

Chapter 1: What Is Organizational Behavior?

Chapter Overview

Why is it that some people rise in organizations despite being only average accountants, marketers, researchers, etc.? The answer is that interacting effectively with people is critical for advancement in organizations and often for effective job performance. 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 leaders. “People skills” are often what make the difference between an average and an excellent performer in almost any job. We encourage you to stay open-minded and receptive to new ideas and information that disconfirms some of your current assumptions about people, organizations, and management. By studying the chapters and putting some thought into how you can use the various concepts in different situations, you are taking an important step in advancing your career.

In this chapter, we first briefly discuss the importance of organizational behavior (OB) to your career as well as to a firm’s competitive advantage and strategic execution. We then briefly discuss the history of OB. We then explain and provide an overview of some current issues in organizational behavior, and discuss how we know what we know about OB. We conclude by describing the organization of the rest of the book.

Learning Objectives

After studying this chapter, you should be able to answer:

1. What is “organizational behavior”?
2. How can OB make you a more effective employee and manager?
3. How can OB improve a firm’s performance?
4. Why do OB concepts need to be applied flexibly to match a company’s diverse employee needs?
5. What role does OB play in organizational ethics?
6. From where does our knowledge about OB come?
7. Why is the “scientific process” relevant to OB?

Key Terms

Organizational behavior: explains and predicts how people and groups interpret events, react, and behave in organizations; describes the role of organizational systems, structures, and processes in shaping behavior.

Organization: consists of people with formally assigned roles working together to achieve common goals.

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Managers: organizational members who are responsible for the attainment of organizational goals by planning, organizing, leading, and controlling the efforts of others in the organization.

Competitive advantage: anything that gives a firm an edge over rivals in attracting customers and defending itself against competition.

Cost leadership strategy: be the lowest cost producer for a particular level of product quality.

Operational excellence: maximizing the efficiency of the manufacturing or product development process to minimize costs.

Differentiation strategy: developing a product or service that has unique characteristics valued by customers.

Product innovation: developing new products or services.

Specialization strategy: focus on a narrow market segment or niche and pursue either a differentiation or cost leadership strategy within that market segment.

Customer intimacy: deliver unique and customizable products or services to meet their customers' needs and increase customer loyalty.

Growth strategy: company expansion organically or through acquisitions.

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

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

Human relations movement: views organizations as cooperative systems and treats workers' orientations, values, and feelings as important parts of organizational dynamics and performance.

Two-way communication: communication is from worker to chief executive, as well as vice versa.

Parochialism: viewing the world solely through one's own eyes and perspective.

Global mindset: set of individual attributes that enable you to influence individuals, groups, and organizations from diverse socio/cultural/institutional systems.

Ethics: standards of behavior about how people ought to act in different situations.

Organizational culture: a system of shared values, norms, and assumptions that guide members' attitudes and behaviors.

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Codes of conduct: specifies expected and prohibited actions in the workplace, and gives examples of appropriate behavior.

Code of ethics: a decision-making guide that describes the highest values to which an organization aspires.

Corporate social responsibility: businesses living and working together for the common good and valuing human dignity.

Scientific method: method of knowledge generation that relies on systematic studies that identify and replicate a result using a variety of methods, samples, and settings.

Theory: a collection of verbal and symbolic assertions that specify how and why variables are related, and the conditions under which they should and should not relate.

Hypotheses: written predictions specifying expected relationships between certain variables.

Independent variable: the variable that is predicted to affect something else.

Dependent variable: the variable predicted to be affected by something else.

Correlation: reflects the size and strength of the statistical relationship between two variables; ranges from -1 to +1.

Meta-analysis: a statistical technique used to combine the results of many different research studies done in a variety of organizations and for a variety of jobs.

Real World Challenge: Corporate Social Responsibility at Becton, Dickinson and Co.

Summary: Becton, Dickinson and Co. is a large global healthcare company that has the power to influence the health and life of many people around the world. As the CEO of Becton Dickinson, Edward Ludwig believes that corporations have an obligation to be socially responsible by helping all people live healthy lives.

Real World Challenge: How can Becton Dickinson and Co. effectively use organizational behavior to increase its corporate social responsibility?

Real World Response: Social responsibility helps Becton Dickinson pursue its business strategy by focusing its resources on areas where it can provide the greatest impact. This has led to Becton Dickinson being awarded for good citizenship, ethics, the environment and being an employer of choice.

Annotated Chapter Outline

I. WHY IS OB IMPORTANT?

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Q: What is organizational behavior?

- A. Organizational behavior** explains and predicts how people and groups interpret events, react, and behave in organizations; describes the role of organizational systems, structures, and processes in shaping behavior.
1. It explains how organizations *really* work.
 2. It provides a foundation for the effective management of people in organizations.

SO WHAT?

Because it explains how organizations work, knowing about OB is essential to being effective at all organizational levels.

- B. Organizations** consist of people with formally assigned roles working together to achieve common goals.
- C. Managers** are organizational members who are responsible for the attainment of organizational goals by planning, organizing, leading, and controlling the efforts of others in the organization.

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1. *Planning* involves setting goals, establishing a strategy, and forecasting threats and opportunities.
2. *Organizing* involves designing the organization's or workgroup's structure, identifying tasks, hiring, delegating, establishing a chain of command, and creating rules.
3. *Leading* involves directing and coordinating the work of others, influencing and motivating, maintaining morale, and resolving conflicts.
4. *Controlling* involves monitoring performance and taking action to get on track if necessary.

D. After studying this book, students should have answers to the questions in Table 1-1.

SO WHAT?

Investing now in developing your OB skills will prepare you to be a more effective employee and manager, and help you move up faster in any organization.

E. Benefits of OB

1. Conditions can be created that make organizations effective.
2. OB helps companies perform well.

SO WHAT?

Effectively implementing OB concepts increases organizational performance.

3. Successful business strategies achieve a **competitive advantage**, which is anything that gives a firm an edge over rivals in attracting customers and defending itself against competition.

II. GAINING A COMPETITIVE ADVANTAGE THROUGH OB

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Q: *Who is responsible for gaining and keeping a competitive advantage?*

A. Because *people* are responsible for gaining and keeping any competitive advantage, effective management is critical to business success.

1. According to Michael Porter, a company must give customers *superior value for their money* to have a competitive advantage.
2. Table 1-2 lists sources of competitive advantage.

B. Types of Business Strategies

1. Business strategy encompasses:
 - a. The strategies of different functional areas in the firm.
 - b. How changing industry conditions such as deregulation, product maturity, and changing demographics will be addressed.
 - c. How the firm will address strategic issues and choices.
2. Porter says that businesses can be the cheapest producer, make unique products, or apply expertise in a narrow market segment. These ideas lead to business strategies:
 - a. **Cost leadership strategy** refers to being the lowest cost producer for a particular level of product quality (e.g., Wal-Mart). **Operational excellence** refers to maximizing the efficiency of the manufacturing or product development process to minimize costs (e.g., Dell Computers).
 - b. **Differentiation strategy** refers to developing a product or service that has unique characteristics valued by customers (e.g., Southwest Airlines). Competitive advantage based on **product innovation**, developing new products or services.
 - c. **Specialization strategy** focuses on a narrow market segment or niche and pursues

either a differentiation or cost leadership strategy (e.g., Starbucks). Competitive advantage stems from **customer intimacy**, delivering unique and customizable products or services to meet their customers' needs and increase customer loyalty.

- d. Another strategic choice is **growth strategy**, company expansion organically or through acquisitions (e.g., Chipotle Mexican Grill).

C. Changing Business Strategy

1. Strategy implementation and strategic change require organizational changes such as a new organizational culture and new employee behaviors.
2. The strategy's effectiveness depends on management efforts to coach, motivate, and influence the people who are critical to implementing a new strategy.

III. WHERE DOES OB COME FROM?

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[illegible]

Q: *What are the origins of OB?*

A. History of OB

1. The Greek philosopher Plato contemplated leadership, and Aristotle discussed persuasive communication.
2. Organizational power and politics is discussed in the more than 2,300-year-old writings of Sun-Tzu and 16th-century Italian philosopher Machiavelli.
3. In the 1890s, Frank and Lillian Gilbreth and Frederick Winslow Taylor identified the positive effects of precise instructions, goal setting, and rewards on motivation.

4. **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 scientific management:
 - a. Use methods based on scientifically studying tasks using time-and-motion studies.
 - b. Scientifically select, train, and develop each worker.
 - c. Provide detailed instructions and supervision to workers.
 - d. Divide work nearly equally between workers and managers.
5. Scientific management improved productivity but increased monotony and left no room for individual preferences or initiative.

SO WHAT?

Don't focus only on productivity—you must also meet worker needs to be an effective leader.

6. After World War I, attention shifted to understanding the role of human factors and psychology in organizations.
7. **Hawthorne effect** occurs when people improve some aspect of their behavior or performance simply because they are being assessed.
8. The **human relations movement** views organizations as cooperative systems and treats workers' orientations, values, and feelings as important parts of organizational dynamics and performance.
9. Chester Barnard advocated for **two-way communication**—communication from worker to chief executive, and vice versa. Barnard's three executive functions:
 - a. Establishing and maintaining a system of communication.
 - b. Securing essential services from other members.
 - c. Formulating organizational purposes and objectives.
10. Mary Parker Follett discovered creativity exercises such as brainstorming, the “groupthink” effect, and prepared the way for Management by Objectives and Total Quality Management.
11. The total quality management movement initiated by W. Edwards Deming highlights the importance of people, teamwork, and communication in an organization's success.

IV. CURRENT OB ISSUES

Notes

This image shows a blank sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Q: *What are some modern managerial and organizational challenges relevant to OB?*

A. Globalization

1. The globalization of business processes and the workforce have increased diversity awareness.
2. **Parochialism** refers to viewing the world solely through one's own eyes and perspective.
3. Everyone in the world does not share the same values, norms, and expectations about work.

SO WHAT?

Being able to recognize, manage, and leverage cultural differences in an organization can enhance both personal and organizational success.

B. Global Issues Feature: Managing Across Cultures

In the Global Issues feature, students will learn more about how effective motivation and leadership differ in different cultures.

Global Issues Feature: Managing Across Cultures

Effective management requires flexibility and an appreciation that expectations and values differ. The U.S. workforce is expected to become more diverse. 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.

C. Improve Your Skills Feature: Global Mindset

This chapter’s Improve Your Skills feature gives students the opportunity to understand their **global mindset**, individual attributes that enable a person to influence individuals, groups, and organizations from diverse socio/cultural/institutional systems.

Improve Your Skills Feature: Global Mindset

A global mindset reflects the ability to influence people, groups, and organizations from a variety of backgrounds and cultures. Multinational companies’ ability to create globally integrated systems depends on their ability to get employees, managers, and executives to understand and adapt to the realities of a globalized economy. The ability to integrate global talent faster and more effectively than others is a source of competitive advantage. Students answer ten questions, calculate their score, read what the score means, and learn how to improve their global mindset.

D. Technology

1. Technology has changed the practice of management.
2. Production technology increases work group autonomy, decision making, and responsibility.
3. Technology can be a training and organizational change aid, a communication media like email, or a tool for managing subunits.

SO WHAT?

Technology can help organizations implement OB concepts more effectively.

E. Ethics

1. **Ethics** refer to standards of behavior about how people ought to act in different situations.
2. Ethical leaders and their people take the ‘right’ and ‘good’ path at ethical choice points.
3. There is often no clear guide for employees and managers in an ethical dilemma.
4. Three types of errors undermine ethics efforts:
 - a. *Omission errors*—a lack of written rules
 - b. *Remission errors*—pressure by a manager or others to make unethical choices
 - c. *Commission errors*—a failure to follow sound, established operational and ethical practices.
5. Table 1-3 describes why employees sometimes act unethically.
6. Benefits from managing ethics in the workplace:
 - a. Attention to business ethics can substantially improve society.
 - b. Ethics programs help maintain a moral course in times of change.
 - c. Ethics programs cultivate teamwork and productivity.
 - d. Ethics programs support employee growth.
 - e. Ethics programs help ensure that policies are legal.
 - f. Ethics programs help avoid criminal acts of omission and can result in lower fines.
 - g. Ethics programs help manage values associated with quality management, strategic planning, and diversity management.

- h. Ethics programs promote a strong public image.

SO WHAT?

Although ethical dilemmas are not always easy to manage, ethics is essential to long-term organizational performance.

- 7. **Organizational culture** refers to a system of shared values, norms, and assumptions that guide members' attitudes and behaviors.
- 8. **Codes of conduct** specify expected and prohibited actions in the workplace, and gives examples of appropriate behavior.
- 9. A **code of ethics** is a decision-making guide that describes the highest values to which an organization aspires.
- 10. As shown in Figure 1-1, ethical employee behavior results from ethical values, clear expectations, and rewards and punishments supporting ethical behavior.

F. Case Study: The J.M. Smucker Company

This chapter's Case Study describes how food manufacturer Smucker has created a strong ethical culture, and how this has helped it prosper.

Case Study: The J.M. Smucker Company

Summary: From its founding in 1897, the J.M. Smucker Company recognizes that acting ethically is a key element of its success. The manufacturer wants to ensure that its fruit spreads, frostings, juices, and beverages remain American staples, and that its daily operations are guided by honesty, respect, trust, responsibility, and fairness.

1. Why would ethics be important to a company like Smucker? How can its focus on ethics improve its business performance?

Acting ethically is a key element of the company's success. The benefits to the company include cultivating teamwork and productivity, supporting employee growth, avoiding criminal acts of omission, and promoting a strong public image. Ethical employee behavior determines short-term organizational performance and long-term organizational success. If employees do not consistently behave ethically, long-term sustainability is unlikely.

2. Appearing on "best places to work" lists can increase an employer's popularity, even among lower-qualified applicants. The increased volume of applicants can be costly and time-consuming. What do you feel are the benefits and drawbacks to being on this type of list? Do you feel that it is generally beneficial to be publicly recognized as a good employer? Why or why not?

The benefits include employee pride in working for an organization known for its high ethical standards. The drawback includes the additional cost of human resources personnel to screen applications and interview potential employees. It is beneficial to be publicly recognized as a good employer because it sets the overall ethical tone of the company. Employees understand that unethical behavior is not tolerated.

3. Does Smucker's culture appeal to you as a potential employee? Why or why not?

The culture is appealing because the company is dedicated to higher ethical ideals that better society as a whole such as environmental and social sustainability. Smucker's promotes initiatives and programs that support and enhance the quality of life.

G. Social Responsibility

1. **Corporate social responsibility** refers to businesses living and working together for the common good and valuing human dignity.
2. Organizations want to balance financial performance with employee quality of life, and improvement of the local community and society.

H. Understand Yourself Feature: The Perceived Importance of Ethics and Social Responsibility

This chapter's Understand Yourself feature gives students the opportunity to evaluate the importance of ethics and social responsibility.

Understand Yourself Feature: How Important are Ethics and Social Responsibility to You?

There is some controversy about the importance of ethics and social responsibility in organizations and their relevance to organizational effectiveness. This series of questions will help students to better understand their beliefs about the role ethics and social responsibility should play in companies. They respond to the questions, calculate their scores, and read the interpretation.

Scoring:

- *Between 10 and 20*, you tend to place a higher value on performance than on social responsibility and business ethics.
- *Between 21 and 35*, you tend to strike a balance between performance and social responsibility and business ethics.
- *Between 36 and 50*, you tend to put ethics and social responsibility before making a profit.

1. To be lasting, social responsibility must be integrated into the organizational culture.
2. Corporate sustainability initiatives can be top-down or grassroots.
3. Employee participation in social responsibility initiatives motivates employees and generate good ideas.

SO WHAT?

Social responsibility initiatives can motivate employees and improve organizational performance.

4. Four obstacles to corporate responsibility programs:
 - a. Focus on quarterly earnings or other short-term targets.
 - b. Cost of implementation.
 - c. Difficulty in measuring and quantifying return on investment.

- d. Nonsupportive corporate culture.

V. HOW DO WE KNOW WHAT WE KNOW?

Notes _____

Q: *So why should you study OB?*

A. Intuition

1. Although we can intuitively understand the norms, expectations, and behaviors of others by living and working with them, many things require systematic study.
2. Research has reinforced commonly held beliefs and also misperceptions about OB.

B. The Scientific Method

1. **The scientific method** refers to a method of knowledge generation that relies on systematic studies that identify and replicate a result using a variety of methods, samples, and settings (see Figure 1-2).
2. *Step 1:* The **theory** refers to a collection of verbal and symbolic assertions that specify how and why variables are related, and the conditions under which they should and should not relate.
3. *Step 2:* **Hypotheses**, written predictions specifying expected relationships between certain variables, are developed.
4. *Step 3:* The hypotheses are tested using research methods and statistical analyses.
 - a. The **independent variable** is the variable that is predicted to affect something else.

- b. The **dependent variable** is the variable predicted to be affected by something else.
- 5. *Step 4*: The correlation is analyzed. The **correlation** reflects the size and strength of the statistical relationship between two variables; ranges from -1 to +1, abbreviated r , between the two variables to test our hypothesis.
 - a. The correlation ranges from -1 to +1, and can be positive or negative. A correlation of 0 means that there is no statistical relationship (see Figure 1-3).
 - b. A correlation of +1.0 is a strong a positive relationship.
 - c. A correlation of -1.0 is a strong a negative relationship.
 - d. A perfect +1.0 or -1.0 correlation does not occur in OB research. A correlation of +.30 is more common.
- 6. The evaluation of relationships between organizational actions and outcomes helps organizations execute strategy more effectively and improve performance.
- 7. **Meta-analysis** is a statistical technique used to combine the results of many different research studies done in a variety of organizations and for a variety of jobs.

VI. ORGANIZATION OF THE BOOK

Notes

A. Social Systems

1. Organizations are social systems, and managing the social dynamics is a part of effective job performance and management.

2. The model shown in Figure 1-4 reflects the organization of this book.
 - a. The first two chapters describe the OB context, and the importance of national and organizational cultures in OB.
 - b. The book moves from managing individual behavior to managing groups and teams to understanding and managing organizations, organizational change, and careers.

B. Summary and Application

Discussion Questions

1. **In the opening real world challenge, how can social responsibility help Becton Dickinson pursue its business strategy?**

Social responsibility helps Becton Dickinson pursue its business strategy by focusing its resources on areas where it can provide the greatest impact. This has led to Becton Dickinson being awarded for good citizenship, ethics, the environment and being an employer of choice.

2. **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.

3. **Why do you think some employees behave unethically? What can you, as a manager, do to promote ethical employee behavior?**

Some unethical behaviors occur because people are less ethical, but many issues occur because of the broader organizational context and systems. Company leaders often give too little thought and time to developing and reinforcing an organizational culture in which people can and do act ethically. Organizations make errors that undermine ethics: 1. a lack of written rules; 2. pressure to make unethical choices; and 3. a failure to follow sound operational and ethical practices. To promote ethical behavior, the manager has to model the type of behavior expected from employees such as honesty.

4. **Why do you think the Hawthorne effect exists?**

The Hawthorne effect occurs when people improve some aspect of their behavior or performance simply because they are being assessed. Mayo explained that the workers tried harder because of the sympathy and interest of the observers. Individuals have a deep psychological need to believe that their organization cares about them. Essentially, workers are more motivated when they believe their organization is open, concerned, and willing to listen.

5. 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.

6. Why do you want to learn more about OB?

The OB concepts are essential to the practice of management. Decision making, communicating, leading, conflict management, influencing, motivating, and designing an effective organizational structure are all important even in a small organization. Understanding OB and how and when to apply different concepts offers the tools needed to be effective in any managerial role.

7. 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.

Exercises

Personal Competitive Advantage Exercise: Your Motivation to Lead

Learning Objective: How can OB make you a more effective employee and manager?

Some personal characteristics are correlated with leadership and managerial motivation. This measure is developed by Kim-Yin Chan and Fritz Drasgow. Although results do not perfectly predict whether a student will become a manager, the self-assessment offers insight into leadership potential and interest in management. Using the scale provided, students indicate agreement with each of nine questions. They calculate their motivation to manage and interpret their score.

Interpretation:

Between 9 and 18, you have a relatively low motivation to lead.

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Between 19 and 32, you have a moderate motivation to lead.

Between 33 and 45, you have a relatively high motivation to lead.

Students then answer the following questions:

1. Do you think that your score accurately reflects your motivation to lead? Why or why not? What is missing from the assessment, if anything?
2. What might you do in the next year to improve your motivation to lead?
3. What are the implications for an organization if most of its employees have a low motivation to lead? What can a firm do to increase its employees' leadership motivation?

Organizational Competitive Advantage Exercise: The People Make the Place

Learning Objective: How can OB make you a more effective employee and manager?

In small groups, students work individually to make a list of characteristics that describe someone whom they would most like to have as a coworker. Then they make a list of characteristics that describe someone they would least like to work with. Each group member shares ideas. Class members then answer the following questions:

1. Why do you think some people might act like your desirable coworker?
2. As a manager, what could you do to create a workgroup in which all employees behave like your most preferred coworker and not like your least preferred coworker?
3. If all of a company's managers behaved like your good example, what would the effect be on the organization?

Learning Objective: How can OB improve a firm's performance?

After reading this chapter, you understand how important employees are to organizational performance. In 2009, NetApp, a \$3 billion data storage and management solutions company with 8,000 worldwide employees, was rated #1 on Fortune Magazine's list of the "100 Best Companies to Work For."

Students will explore NetApp's Careers page at: <http://www.netapp.com/us/careers/> and read about how the company presents itself to potential employees. Explore the website and learn more about working at NetApp.

Questions:

1. Which topics from this chapter relate to NetApp?

NetApp managers use the *four managerial functions* (plan, organize, implement, and control) to create innovative storage and data management solutions. *Ethics, social responsibility, and organizational culture* issues relate to NetApp because of its global workforce of 8,000 employees. *Motivating* the workforce is key to providing good customer service, accelerate business breakthroughs, and achieve outstanding cost efficiency. To retain its *competitive advantage*, NetApp adheres to its principles of simplicity and innovation.

2. How are ethics and diversity valued by NetApp?

NetApp's culture and values encompass trust in leadership, integrity, fairness, teamwork, and camaraderie. The egalitarian culture, competitive salaries, unique benefits, and down-to-earth management style are valued by employees. NetApp shares responsibility for protecting and preserving the environment today and for future generations by creating energy-efficient products and practicing good environmental stewardship.

NetApp places high value on their diverse workforce as an integral part of their open culture. Teams offer a variety of perspectives and opinions and encourage employees to share their own. NetApp is an equal opportunity employer and makes employment decisions on the basis of merit. NetApp makes reasonable accommodations for the known physical or mental limitations of an otherwise qualified applicant or employee.

3. Based on what you learned from its website, does NetApp seem like a company you would enjoy working for? Why or why not?

Yes, the company seems to be ethical, socially responsible, treat its diverse employees with respect, compensate employees fairly, and foster career advancement. If the assignments were challenging, it would be an excellent place to work.

Video Cases

Now What?

Imagine being a new manager at Happy Time Toys, a company that designs and manufactures novelty toys. While attending a group meeting with your boss and two coworkers, your boss asks for ways of better using the organization's talent to create a competitive advantage. *What do you say or do?* Go to this chapter's "Now What?" video, watch the challenge video, and choose the best response. Be sure to also view the outcomes of the two responses you didn't choose.

OB Concepts Applied: the managerial functions of planning, organizing, directing, and controlling; the role of OB in managing effectively

Discussion Questions and Suggested Answers

1. Which aspects of management and organizational behavior discussed in this chapter are illustrated in these videos? Explain your answer.

Organizational behavior explains how people interpret events and behave in organizations and describes how organizations shape behavior. OB explains how organizations work. OB can

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improve a firm's performance by positively influencing bottom line results.

As Table 1-1 shows, OB can answer questions such as:

- Is saying, “Do your best!” the best way to motivate high performance?

Happy Time Toys correctly assumed that people work best when they're rewarded properly. However, the “Employee of the Month” program did not motivate everyone to work harder (incorrect response #2) because different employees are motivated by different rewards, especially in a culturally diverse workforce. In the video, one employee put the Employee of the Month certificate in the recycle bin, and one group said that they'd feel more appreciated with a day off or a raise.

OB explains that workers are more motivated when they believe their organization is open, concerned, and willing to listen. As the Human relations movement showed, humane, employee-centered management recognizes employees' needs.

- What is “organizational culture” and why is it important?

Organizational culture is a system of shared values, norms, and assumptions that guide members' attitudes and behaviors in an organization. To create a strong culture, leaders clearly communicate the firm's expectations to employees. When Happy Time Toys focused on a strong culture that supported creativity and set clear performance goals linked to the company's business strategy, company performance improved dramatically. Creativity in toy development, high quality, and competitive prices re-energized the company (correct response).

The video also illustrated the managerial functions of planning, organizing, directing and controlling as Happy Time Toys aligned its talent strategy with its business strategy.

2. How could a company's talent strategy undermine its ability to create a competitive advantage?

A competitive advantage offers quality, service, and an acceptable price, and an organization's talent is the key to securing each of these. The effective management of people is key to the creation of a competitive advantage because productivity comes from challenged, empowered, excited, rewarded people.

When Happy Time Toys tied its talent strategy a low-cost business strategy (incorrect response #1), its ability to create a competitive advantage was undermined. Why? The philosophy of reducing wages and headcount to save money and keep prices low resulted in increased customer complaints, high turnover, higher absenteeism, reduced production levels, lack of employee engagement and job satisfaction. These elements make a company *less* competitive in the marketplace

3. How else might you answer the question of how Happy Time Toys can create a competitive advantage through its talent?

Another approach for Happy Time Toys could be a specialization strategy which focuses on a narrow market segment or niche. The company could develop a competitive advantage based on customer intimacy— delivering unique and customized products and increasing customer loyalty. Creating customer loyalty requires employees to combine knowledge about their customers with a quick response to a customer's need. Talent is the most critical element in building a customer-oriented company. Hiring active learners with good customer relations skills and emotional resilience under pressure complements a customer intimacy competitive advantage.

Workplace | City of Greensburg, Kansas: Ethics and Social Responsibility

Discussion Questions and Suggested Answers

1. In what ways do the activities of Greensburg exemplify good ethics and social responsibility? Explain.

Greensburg 's decision making is dedicated to the ideals of social responsibility, especially the concepts of sustainable development and stakeholder responsibility. Sustainable development is a pattern of resource use that strives to meet current human needs without compromising the ability of future generations to meet their own needs. Stakeholder responsibility holds that leaders and other employees have obligations to a range of identifiable groups that are affected by the achievement of an organization's goals.

2. What are the potential consequences of rebuilding Greensburg without concern for green practices?

If the town had chosen not to build energy-efficient buildings, energy costs would possibly spiral out of control in the future as oil prices rise. If the town managed to survive, alternative energy capabilities would be embraced eventually, but then the buildings wouldn't be energy-efficient. Future generations would then be forced to fund the greening of Greensburg and would possibly resent that their interests were not taken into consideration when the town was rebuilt after the tornado.

3. What risks are involved in rebuilding Greensburg as a green town?

Despite many potential rewards, building a green town involves many risks. Reasons cited against building green include the extremely high cost of materials, the climate-dependency of wind and solar power, and the uncertain return on investment related to green building materials. Effective social responsibility must balance economic sustainability with environmental sustainability. A company's primary and fundamental responsibility is to be profitable.