

## 1.2: Understanding Organizational Behavior

### Learning Objectives

1. Learn about the layout of this book.
2. Understand what organizational behavior is.
3. Understand why organizational behavior matters.
4. Learn about OB Toolboxes in this book.

### About This Book

The people make the place.

Benjamin Schneider, Fellow of the Academy of Management

This book is all about people, especially people at work. As evidenced in the opening case, we will share many examples of people making their workplaces work. People can make work an exciting, fun, and productive place to be, or they can make it a routine, boring, and ineffective place where everyone dreads to go. Steve Jobs, cofounder, chairman, and CEO of Apple Inc. attributes the innovations at Apple, which include the iPod, MacBook, and iPhone, to people, noting, “Innovation has nothing to do with how many R&D dollars you have....It’s not about money. It’s about the people you have, how you’re led, and how much you get it” (Kirkpatrick, 1998). This became a sore point with investors in early 2009 when Jobs took a medical leave of absence. Many wonder if Apple will be as successful without him at the helm, and Apple stock plunged upon worries about his health (Parloff, 2008).



Figure 1.2.2: Steve Jobs is known for developing innovative products by hiring the right people for the job and fostering a culture of hard work and creativity. [Wikimedia Commons](#) – CC BY 3.0.

Mary Kay Ash, founder of Mary Kay Inc., a billion-dollar cosmetics company, makes a similar point, saying, “People are definitely a company’s greatest asset. It doesn’t make any difference whether the product is cars or cosmetics. A company is only as good as the people it keeps”<sup>[1]</sup>

Just like people, organizations come in many shapes and sizes. We understand that the career path you will take may include a variety of different organizations. In addition, we know that each student reading this book has a unique set of personal and work-related experiences, capabilities, and career goals. On average, a person working in the United States will change jobs 10 times in 20 years (U.S. Bureau of Labor Statistics, 2005). In order to succeed in this type of career situation, individuals need to be armed with the tools necessary to be lifelong learners. So, this book will not be about giving you all the answers to every situation you may encounter when you start your first job or as you continue up the career ladder. Instead, this book will give you the vocabulary, framework, and critical thinking skills necessary for you to diagnose situations, ask tough questions, evaluate the answers you receive, and act in an effective and ethical manner regardless of situational characteristics.

Throughout this book, when we refer to organizations, we will include examples that may apply to diverse organizations such as publicly held, for-profit organizations like Google and American Airlines, privately owned businesses such as S. C. Johnson & Son

Inc. (makers of Windex glass cleaner) and Mars Inc. (makers of Snickers and M&Ms), and not-for-profit organizations such as the Sierra Club or Mercy Corps, and nongovernmental organizations (NGOs) such as Doctors Without Borders and the International Red Cross. We will also refer to both small and large corporations. You will see examples from *Fortune* 500 organizations such as Intel Corporation or Home Depot Inc., as well as small start-up organizations. Keep in mind that some of the small organizations of today may become large organizations in the future. For example, in 1998, eBay Inc. had only 29 employees and \$47.4 million in income, but by 2008 they had grown to 11,000 employees and over \$7 billion in revenue (Gibson, 2008). Regardless of the size or type of organization you may work for, people are the common denominator of how work is accomplished within organizations.

Together, we will examine people at work both as individuals and within work groups and how they impact and are impacted by the organizations where they work. Before we can understand these three levels of organizational behavior, we need to agree on a definition of organizational behavior.

## What Is Organizational Behavior?

**Organizational behavior (OB)** is defined as the systematic study and application of knowledge about how individuals and groups act within the organizations where they work. As you will see throughout this book, definitions are important. They are important because they tell us what something is as well as what it is not. For example, we will not be addressing childhood development in this course—that concept is often covered in psychology—but we might draw on research about twins raised apart to understand whether job attitudes are affected by genetics.

OB draws from other disciplines to create a unique field. As you read this book, you will most likely recognize OB's roots in other disciplines. For example, when we review topics such as personality and motivation, we will again review studies from the field of psychology. The topic of team processes relies heavily on the field of sociology. In the chapter relating to decision making, you will come across the influence of economics. When we study power and influence in organizations, we borrow heavily from political sciences. Even medical science contributes to the field of organizational behavior, particularly to the study of stress and its effects on individuals.

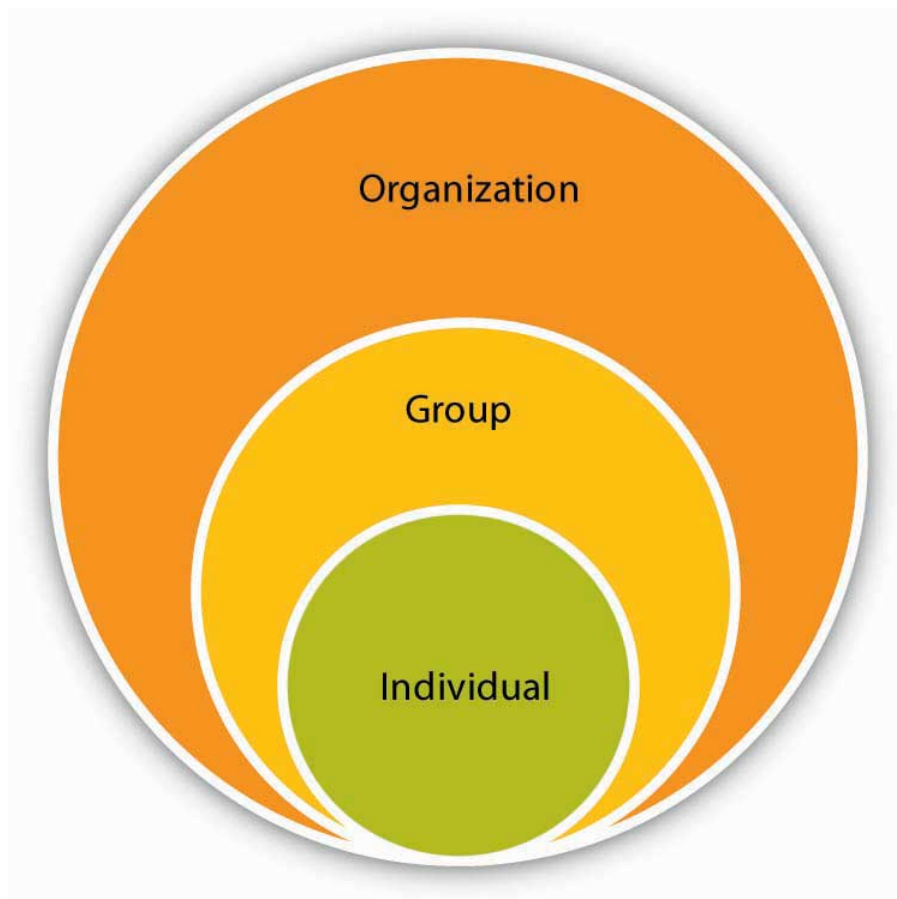


Figure 1.2.3: OB spans topics related from the individual to the organization.

Those who study organizational behavior—which now includes you—are interested in several outcomes such as work attitudes (e.g., job satisfaction and organizational commitment) as well as job performance (e.g., customer service and counterproductive work behaviors). A distinction is made in OB regarding which level of the organization is being studied at any given time. There are three key **levels of analysis** in OB. They are examining the individual, the group, and the organization. For example, if I want to understand my boss's personality, I would be examining the individual level of analysis. If we want to know about how my manager's personality affects my team, I am examining things at the team level. But, if I want to understand how my organization's culture affects my boss's behavior, I would be interested in the organizational level of analysis.

## Why Organizational Behavior Matters

OB matters at three critical levels. It matters because it is all about things **you care** about. OB can help you become a more engaged organizational member. Getting along with others, getting a great job, lowering your stress level, making more effective decisions, and working effectively within a team...these are all great things, and OB addresses them!

It matters because **employers care** about OB. A recent survey by the National Association of Colleges and Employers (NACE) asked employers which skills are the most important for them when evaluating job candidates, and OB topics topped the list (NACE 2007 Job Outlook Survey, 2008).

The following were the top five personal qualities/skills:

1. Communication skills (verbal and written)
2. Honesty/integrity
3. Interpersonal skills (relates well to others)
4. Motivation/initiative
5. Strong work ethic

These are all things we will cover in OB.

Finally, it matters because **organizations care** about OB. The best companies in the world understand that the people make the place. How do we know this? Well, we know that organizations that value their employees are more profitable than those that do not (Huselid, 1995; Pfeffer, 1998; Pfeffer & Veiga, 1999; Welbourne & Andrews, 1996). Research shows that successful organizations have a number of things in common, such as providing employment security, engaging in selective hiring, utilizing self-managed teams, being decentralized, paying well, training employees, reducing status differences, and sharing information (Pfeffer & Veiga, 1999). For example, every Whole Foods store has an open compensation policy in which salaries (including bonuses) are listed for all employees. There is also a salary cap that limits the maximum cash compensation paid to anyone in the organization, such as a CEO, in a given year to 19 times the companywide annual average salary of all full-time employees. What this means is that if the average employee makes \$30,000 per year, the highest potential pay for their CEO would be \$570,000, which is a lot of money but pales in comparison to salaries such as Steve Jobs of Apple at \$14.6 million or the highest paid CEO in 2007, Larry Ellison of Oracle, at \$192.9 million (Elmer-DeWitt, 2008). Research shows that organizations that are considered healthier and more effective have strong OB characteristics throughout them such as role clarity, information sharing, and performance feedback. Unfortunately, research shows that most organizations are unhealthy, with 50% of respondents saying that their organizations do not engage in effective OB practices (Aguirre et al., 2005).

In the rest of this chapter, we will build on how you can use this book by adding tools to your OB Toolbox in each section of the book as well as assessing your own learning style. In addition, it is important to understand the research methods used to define OB, so we will also review those. Finally, you will see what challenges and opportunities businesses are facing and how OB can help overcome these challenges.

## Adding to Your OB Toolbox

### Your OB Toolbox

OB Toolboxes appear throughout this book. They indicate a tool that you can try out today to help you develop your OB skills.

Throughout the book, you will see many OB Toolbox features. Our goal in writing this book is to create something useful for you to use now and as you progress through your career. Sometimes we will focus on tools you can use today. Other times we will focus on things you may want to think about that may help you later. As you progress, you may discover some OB tools that are

particularly relevant to you while others are not as appropriate at the moment. That's great—keep those that have value to you. You can always go back and pick up tools later on if they don't seem applicable right now.

The important thing to keep in mind is that the more tools and skills you have, the higher the quality of your interactions with others will be and the more valuable you will become to organizations that compete for top talent (Michaels, Handfield-Jones, & Axelrod, 2001). It is not surprising that, on average, the greater the level of education you have, the more money you will make. In 2006, those who had a college degree made 62% more money than those who had a high school degree (U.S. Bureau of Labor Statistics). Organizations value and pay for skills as the next figure shows.

#### Education & Training Pays, 2006

Unemployment & earnings for workers 25 & older by educational attainment; earnings for full-time wage and salary workers

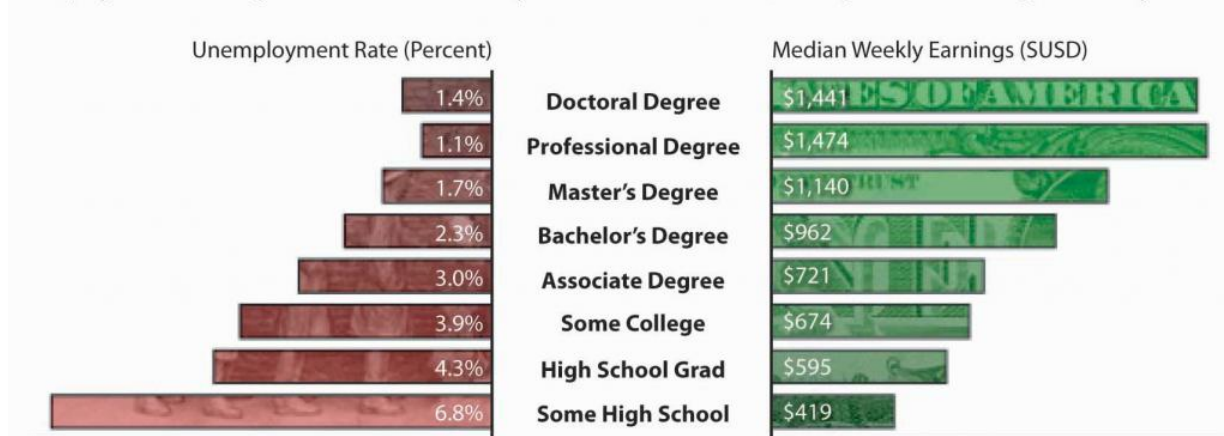


Figure 1.2.4: Education and training have financial payoffs as illustrated by these unemployment and earnings for workers 25 and older. Source: U.S. Bureau of Labor Statistics, <http://www.bls.gov>.

Tom Peters is a management expert who talks about the concept of individuals thinking of themselves as a brand to be managed. Further, he recommends that individuals manage themselves like free agents (Peters, 1997; Peters, 2004). The following OB Toolbox includes several ideas for being effective in keeping up your skill set.

#### Your OB Toolbox: Skill Survival Kit

- *Keep your skills fresh.* Consider revolutionizing your portfolio of skills at least every 6 years.
- *Master something.* Competence in many skills is important, but excelling at something will set you apart.
- *Embrace ambiguity.* Many people fear the unknown. They like things to be predictable. Unfortunately, the only certainty in life is that things will change. Instead of running from this truth, embrace the situation as a great opportunity.
- *Network.* The term has been overused to the point of sounding like a cliché, but networking works. This doesn't mean that having 200 connections on MySpace, LinkedIn, or Facebook makes you more effective than someone who has 50, but it does mean that getting to know people is a good thing in ways you can't even imagine now.
- *Appreciate new technology.* This doesn't mean you should get and use every new gadget that comes out on the market, but it does mean you need to keep up on what the new technologies are and how they may affect you and the business you are in.

Source: Adapted from ideas in Peters, T. (2007). Brand you survival kit. *Fast Company*. Retrieved July 1, 2008, from <http://www.fastcompany.com/magazine/83/playbook.html>.

A key step in building your OB skills and filling your toolbox is to learn the language of OB. Once you understand a concept, you are better able to recognize it. Once you recognize these concepts in real-world events and understand that you have choices in how you will react, you can better manage yourself and others. An effective tool you can start today is [journaling](#), which helps you chart your progress as you learn new skills. For more on this, see the OB Toolbox below.

#### OB Toolbox: Journaling as a Developmental Tool

- *What exactly is journaling?* Journaling refers to the process of writing out thoughts and emotions on a regular basis.
- *Why is journaling a good idea?* Journaling is an effective way to record how you are feeling from day to day. It can be a more objective way to view trends in your thoughts and emotions so you are not simply relying on your memory of past events, which can be inaccurate. Simply getting your thoughts and ideas down has been shown to have health benefits as

well such as lowering the writer's blood pressure, heart rate, and decreasing stress levels.

- *How do I get started?* The first step is to get a journal or create a computer file where you can add new entries on a regular basis. Set a goal for how many minutes per day you want to write and stick to it. Experts say at least 10 minutes a day is needed to see benefits, with 20 minutes being ideal. The quality of what you write is also important. Write your thoughts down clearly and specifically while also conveying your emotions in your writing. After you have been writing for at least a week, go back and examine what you have written. Do you see patterns in your interactions with others? Do you see things you like and things you'd like to change about yourself? If so, great! These are the things you can work on and reflect on. Over time, you will also be able to track changes in yourself, which can be motivating as well.

Sources: Created based on ideas and information in Bromley, K. (1993). *Journaling: Engagements in reading, writing, and thinking*. New York: Scholastic; Caruso, D., & Salovey, P. (2004). *The emotionally intelligent manager: How to develop and use the four key emotional skills of leadership*. San Francisco: Jossey-Bass; Scott, E. (2008). The benefits of journaling for stress management. Retrieved January 27, 2008, from About.com: <http://stress.about.com/od/generaltechniques/p/profilejournal.htm>.

## Isn't OB Just Common Sense?

As teachers we have heard this question many times. The answer, as you might have guessed, is *no*—OB is *not just common sense*. As we noted earlier, OB is the systematic study and application of knowledge about how individuals and groups act within the organizations where they work. *Systematic* is an important word in this definition. It is easy to think we understand something if it makes sense, but research on decision making shows that this can easily lead to faulty conclusions because our memories fail us. We tend to notice certain things and ignore others, and the specific manner in which information is framed can affect the choices we make. Therefore, it is important to rule out alternative explanations one by one rather than to assume we know about human behavior just because we are humans! Go ahead and take the following quiz and see how many of the 10 questions you get right. If you miss a few, you will see that OB isn't just common sense. If you get them all right, you are way ahead of the game!

### Putting Common Sense to the Test

Please answer the following 10 questions by noting whether you believe the sentence is *true* or *false*.

1. Brainstorming in a group is more effective than brainstorming alone. \_\_\_\_\_
2. The first 5 minutes of a negotiation are just a warm-up to the actual negotiation and don't matter much. \_\_\_\_\_
3. The best way to help someone reach their goals is to tell them to do their best. \_\_\_\_\_
4. If you pay someone to do a task they routinely enjoy, they'll do it even more often in the future. \_\_\_\_\_
5. Pay is a major determinant of how hard someone will work. \_\_\_\_\_
6. If a person fails the first time, they try harder the next time. \_\_\_\_\_
7. People perform better if goals are easier. \_\_\_\_\_
8. Most people within organizations make effective decisions. \_\_\_\_\_
9. Positive people are more likely to withdraw from their jobs when they are dissatisfied. \_\_\_\_\_
10. Teams with one smart person outperform teams in which everyone is average in intelligence. \_\_\_\_\_

You may check your answers with your instructor.

## Key Takeaways

This book is about people at work. Organizations come in many shapes and sizes. Organizational behavior is the systematic study and application of knowledge about how individuals and groups act within the organizations where they work. OB matters for your career, and successful companies tend to employ effective OB practices. The OB Toolboxes throughout this book are useful in increasing your OB skills now and in the future.

## Exercises

1. Which type of organizations did you have the most experience with? How did that affect your understanding of the issues in this chapter?
2. Which skills do you think are the most important ones for being an effective employee?
3. What are the three key levels of analysis for OB?



4. Have you ever used journaling before? If so, were your experiences positive? Do you think you will use journaling as a tool in the future?
5. How do you plan on using the OB Toolboxes in this book? Creating a plan now can help to make you more effective throughout the term.

## References

- Aguirre, D. M., Howell, L. W., Kletter, D. B., & Neilson, G. L. (2005). A global check-up: Diagnosing the health of today's organizations (online report). Retrieved July 25, 2008, from the Booz & Company Web site: [www.orgdna.com/downloads/Glob...lthNov2005.pdf](http://www.orgdna.com/downloads/Glob...lthNov2005.pdf).
- Elmer-DeWitt, P. (2008, May 2). Top-paid CEOs: Steve Jobs drops from no. 1 to no. 120. *Fortune*. Retrieved July 26, 2008, from CNNMoney.com: [apple20.blogs.fortune.cnn.com...top-paid-ceos- steve-jobs-drops-from-no-1-to-no-120/](http://apple20.blogs.fortune.cnn.com...top-paid-ceos- steve-jobs-drops-from-no-1-to-no-120/).
- Gibson, E. (2008, March). Meg Whitman's 10th anniversary as CEO of eBay. *Fast Company*, 25.
- Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38, 635-672.
- Kirkpatrick, D. (1998). The second coming of Apple. *Fortune*, 138, 90.
- Michaels, E., Handfield-Jones, H., & Axelrod, B. (2001). *The war for talent*. Boston: Harvard Business School Publishing.
- NACE 2007 Job Outlook Survey. Retrieved July 26, 2008, from the National Association of Colleges and Employers (NACE) Web site: <http://www.naceweb.org/press/quick.htm#qualities>.
- Parloff, R. (2008, January 22). Why the SEC is probing Steve Jobs. *Money*. Retrieved January 28, 2009, from [http://money.cnn.com/2009/01/22/technology/stevejobs\\_disclosure.fortune/?postversion=2009012216](http://money.cnn.com/2009/01/22/technology/stevejobs_disclosure.fortune/?postversion=2009012216).
- Peters, T. (1997). The brand called you. *Fast Company*. Retrieved July 1, 2008, from <http://www.fastcompany.com/magazine/10/brandyou.html>.
- Peters, T. (2004). Brand you survival kit. *Fast Company*. Retrieved July 1, 2008, from <http://www.fastcompany.com/magazine/83/playbook.html>.
- Pfeffer, J. (1998). *The human equation: Building profits by putting people first*. Boston: Harvard Business School Press.
- Pfeffer, J., & Veiga, J. F. (1999). Putting people first for organizational success. *Academy of Management Executive*, 13, 37-48.
- U.S. Bureau of Labor Statistics. (2005). Retrieved December 8, 2005, from the U.S. Bureau of Labor Statistics Web site: <http://www.bls.gov/nls/nlsfaqs.htm#anch5>.
- Welbourne, T., & Andrews, A. (1996). Predicting performance of Initial Public Offering firms: Should HRM be in the equation? *Academy of Management Journal*, 39, 910-911.

---

1. Retrieved June 4, 2008, from [www.litera.co.uk/t/NDk1MDA/](http://www.litera.co.uk/t/NDk1MDA/). ↩