# Chapter One – An Overview of Organizational Behavior

## Overview

Managers strive to make their organizations as effective and successful as possible. To do this they rely on assets such as financial reserves and earnings, technology and equipment, raw materials, information, and operating systems and processes. At the center of everything are the employees who work for the organization. It is usually their talent, effort, skill, and ability that differentiates effective from less effective organizations. It is critical, then, that managers understand how the behaviors of their employees impact organizational effectiveness.

In general, managers work to enhance employee performance behaviors, commitment and engagement, and citizenship behaviors and to minimize various dysfunctional behaviors. A number of environmental, individual, group and team, leadership, and organizational characteristics can make the manager’s work easier or more difficult depending on how well they understand organizational behavior. This model will be more fully developed in Chapter 1 and will serve as a roadmap for your study of organizational behavior throughout this book.

Regardless of their size, scope, or location, all organizations have at least one thing in common—they are comprised of people. It is these people who make decisions about the strategic direction of a firm, it is they who acquire the resources the firm uses to create new products, and it is they who sell those products. No matter how effective a manager might be, all organizational successes—and failures—are the result of the behaviors of many people. Indeed, no manager can succeed without the assistance of others.

Thus, any manager—whether working in a big business such as Ayala Land or CP Foods; for a niche business such as TWG; or for a local Pizza Hut restaurant or neighborhood dry cleaning establishment—must strive to understand the people who work in the organization. This book is about those people. It is also about the organization itself and the managers who operate it. Together, the study of organizations and the study of the people who work in them constitute the field of organizational behavior. Our starting point in exploring this field begins with a more detailed discussion of its meaning and its importance to employees, business owners, and managers.

The primary purpose of this chapter is to introduce the field of organizational behavior. The chapter begins by defining organizational behavior as the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself. The four functions that make up the manager’s job—planning, organizing, leading, and controlling—are discussed. Then the chapter explores the various skills—technical, interpersonal, conceptual, and diagnostic—managers must apply in organizations. The chapter then discusses human resource management. The strategic context of organization behavior is discussed, including maintaining a competitive advantage, sources of competitive advantage and types of business strategies. The next section provides some historical context on organizational behavior, looking at scientific management, Hawthorne effect and the human relations movement. The chapter continues by defining a system and systems perspective, the situational perspective, and interactionalism. The chapter continues by examining the outcomes—individual, group and team, and organization—that are important for organizational effectiveness, including the scientific method and meta-analysis. The chapter concludes with a preview of the remaining text.

## Learning Outcomes

After studying this chapter, students should be able to:

1. Define organizational behavior and describe how it impacts both personal and organizational success.
2. Identify the basic management functions and essential skills that comprise the management process and relate them to organizational behavior.
3. Describe the strategic context of organizational behavior and describe the relationships between strategy and organizational behavior.
4. Identify and describe contextual perspectives on organizational behavior.
5. Describe the role of organizational behavior in managing for effectiveness and discuss the role of research in organizational behavior.
6. Summarize the framework around which this book is organized.

## Real World Challenge: Managing Growth at Godrej Group

**Summary:** Godrej is one of India’s best known and most trusted businesses. It traces its roots back to 1897. The group is an India-based multinational conglomerate, managed and largely owned by the Godrej family. The conglomerate comprises the listed company Godrej Industries Ltd and its subsidiaries (known as GILAC), and the family’s private holding company Godrej & Boyce. Having expanded its business across continents and acquired multiple brands, Godrej’s leaders wanted to integrate the conglomerate’s social responsibility and business practices to create a common identity and set of values for the conglomerate.

**Real World Challenge:** What advice would you give them to integrate social responsibility and business practices to create a common identity and set of values for Godrej Group ?

**Real World Response:** In 2010, GILAC and the Godrej family commissioned FSG Social Impact Advisors and Dasra—India’s leading philanthropy network—to help integrate the group’s social responsibility and business practices under the Creating Shared Value framework. This underpinned the Godrej commitment to “building a more inclusive and greener India” through the company’s Good & Green initiative. The initiative assumes that the business can address social problems while strengthening the drivers of commercial competitiveness. Godrej’s Good & Green initiative will extend beyond India to business operations and subsidiaries in Argentina, the Philippines, Indonesia, South Africa, the United Kingdom, and elsewhere. Godrej Industries has bases in more than 40 countries, so embedding the Good & Green practices and collecting data globally pose a significant challenge.

Volunteering is encouraged throughout Godrej Group’s 26,000-strong workforce. Brighter Giving is the company’s structured platform providing opportunities for skills-based volunteering projects with nongovernmental organizations (NGOs). In such volunteering projects employees might work with a service nonprofit’s beneficiaries or provide support to the nonprofit organization itself.

Among the nonprofits that have benefited is Mentor Me India, which has a mission to help children in low-income communities grow to their full potential. Volunteers from Godrej have taught children in subjects such as mathematics, English, computing, or sport, while providing mentorship for the child’s personal development. Godrej volunteers offered organizational capacity building for Shraddha, a nonprofit working with autistic and mentally challenged young adults. The Godrej team helped develop a better segmented and targeted fundraising strategy for the nonprofit, and provided hands-on training to the nonprofit’s staff on the of donor management software. On International Volunteering Day (December 5) Godrej employees worldwide are encouraged to spend time with local NGOs and their beneficiaries.

## Chapter Outline

**I. WHAT IS ORGANIZATIONAL BEHAVIOR?**

**A. The Meaning of Organizational Behavior**

***Organizational behavior******(OB)*** is the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself.

All three are ultimately necessary for a comprehensive understanding of organizational behavior.

OB helps explain and predict how people and groups interpret events, react, and behave in organizations and describes the role of organizational systems, structures, and process in shaping behavior. Figure 1.1 illustrates this view of organizational behavior.

**B. How Organizational Behavior Impacts Personal Success**

The core of OB is being effective at work. Since most people reading this book are either present or future managers we take a managerial perspective of the field. Using your knowledge of OB can help you to succeed faster in any organization or career.

The study of organizational behavior can greatly clarify the factors that affect how managers manage. Hence, the field attempts to describe the complex human context of organizations and to define the opportunities, problems, challenges, and issues associated with that realm.

**C. How Organizational Behavior Impacts Organizational Success**

Organizations as a whole also benefit from OB.

By appropriately applying OB knowledge about individuals, groups, and the effect of organizational structure on worker behavior, the conditions can be created that make organizations most effective.

OB also helps companies perform well.

In addition to financial performance and job satisfaction, OB also influences absenteeism and turnover. Reducing absenteeism and turnover can be worth millions of dollars to organizations through increased productivity and customer service and decreased staffing costs.

One central 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.

**II. THE MANAGERIAL CONTEXT OF ORGANIZATIONAL BEHAVIOR**

The managerial context of OB can be viewed from the perspective of basic management functions, critical management skills, and overall human resource management.

**A. Basic Management Functions and Organizational Behavior**

In characterizing managerial work, most experts find it useful to conceptualize the activities performed by managers as reflecting one or more of four basic functions.

1. ***Planning*** is the process of determining an organization’s desired future position and the best means of getting there. For instance, larger corporations usually rely on their top management teams to handle most planning activities. In smaller firms, the owner usually takes care of planning.
2. ***Organizing*** is the process of designing jobs, grouping jobs into units, and establishing patterns of authority between jobs and units. This process produces the basic structure, or framework, of the organization. For large organizations such as Apple and Toyota, that structure can be incredibly complex. The structure includes several hierarchical layers and spans myriad activities and areas of responsibility. Smaller firms can often function with a relatively simple and straightforward form of organization.
3. ***Leading*** is the process of getting the organization’s members to work together toward the organization’s goals. For example, a manager at Uniqlo, a Japanese retail clothing store, must hire people, train them, and motivate them. All managers, whether they work in a huge multinational corporation spanning dozens of countries or in a small neighborhood business serving a few square city blocks, must understand the importance of leading.
4. ***Controlling***is the process of monitoring and correcting the actions of the organization and its members to keep them directed toward their goals. For example, a manager at Harvey Norman or Gain City (Singapore) has to control costs, inventory, and so on.

**B. Critical Management Skills and Organizational Behavior**

In general, most successful managers have a strong combination of technical, interpersonal, conceptual, and diagnostic skills.

***Technical skills*** are the skills necessary to accomplish specific tasks within the organization. For example, Dr Devi Shetty, founder and chairman of Narayana Health, was trained as a pediatric cardiologist and surgeon. Using his technical skills, Dr Shetty pioneered low-cost heart surgery.

***Interpersonal skills*** are the ability to effectively communicate with, understand, and motivate individuals and groups. For instance, Claire Chiang, cofounder of Banyan Tree Resorts and Banyan Tree Gallery, spends much of her time interacting with and learning about the work of craftsmen and artists, whose products are used in the Resorts or curated and sold at Banyan Tree Gallery. Her interpersonal skills have also been applied in the expansion of the Gallery to over 80 retail outlets worldwide.

***Conceptual skills*** are the ability to think in the abstract. For example, Claire Chiang applied her conceptual skills when conceiving of Banyan Tree Gallery as a socially conscious and environmentally friendly business that would complement the ecological values of Banyan Tree Resorts.

***Diagnostic skills*** are the ability to understand cause-and-effect relationships and to recognize the optimal solutions to problems. For instance, when the CEO of Uber decided to withdraw from China and Southeast Asia and allowed its rivals Di Di Chu Xing and Grab to dominate the private hire car industries in China and Southeast Asia, respectively, he must have conducted a thorough analysis of the market trends and the threats and opportunities facing the company before making the decision. These moves actually safeguarded the company’s fortunes by securing a significant portion of the ordinary capital base of both winners (Di Di Chu Xing and Grab).

**C. Organizational Behavior and Human Resource Management**

***Human resource management (HRM)*** is the set of organizational activities directed at attracting, developing, and maintaining an effective workforce.

More precisely, HR managers select new employees, develop rewards and incentives to motivate and retain employees, and create programs for training and developing employees.

**III. THE STRATEGIC CONTEXT OF ORGANIZATIONAL BEHAVIOR**

***Competitive advantage*** is anything that gives a firm an edge over rivals in attracting customers and defending itself against competition. For example, HCL Technologies (India) puts employees first, ahead of customers and shareholders. It makes management accountable to employees, rather than the other way around.

**A. Sources of Competitive Advantage**

There are many sources of competitive advantage including having the best-made or cheapest product, providing the best customer service, being more convenient to buy from, having shorter product development times, and having a well-known brand name.

Because it is an organization’s people who are responsible for gaining and keeping any competitive advantage, effective management is critical to business success.

To have a competitive advantage a company must ultimately be able to give customers superior value for their money (a combination of quality, service, and acceptable price)—either a better product that is worth a premium price or a good product at a lower price can be a source of competitive advantage.

Table 1.1 lists some possible sources of competitive advantage. You should note that an organization’s talent is the key to securing each of these.

**B. Types of Business Strategies**

A company may create value based on price, technological leadership, customer service, or some combination of these and other factors.

Business strategy involves the issue of how to compete, but also encompasses:

The strategies of different functional areas in the firm.

How changing industry conditions such as deregulation, product market maturity, and changing customer demographics will be addressed.

How the firm as a whole will address the range of strategic issues and choices it faces.

Business strategies are partially planned, and partially reactive to changing circumstances. Companies may also pursue more than one strategy at a particular time.

Three primary business strategies are:

1. Cost leadership

2. Differentiation

3. Specialization

**1. *Cost Leadership Strategy*** strives to be the lowest-cost producer for a particular level of product quality. Daiso of Japan, which offers a range of home care, stationery, basic clothing and food items for $2 each, is an example of a company that uses a cost leadership strategy.

***Operational excellence*** maximizes the efficiency of the manufacturing or product development process to minimize costs. Zuellig Pharma, based in the Philippines and a leading pharmaceutical distribution company in the Asia­Pacific, competes on the basis of its excellent operational systems.

1. ***Differentiation Strategy*** develops a product or service that has unique characteristics valued by customers.

Firms can differentiate along various dimensions, including quality (Lexus), brand image (Singapore Airlines), reliability (Japan Rail), safety (EVA Air), and usability (Samsung).

***Product innovation*** is developing new products or services.

 This strategy is common in the Korean beauty industry. Amore Pacific, which owns leading beauty brands such as Sulwhasoo and Laneige. These forms have been adopted by numerous other brands such as Yves St Laurent, Dior Lancome, and the Estee Lauder group, leading the Korean brands to continue differentiating their products even further.**3.**

1. ***Specialization Strategy*** focuses on a narrow market segment or niche and pursues either a differentiation or cost leadership strategy within that market segment.

This strategy can be successful if it results in either lower costs than competitors serving the same niche, or an ability to offer customers something other competitors do not, such as Raffles Hotels in Siem Reap, Phnom Penh, and Manila.

***Customer intimacy*** is delivering unique and customizable products or services to meet customers’ needs and increase customer loyalty.

Consulting, retail, and banking organizations often adopt this approach. Companies such as Starbucks are able to get a high price for their products because of their focus on customer relationships.

**4. *Growth Strategy*** occurs when companies expand organically or through acquisitions.

Growth­ oriented chains such as Jollibee, a fast food chain from the Philippines, require

additional management capacity, products, and even product distribution staff to support

their expansion.

**C. Connecting Business Strategy to Organizational Behavior**

There are a number of significant linkages that connect business strategy and OB.

For instance, a firm that relies on a cost leadership strategy will usually need to keep all of its expenses as low as possible. Therefore, this strategy might dictate relying on low-wage employees and trying to automate as many jobs as possible. These actions, in turn, clearly relate to employee motivation and the design of work.

Likewise, a company using a differentiation strategy might want to emphasize exemplary customer service. As a result, it needs employees who are motivated to provide high levels of service, leaders who can help develop a customer service culture, and a reward structure tied to customer service.

A specialization strategy often requires employees with specialized skills and abilities.

Effective managers understand what needs to be done to execute a company’s business strategy, then they plan, organize, direct, and control the activities of employees to get it done. It is important to note that managers do not accomplish organizational objectives by themselves—they get work done through others. Flexibly applying OB principles will help you to do that most effectively.

**IV. CONTEXTUAL PERSPECTIVES ON ORGANIZATIONAL BEHAVIOR**

**A. Where Does Organizational Behavior Come From?**

Formal study of OB began in the 1890s, following the industrial relations movement spawned by Adam Smith’s introduction of the division of labor. In the 1890s, Frank and Lillian Gilbreth and Frederick Winslow Taylor identified the positive effects of precise instructions, goal setting, and rewards on motivation. Their ideas became known as *scientific management*, and are often considered the beginning of the formal study of OB.

***Scientific management*** is based on the belief that productivity is maximized when organizations are rationalized with precise sets of instructions based on time-and-motion studies.

The four principles of Taylor’s scientific management are:

1. Replace rule-of-thumb work methods with methods based on scientifically studying the tasks using time-and-motion studies.

2. Scientifically select, train, and develop all workers rather than leaving them to passively train themselves.

3. Managers provide detailed instructions and supervision to workers to ensure that they are following the scientifically developed methods.

4. Divide work nearly equally between workers and managers. Managers should apply scientific management principles to planning the work, and workers should actually perform the tasks.

Although scientific management improved productivity, it also increased the monotony of work.

After World War I, attention shifted to understanding the role of human factors and psychology in organizations. This interest was spawned by the discovery of the *Hawthorne effect* in the 1920s and 1930s.

The ***Hawthorne effect*** occurs when people improve some aspect of their behavior or performance simply because they are being assessed.

Rather than viewing workers as interchangeable parts in mechanical organizations as the scientific management movement had done, the ***human relations movement***viewed organizations as cooperative systems and treated workers’ orientations, values, and feelings as important parts of organizational dynamics and performance.

**B. Organizations as Open Systems**

A ***system*** is an interrelated set of elements that function as a whole. The framework for systems study consists of inputs, transformation, outputs, and feedback.

An organizational system receives four kinds of input from its environment: material, human, financial, and informational. These inputs are combined and transformed and then returned 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.

The systems perspective is valuable to managers for a variety of reasons.

First, it underscores the importance of an organization’s environment. The systems perspective also helps managers conceptualize the flow and interaction of various elements of the organization itself as they work together to transform inputs into outputs.

**C. Situational Perspectives on Organizational Behavior**

Another useful viewpoint for understanding behavior in organizations comes

from the ***situational perspective*** which suggest that in most organizations, situations and outcomes are influenced by other variables**.**

Because of the complexities of human behavior and organizational settings, universal conclusions are impossible. In organizations, most situations and outcomes are contingent; that is, the precise relationship between any two variables is likely to be situational and dependent on other variables.

There are distinct differences between universal and situational perspectives.

**D. Interactionalism: People and Situations**

***Interactionalism*** suggests that individuals and situations interact continuously to determine individuals’ behavior. This view attempts to explain how people select, interpret, and change various situations.

**V. MANAGING FOR EFFECTIVENESS**

Essentially, managers and leaders generally try to direct the behaviors of people in their organizations in ways that promote organizational effectiveness.

**A. Enhancing Individual and Team Performance Behaviors**

Several individual behaviors result from a person’s participation in an organization.

One important behavior is productivity. A person’s productivity is a relatively narrow indicator of his or her efficiency and is measured in terms of the products or services created per unit of input.

Performance, another important individual-level outcome variable, is a somewhat broader concept and is made up of all work-related behaviors.

Another set of outcomes exists at the group and team level. Some of these outcomes parallel the individual-level outcomes just discussed.

Individuals, not groups, have attitudes. But groups or teams can also have unique outcomes that individuals do not share.

Managers need to assess both common and unique outcomes when considering the individual and group levels.

**B. Enhancing Employee Commitment and Engagement**

Levels of job satisfaction or dissatisfaction, organizational commitment, and employee engagement all play an important role in organizational behavior.

Extensive research conducted on job satisfaction has indicated that personal factors. Contrary to what many managers believe, however, high levels of job satisfaction do not necessarily lead to higher levels of performance.

A person with a high level of commitment is likely to see herself as a true member of the organization. In contrast, a person with less organizational commitment is more likely to see himself as an outsider

**C. Promoting Organizational Citizenship Behaviors**

***Organizational citizenship***is the behavior of individuals that makes a positive overall contribution to the organization.

The determinant of organizational citizenship behaviors is likely to be a complex mosaic of individual, social, and organizational variables. Although the study of organizational citizenship is still in its infancy, preliminary research suggests that it may play a powerful role in organizational effectiveness.

**D. Minimizing Dysfunctional Behaviors**

Some work-related behaviors are dysfunctional in nature.

***Dysfunctional behaviors***are those that detract from, rather than contribute to, organizationalperformance.

Two other important individual-level behaviors are absenteeism and turnover. Absenteeism is a measure of attendance. Turnover occurs when a person leaves the organization.

Other forms of dysfunctional behavior may be even more costly for an organization.

Theft and sabotage result in direct financial costs for an organization. Sexual and racial harassment also cost an organization, both indirectly and directly.

So, too, can politicized behavior, intentionally misleading others in the organization, spreading malicious rumors, and similar activities.

Incivility and rudeness can result in conflict and damage to morale and the organization’s culture.

Bullying and workplace violence are also growing concerns in many organizations.

**E. Driving Strategic Execution**

Finally, another set of outcome variables exists at the organization level. These outcomes usually relate to strategic execution—how well managers and their employees understand and carry out the actions needed to achieve strategic goals.

As before, some of these outcomes parallel those at the individual and group levels, but others are unique.

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 is a major determinant of the organization’s success and how well it implements its business strategy.

**F. How Do We Know What We Know?**

Another important part of being an effective manager is understanding the quality of the information you use to make decisions. Not all information is accurate!

Accordingly, it is important for you to understand the processes that have been used to establish our knowledge about OB, and why we know what we know.

**1. Intuition**

Decades of research have both reinforced some of the things many people intuitively believe and identified common misunderstandings or misperceptions about OB.

The authors encourage you to read this book with an open mind, and to not assume that you know all there is to know about a topic before you have studied it. Their goal is to help you be as effective as possible in organizations, and to help you create successful organizations.

**2. The Scientific Method**

Rather than relying on experience or intuition, or just assuming that ideas are correct because they seem to make sense, the ***scientific method***relies on systematic studies that identify and replicate a result using a variety of methods, samples, and settings. Sir Francis Bacon developed the scientific method in the 1600s.

The scientific method begins with ***theory***, which is a collection of verbal and symbolic assertions that specify how and why two or more variables are related, and the conditions under which they should and should not relate.

The second step in the scientific method is the development of ***hypotheses***, or written predictions specifying expected relationships between certain variables.

Hypothesis testing can be done using a variety of research methods and statistical analyses. For our purposes, assume we collect data on our predictor, or ***independent variable***, and our criterion, or ***dependent variable*.**

Setting a specific, difficult, achievable goal is the independent variable, and the number of products assembled is our dependent variable.

We can then analyze the ***correlation*,** abbreviated r, between the two variables to test our hypothesis. The correlation reflects the strength of the statistical relationship between two variables.

The correlation ranges from −1 to +1, and can be positive or negative. A correlation of 0 means that there is no statistical relationship. A negative correlation is not necessarily bad. It may simply mean that to maximize assemblers’ performance, the manager should set *lower* goals.

In reality, we never see perfect +1.0 or −1.0 correlations when it comes to people’s behavior—people are just too complicated.

A statistical technique called ***meta-analysis***is used to combine the results of many different research studies done in a variety of organizations and for a variety of jobs.

The goal of meta-analysis is to estimate the true relationship between various constructs and to determine whether the results can be generalized to all situations or if the relationship works differently in different situations.

**3. Global Replication**

Assuming that everyone in the world shares the same values, norms, and expectations about work is incorrect. National boundaries no longer limit many organizations, and many U.S. companies employ people from around the world.

**Global Issues Feature: Managing Across Cultures**

**Summary:** Effective management requires flexibility and an appreciation that expectations and values differ. The global workforce is already very diverse and is expected to become more diverse in the coming years. The more comfortable students are in tailoring motivation and leadership efforts to the people they lead, the more effective they will be as managers. Although good pay and interesting work appear to be universally motivating, people from different cultures have different traditions, are motivated by different things, and communicate in different ways. Motivating employees in a multinational organization is challenging, particularly if managers adopt a “one-size-fits-all” strategy. Cultural differences also influence the effectiveness of different leadership behaviors.Managers supervising employees from different cultures must recognize these differences and adapt their behaviors and relationships accordingly.

**VI. THE FRAMWORK OF THE BOOK**

Figure 1.7 presents the framework around which our book is organized.

## Summary and Application

Organizational behavior is the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself. The study of OB is important because organizations have a powerful influence on our lives and it directly relates to management in organizations.

A manager’s job can be characterized in terms of four functions. These basic managerial functions are planning, organizing, leading, and controlling. Planning is the process of determining the organizations’ desired future position and deciding how best to get there. Organizing is the process of designing jobs, grouping jobs into manageable units, and establishing patterns of authority among jobs and groups of jobs. Leading is the process of motivating members of the organization to work together toward the organization’s goals. Controlling is the process of monitoring and correcting the actions of the organization and its people to keep them headed toward their goals.

Why is it that some people rise in organizations despite being only average accountants, marketers, researchers, and so on? Often the answer is that those people know how to interact effectively with other people. Effective interaction with people is critical for advancement in organizations, and often for effective job performance. Being able to understand what people think and feel, knowing how to persuade and motivate others, and knowing how to resolve conflicts and forge cooperation are among the most important skills of successful leaders. This book can help you better understand yourself, understand organizations, understand the role of organizational behavior in your personal career success, and improve your OB skills.

## DISCUSSION QUESTIONS

**1. What do you think are the most important things a manager does? Is how a manager does these things also important? Why or why not?**

 The ability to understand what people think and feel, knowing how to persuade and motivate others, and knowing how to resolve conflicts and forge cooperation are among the most important skills of successful managers. How a manager does these things is important because “people skills” are often what make the difference between an average and an excellent performer in almost any job.

**2.** **Some people have suggested that understanding human behavior at work is the single most important requirement for managerial success. Do you agree or disagree with this statement? Why?**

To some degree, students’ responses may depend on their major field of study, especially if it is not management. However, students should recognize that the behavior of people in organizations affects everyone’s lives in numerous ways every day. The extent to which we are able to get things done at work or to register for classes every semester reflects the behavior of people in organizations. After all, people are the organization, people are resources that organizations use, and, most importantly, people are individuals interacting in increasingly complex ways.

**3. The chapter identifies four basic managerial functions. Based on your own experiences and observations, provide an example of each function.**

Answers will vary. Students may be more aware of the control function than any other in the jobs they have held!

**4. Why will learning about OB help you to get a better job and a better career, and be a better manager?**

OB provides a foundation for the effective management of people in organizations. Because it explains how organizations work from individual motivation to team dynamics to organizational structure, knowing about OB is essential to being effective at all organizational levels. Also, learning about yourself and constantly developing your skills are important to succeeding in any career.

**5. Some people believe that individuals working in an organization have basic human rights to satisfaction with their work and to the opportunity to grow and develop. How would you defend this position? How would you argue against it?**

In defense of this position, it may be argued that organizations have a responsibility to society to provide an environment that enables individuals to grow and develop. In other words, because individuals expend extensive time and energy in organizations, it is the individual’s right to work in a safe, clean, and satisfying environment. From the opposing viewpoint, it may be argued that organizations are required only to reward employees financially for the time and effort they spend on the job. Further, because employees are not “forced” to work for a particular organization, they have the freedom to leave the organization if they are not satisfied. In addition, because employees are paid for their services, organizations are not required to address other employee concerns.

**6. Think of something that you believe leads to employee productivity based on intuition that may not prove to be true if tested systematically. Now apply the scientific method and describe how you might test your theory.**

Paying for increased production seems intuitively to lead to increased productivity. In fact, workers who produced more than their peers were considered “rate busters” and shunned by their coworkers. *Theory*: Workers are motivated by money. *Hypothesis*: paying a worker more money increased output. The independent variable is the money, and the dependent variable is the worker’s productivity. For the data phase, a group of workers is offered additional pay to increase output during a one-hour work period. Data analysis shows that the correlation between the two variables is negative. This means that paying more money does not increase output. Peer pressure not to work too hard was a stronger motivator than additional pay.

## GROUP EXERCISE – Managing a Successful Restaurant

**Learning Objective:** Applying concepts learned in this chapter such as employee engagement, organizational citizenship, dysfunctional behaviors and managing for effectiveness.

**Task:** Form groups of 3 – 5 students.

Imagine that you are all managers in a local restaurant. There are many restaurants in town, making it a competitive business. You recognize that providing high quality, friendly service and having actively engaged employees is going to make the difference between your restaurant’s success and failure.

Your management team decides to first address organizational citizenship and employee engagement as drivers of high quality customer service.

First, think independently about what your restaurant can do to enhance the engagement and citizenship behaviors of your employees. Then share your ideas with the group and identify your top three suggestions for the restaurant. Be ready to share your ideas with the class.

Your management team next decides that it will be important to minimize dysfunctional employee behaviors if the restaurant is to succeed. First, think independently about what your restaurant can do to minimize the occurrence of these destructive behaviors. Then share your ideas with the group and identify your top three suggestions for the restaurant. Be ready to share them with the class.