy for its size.
Task activity. Activities directed at performing the task.
Task behavior. Actions in which a leader specifies an individual's or group's duties, activities, and responsibilities by goal setting, organizing, scheduling, directing, and controlling.
Task relations. The activities or processes that interdependent groups perform and the way these activities interrelate.
Task role. A role that focuses on task or goal accomplishment.
Task structure. The degree to which a task is clearly defined.
Task-oriented style. A controlling, active, and structuring style of leadership.
Team. Work group that emphasizes collaboration in accomplishing the goal.
Team interdependence. A relationship of multiple groups; a type of interdependence that has the most potential for conflict and the highest requirement for effective communication.
Technology. The process that converts raw materials into a finished product or service.
Telecommuting. Workers' use of information technology to perform their jobs at a site away from the organization's physical location.
Telling style. A leadership style, in which the leader guides, directs, establishes guidelines, gives specific instructions, and closely supervises performance.
Thematic Apperception Test (TAT). An unstructured personality test that measures the three needs of McClelland's theory of needs.
Theory X. A theory of leadership that assumes that people have an inherent dislike of work and responsibility.
Theory Y. A theory of leadership that assumes that people find work as natural as rest or play, will work toward their goals without supervision, and can learn to seek responsibility.
Thinking type. A person who excels at logic and responds to ideas more readily than to feelings.
Total Quality Management (TQM). A comprehensive approach to producing high-quality goods and services that meet customers' needs.
Total systems network. The communications patterns throughout an entire organization.
Traditionally managed team. A team with an official leader.
Trait. A personality, social, or physical characteristic.
Transformational change. A change effort by companies that have attempted to reinvent themselves.
Unattainable-ideal norm. A norm that remains always out of reach.
Valence. The value that a person attaches to various outcomes.
Value. A basic principle or tenet that guides a person's beliefs, attitudes, and behaviors.
Variable. The representation of a behavior, attitude, or event under study.
Variable reinforcer. A reinforcer that occurs at unpredictable and varied times.
Vertical differentiation. Refers to the number of hierarchical levels in a company.
Virtual Corporation. A network of independent suppliers, customers, and competitors usually tied together by computer technology.
Virtual employee. A worker who is connected to his or her office through computer networks.

Wellness program. A health promotion initiative in an organization.
Whistleblower. A worker who voices his or her views of fraudulent or illegal company activities by reporting them to government agencies.
Work group. Two or more people in a work setting with a common goal.
Work simplification. The process of reducing a job to its component parts and reassembling these parts into the most efficient work process.
World Wide Web (www). A collection of web sites that provides huge quantities of information about diverse topics,
Zero-defect product. A product that has no exceptions or defects.