INTRODUCTION

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1 WHY ORGANIZATIONAL BEHAVIOR MATTERS

LEARNING OBJECTIVES

By the end of this chapter, you will be able to:

1.1 Explain the basic concept of organizational behavior and its value in organizations

1.2 Describe the key role of managing human capital in creating a sustainable competitive advantage for organizations

1.3 Identify the major behavioral science disciplines that contribute to OB

1.4 Demonstrate the value of critical thinking in the context of OB

1.5 Identify the major challenges and opportunities in the field of OB

1.6 Differentiate the three basic levels of analysis at which OB may be examined

Case Study: Hilton

Hilton Worldwide is one of the world's largest and fastest-growing hospitality companies. As of 2022, Hilton's 18-brand portfolio includes nearly 7,000 owned, managed, or franchised properties that span 122 countries and territories across the globe.[1] In 2019, Hilton was named *Fortune Magazine*'s Best Company to Work For in the U.S., the first hospitality company to ever earn this prestigious ranking as well as the only employer outside the tech sector to receive the award since 2004.[2]

The Hilton Effect

Prior to the company's 100th anniversary in 2019, Hilton commissioned Stanford Graduate School of Business professor Chip Heath and business author Karla Starr to write about Hilton's impact over more than a century in hospitality. The duo examined the company's historical successes and interviewed present and former Hilton employees to grasp what has made the organization so effective for so long. They prepared a 65-page white paper, titled "The Hilton Effect," on how the company has impacted travelers, the travel industry, and the communities it serves around the world.[3]

Unsurprisingly, what Heath and Starr found makes Hilton so effective is neither its properties nor its iconic brand, but its people and how the organization nurtures their skills. "Empowering and engaging employees is in Hilton's DNA," the paper reads. "Conrad Hilton was never known as a 'look-over-your-shoulder' manager." From the beginning, Hilton advocated autonomy over strict guidelines and standards, engaging employees' intrinsic motivation to grow and develop themselves to elevate the entire organization. A common saying at Hilton is "The reward for good work is more work." Team members interviewed for the white paper explained that the phrase doesn't simply mean more work; it means more *challenging* work. "Hilton employees benefit from a kind of promise: your colleagues will challenge you to stretch your skills. If you've mastered the small-town hotel, it's time to hit the center city."

Don't Just Talk the Talk, Walk the Walk

Sometimes the more challenging work is to move from the center city back to the small-town hotel. Feedback from employees on the ground can help corporate leadership identify and address unmet needs, but some challenges are difficult to capture in surveys from on high. One of Hilton's most successful strategies for listening to team members is an official program that works much like the reality television series *Undercover Boss*: the Hilton Senior Leadership Business Immersion program.

Hilton's chief human resources officer, Matthew Schuyler, says the program is "an experience that connects senior leaders to the most fundamental aspect of the business—hotel operations. The three-day program entails working back of house, or what we refer to as 'Heart of House,' in departments including Housekeeping, Food & Beverage, Banqueting, and Engineering."

Mike Gathright, Hilton's senior vice president, took part in an immersion at two Hilton properties in Seattle, Washington. Gathright was struck by the reactions the senior leadership team received: "I still remember one of the housekeeper's excitement as I worked alongside her cleaning rooms. She asked if she could take a picture!"

Management consultant Dana Brownlee wrote for Forbes, "When staff see executive leaders working beside them carrying luggage and serving drinks, it sends a strong message of solidarity and shows that leaders are serious about understanding the challenges of running a 24/7/365 business that literally never closes."[4]

Some immersion experiences yield benefits even more tangible than boosted morale. Participating executives in one program noticed frontline team members wearing uncomfortable and impractical clothing for their duties. When they returned to their corporate offices,

the execs created the "Hilton Under Armour Wardrobe Program," which supplies comfortable, breathable clothing for all Hilton team members around the world.[5]

COVID-19 and Hilton's Response

No survey, executive immersion program, or organizational behavior managerial technique could predict or prepare Hilton for the COVID-19 pandemic, however. "Never in Hilton's 101-year history has our industry faced a global crisis that brings travel to a virtual standstill," Hilton's president and CEO, Chris Nassetta, said in 2020. "I am devastated that to protect our business, we have been forced to take actions that directly impact our Team Members." Many hotels completely suspended operations, and those that remained open did so at diminished capacity. Hundreds of thousands of team members were furloughed in the early days of the COVID-19 pandemic. At the corporate level, Hilton cut 2,100 jobs globally—nearly a quarter of its total corporate workforce. Nassetta's salary was paused in late March, and executive committee pay was reduced by 50% for the duration of the crisis.[6] Despite tremendous setbacks, Hilton met the greatest challenge in the company's history with steadfast dedication to its team members.

Hilton employees continued to receive health benefits and were eligible to apply for unemployment benefits while furloughed. The company activated its Team Member Assistance program and gave financial aid to workers and workers' families who were directly impacted by the virus. The creation of Hilton's Alumni Talent Network offered access to permanent full-time opportunities at dozens of partner organizations and provided outplacement assistance services to many staff. Determined to emerge stronger on the other side of the crisis, the company's response was not simply to relinquish all of its talented workers to other firms. Hilton committed to notify alumni first when there were new jobs at the company, accelerate their recruitment process, and developed an audacious plan to support its displaced workforce until it was time to rebuild.[7]

Hilton partnered with Albertsons, Amazon, CVS, Sunrise Senior Living, Walgreens, and other companies to collectively fill more than 200,000 temporary essential worker positions that saw increased demand during the pandemic. Hilton shifted its recruitment engine into reverse to give furloughed team members direct access to these positions and expedited hiring processes through the Hilton Workforce Resource Center. "The recognized quality of our team members, including their hospitality and service culture training, make them ideal candidates to quickly step in and assist organizations in these temporary assignments," Nigel Glennie, vice president of corporate communications, told *USA Today*. Glennie continued, "We plan to welcome these team members back when travel resumes. Our partners need workers and our team members need to work right now, so this is an initiative we put together with the sole intent of helping our people, even though we can't be the ones to employ them right now."[8]

Hilton's investment in its team members paid off. Innovations in contactless check-in and payment options for guests, widespread vaccination availability, relaxed travel restrictions, and pent-up demand enabled Hilton to quickly bounce back as the crisis began to subside. The company restored most of its furloughed workforce to their previous positions and recently eclipsed the 1,000,000-room milestone across all their properties worldwide.

"The Hilton Effect for me is the positive impact that we've had on the world, the opportunities that Team Members have had to contribute to the environment of the people around them," Chris Nassetta says in the afterword to the white paper. "I think the world is a better place because Hilton was born into it 100 years ago. And if we continue to do our job, the world will be a better place because Hilton is in it for the next 100 years."

Critical-Thinking Questions

1. Hilton management was so keen on explaining the company's organizational behavior that they commissioned consultants to write "The Hilton Effect." How do you think the publication serves to predict and influence organizational behavior at Hilton?

2. Describe how Hilton's management of human capital gives them a competitive advantage in the hospitality industry. Do you think their workforce's strengths are rareness, value, inimitability, or a combination of all three?

3. This case study examined Hilton's OB on the individual and organizational levels. How do you think "The Hilton Effect" and the company's responses to the COVID-19 pandemic affect OB on a team level?

WHAT IS ORGANIZATIONAL BEHAVIOR AND WHY IS IT IMPORTANT?

Today's continually changing, uncertain world needs managers who can address the challenges of an altered working environment and work hard to understand, anticipate, and direct people in a way that fosters connectivity, belonging, and fairness. In the past, technology was the biggest disruption to work, but today the COVID-19 pandemic has turned the world of work upside down, leaving managers to face the challenge of communicating with a remote workforce, equipping employees with new digital skills, and supporting people in navigating this period of unprecedented change. However, fast-paced organizations like Hilton need the right people with the right skills to achieve success. This is why organizational behavior has taken on a new level of importance; people with organizational behavior skills are now regarded as a valuable and essential commodity. In an environment in which competition is fiercer than ever, people will differentiate your business from anyone else's. No matter what area of business you work in, people are the cornerstone of success.

We define **organizational behavior** (OB) as a field of study focused on understanding, explaining, and improving attitudes of individuals and groups in organizations.[9] An **organization** is a structured arrangement of people working together to accomplish specific goals. In short, OB focuses on figuring out how and why individual employees and groups of employees behave the way they do within an organizational setting. Researchers carry out studies in OB, and managers or consultants establish whether this research can be applied in a real-world organization. This research has uncovered some surprising results. One study found that 88% of American employees expect flexible options in their working hours and location, 86% would prefer to work in a diverse team, and 86% would like to redesign their own careers by refining their current skills or acquiring new ones. But all of these desires have a good chance of being met only when employees have good managers.[10]

This is certainly the case at Hilton, where employees are motivated and empowered by managers who provide them with challenging opportunities and take the time to listen to their concerns. Being treated well, respected, and rewarded for excellent service is often considered more important than money. There is a common expression: "Employees don't quit jobs, they quit managers." The point is that managers who lack OB skills lose good employees. This is why it's important to learn OB skills if your goal is to become a manager who people will listen to and respect.

How Studying Organizational Behavior Benefits You in the Workplace

Understanding the ways people act and interact within organizations provides three key advantages:

1. You can *explain* behavior. You can explain why your manager, coworkers, or subordinates are doing what they're doing.

2. You can *predict* behavior. You can anticipate what your manager, coworkers, or subordinates will do in certain circumstances and situations.

3. You can *influence* behavior. You can shape the actions of your subordinates, as well as those of your manager and coworkers, to help them accomplish their goals and achieve organizational objectives.

Although explaining and predicting behavior are undoubtedly useful skills, *influencing* behavior is probably of greatest interest to a practicing manager. Once you're equipped with knowledge about your employees' work behaviors, you can use it to optimize performance by providing effective

direction and guidance. This explains why managing organizational behavior (i.e., focusing on the behavior and actions of employees and how they apply their knowledge and skills to achieve organizational objectives) is so important in today's organizations. There is a common belief that OB is just common sense, but this isn't the case. We can't rely on common sense alone to truly understand the behaviors of others; if we did, we would be in danger of using inaccurate generalizations, incorrect suppositions, and common misconceptions to justify or define other people's behaviors. OB provides a systematic approach, based on scientific evidence, to further our understanding of behavior that goes far beyond common sense.

Put simply, OB is for everyone. It applies to everyday situations where you find yourself interacting with people, from the workplace to home life to the basketball court. Explaining and predicting behavior is useful to both formal managers in organizations and all employees, given that we all have the ability to influence coworkers. Throughout this book, we'll show how OB concepts can relate to all employees at all levels of a company.

With the understanding that OB can benefit all employees and all levels in an organization, let's take a closer look at formal managers and what a manager actually does in the workplace.
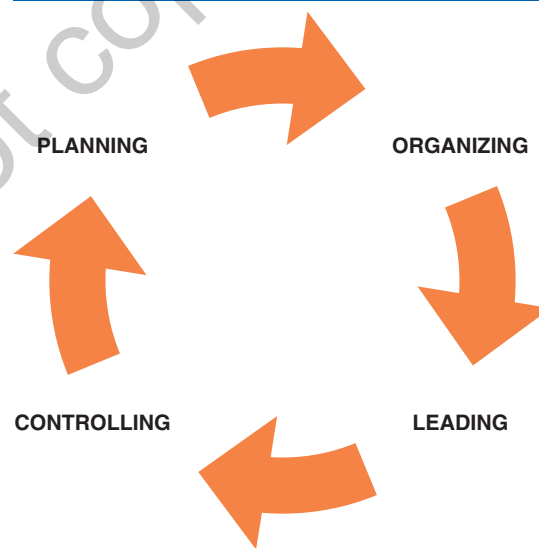
The Four Functions of Management

Let's remind ourselves what a manager actually does in the workplace. Typically, managers carry out four main functions: planning, organizing, leading, and controlling (see Figure 1.1).[11]

In *planning*, a manager evaluates an organization's current position and where it wants to be in the future, then sets goals, designs strategies, and identifies actions and resources needed to achieve success. *Organizing* means arranging resources such as people and functions to implement the strategy made during the planning stage. Managers ensure goals are achieved by *leading* teams and individuals effectively, which means motivating and communicating with people to achieve goals. The *controlling* function allows managers to monitor employee performance, ensure milestones are being reached, and take corrective or preventative action where necessary.

OB is an integral part of these four functions, as each function involves people "behaving" in certain ways to achieve specific tasks and duties. Successful planning, organizing, leading, and controlling would not be possible without managers following some fundamental OB principles. Table 1.1 outlines

FIGURE 1.1 ■ The Four Functions of Managers

PLANNING

ORGANIZING

LEADING

CONTROLLING

Source: Carpenter, M., Bauer, T., & Erdogan, B. (2012). Chapter 15: The essentials of control. In *Management principles.* https://2012 books.lardbucket.org/books/management-principles-v1.1/s19-the-essentials-of-control.html

TABLE 1.1 ■	Impact of COVID-19 on the Four Functions of Management
Planning	**Some participants did not have a crisis plan before COVID-19. Those that did said the plan was dated and inadequate for pandemic circumstances.**
Organizing	Most agreed that the pandemic forced them to organize work differently, through delegation where appropriate.
Leading	Respondents believed in leading by example and showing support for the team.
Controlling	Managers used formal and informal check-ins to encourage communication between senior management and staff and between the team members themselves.

the impact of COVID-19 on the four functions in relation to internal communication within organizations (government and private institutions), as researched by graduate students at the University of Ottawa in 2021.[12]

Organizational members need to be equipped with specific skills to carry out their roles effectively.[13] First, they must have technical skills. A **technical skill** is an aptitude for performing and applying specialized tasks.[14] Today's members need to be proficient in using the latest technologies, including databases, artificial intelligence (for some roles), spreadsheets, email, and social networking tools.

Although technical skills are important, they can be learned on the job; to be really effective, managers need to possess **human skills**, or the ability to relate to other people.[15] People with effective human skills take the feelings of others into account and are adept at dealing with conflict. These skills are essential for managing relationships not only with peers and employees but also with competitors, partners, suppliers, and stakeholders. Managers with human skills also realize the importance of communicating and sharing information across the organization in order to achieve goals. Hilton is a good example of an organization that uses human skills to boost morale; for instance, members of the executive team work beside employees, helping them to carry luggage, clean rooms, and serve drinks. This shows workers that senior management understands the challenges of their different roles and how committed they are to ensuring every employee is heard and acknowledged.

A key facet of human skills is **emotional intelligence** (EI), which is an awareness of how your actions and emotions affect those around you and the ability to understand and empathize with the feelings of others (see Chapter 5).[16]

Managers need to be technically proficient and know how to get along with people, but what about dealing with the complexities of the organization itself? Managers also need **conceptual skills** in order to see the organization as a whole, visualize how it fits into its overall environment, and understand how each part relates to the others.[17] Conceptual skills help managers solve problems, identify opportunities and challenges, and think creatively when making decisions.
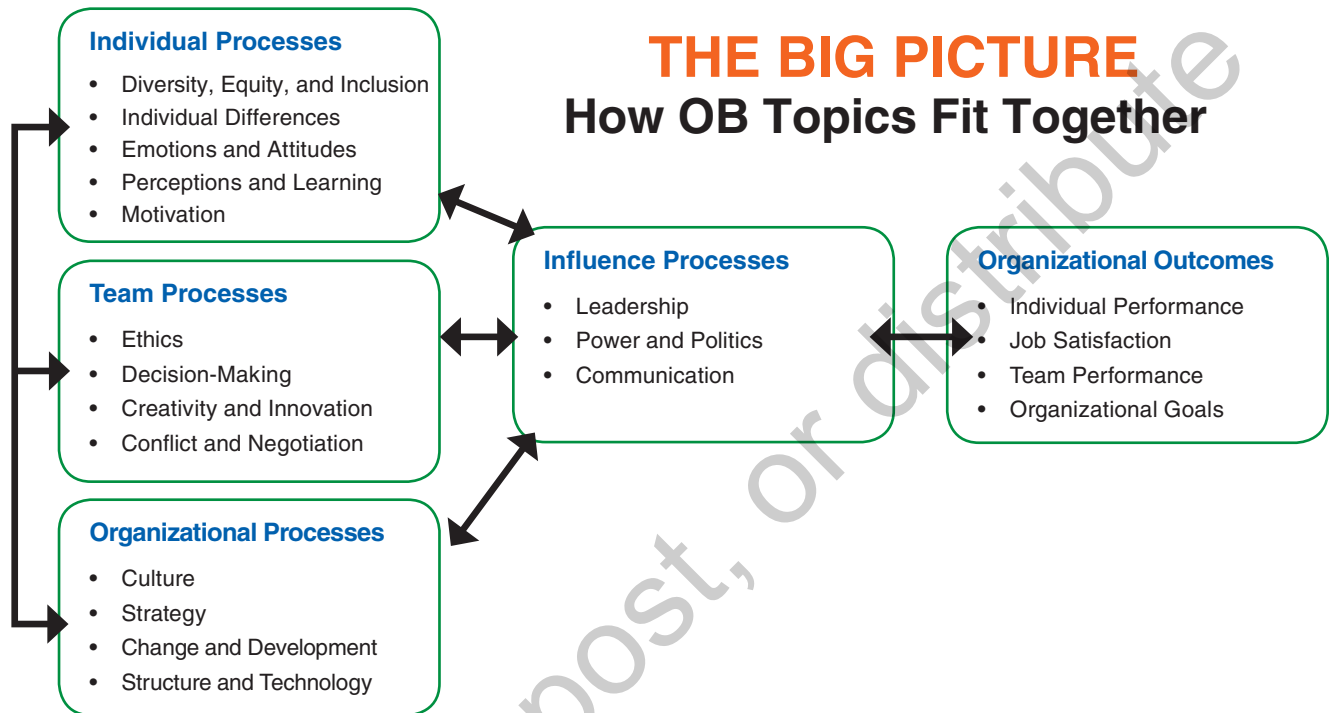
Managers who embrace organizational behavior principles understand that the success of an organization lies with its people and that without people there would be no companies, businesses, or industries. You may have a business that produces the highest-quality, most competitively priced product in the market or that prides itself on excellent customer service. However, if you don't have the right people in place to manufacture, market, and sell your product and take care of your customers, the business will suffer. Similarly, if some of your coworkers lose motivation and provide lower levels of customer service, the company will

Studying organizational behavior can help you to understand how and why individuals and groups interact.

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lose business, and perhaps even its reputation. Either of these problems can bring about decreases in profits, reduced employee wages and bonuses, staff layoffs, and in extreme cases, bankruptcy.

How do managers achieve the best outcomes for their organizations? A **strategic OB approach** is based on the idea that people are the key to productivity, competitive edge, and financial success. This means that managers must place a high value on **human capital**, which is the sum of people's skills, knowledge, experience, and general attributes.[18] Let's take a closer look at where human capital fits into organizations and how it is managed.

THE BIG PICTURE
How OB Topics Fit Together

Individual Processes
- Diversity, Equity, and Inclusion
- Individual Differences
- Emotions and Attitudes
- Perceptions and Learning
- Motivation

Team Processes
- Ethics
- Decision-Making
- Creativity and Innovation
- Conflict and Negotiation

Organizational Processes
- Culture
- Strategy
- Change and Development
- Structure and Technology

Influence Processes
- Leadership
- Power and Politics
- Communication

Organizational Outcomes
- Individual Performance
- Job Satisfaction
- Team Performance
- Organizational Goals

MANAGING HUMAN CAPITAL

Organizations have two kinds of resources: tangible and intangible. Physical assets such as equipment, property, and inventory are examples of *tangible* resources. *Intangible* resources include an organization's reputation and culture, its relationships with customers, and the trust between managers and coworkers. Although it's difficult to measure intangible resources because of their subtle nature, they remain crucial for organizations competing in a global economy.

Human capital falls into the category of critical intangible resources. Today's managers focus on enriching their human capital by nurturing and enhancing their employees' knowledge and skills. The possibilities of building on human capital are endless—empowered, satisfied, knowledgeable employees can achieve so much for the organization and its customers. Human capital is essential for gaining **competitive advantage**, the edge that gives organizations a more beneficial position than their competitors and allows them to generate more profits and retain more customers (see Figure 1.2).[19] Hilton stands out among its competitors because of its commitment to nurturing its human capital. Three main aspects of human capital enhance true competitive advantage: value, rareness, and inimitability.[20]

Value

Employees can add value in many different ways, but there's a difference between merely fulfilling the requirements of your job and working with an eye on company strategy. **Human capital value** accumulates when employees work toward the strategic goals of an organization to achieve competitive advantage. Although it's essential that employees have the skills and abilities to execute a company strategy, they must also have a genuine willingness to contribute to the performance

FIGURE 1.2 ■ How Human Capital Enhances Competitive Advantage
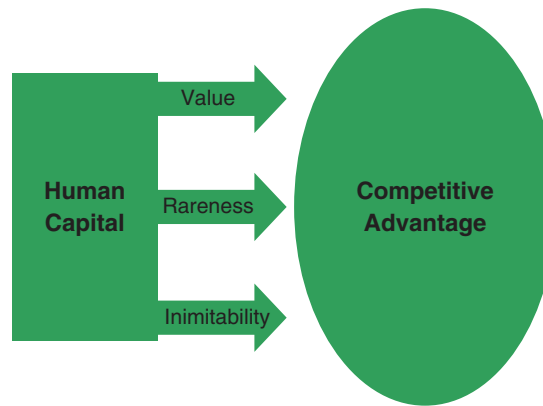
and success of an organization. Regardless of labor market conditions, outstanding employees are always in short supply, and it's critical that managers make every effort to continuously nurture their high-performing employees.

Rareness

Not everyone has the right skill set to further the progress of an organization. **Human capital rareness** is the level of exceptional skills and talents employees possess in an industry. For example, you may be an excellent computer programmer with an outstanding eye for detail, or you could have a gift for dealing with customer complaints and creating resolutions to resolve dilemmas. These are rare skills that employees may bring with them into an organization, but they can also be learned, given the right training and encouragement.

Inimitability

Employees may be able to add real value and possess rare and important skills, but these attributes must be inimitable (i.e., unique and difficult to copy or replicate) for an organization to achieve success. **Human capital inimitability** is the degree to which the skills and talents of employees can be emulated by other organizations. The higher the level of inimitability, the more competitive an organization will be. For example, what's to prevent an excellent computer programmer from going to a competitor that offers the same services and opportunities? Successful organizations ensure that their talented employees possess skills and talents that are difficult to imitate. This means employees have a degree of *tacit knowledge*: they have a feel or an instinct for a method or a process but can't easily articulate it; they just know it's right. An organization's culture or values are also difficult to imitate and often determine why employees choose to work for one company over another that offers similar products and services. Usually, this comes down to the organization's shared values, attitudes, and culture.

BEHAVIORAL SCIENCE DISCIPLINES THAT CONTRIBUTE TO OB

In the early days of management theory, studies focused on how workers could perform manual labor more efficiently (on a factory assembly line, for example) and how physical working conditions could be improved for better employee performance. There was little focus on the human element (i.e., how individual characteristics, communication, and interpersonal relationships affect organizations). Over the past hundred years, however, researchers have carried out a host of studies on the practice and application of OB, taking full advantage of its strong links to five main behavioral science disciplines: psychology, sociology, social psychology, political science, and anthropology (see Figure 1.3).

FIGURE 1.3 ■ Disciplines Contributing to the Field of Organizational Behavior

Psychology

Psychology is the scientific study of the human mind that seeks to measure and explain behavioral characteristics. Early organizational psychological research and theory focused on the factors affecting work performance and efficiency, such as lethargy and boredom. More recently, psychologists have focused on the mental health and well-being of employees in relationship to their work performance and created methods to help employees deal with challenges such as job stress. Psychologists have also helped design performance appraisals, decision-making processes, recruitment techniques, and training programs.

Sociology

While psychology focuses on the individual, **sociology** looks at the way groups behave and how they communicate and exchange information in a social setting. Sociologists have made valuable contributions to OB within areas such as group dynamics, communication, power, organizational culture, and conflict.

Social Psychology

Social psychology mixes concepts from sociology and psychology and focuses on the way people influence each other in a social setting. Social psychologists look at behaviors, feelings, actions, beliefs, and intentions and how they are constructed and influenced by others. They have made significant contributions to reducing the level of prejudice, discrimination, and stereotyping by designing processes to change attitudes, build communication, and improve the way groups work together.

Political Science

Political science studies the behavior of individuals and groups within a political environment. Political scientists focus particularly on how conflict is managed and structured, how power is distributed, and how power is abused or manipulated for the purposes of self-interest. Their studies have helped improve our understanding of how different interests, motivations, and preferences can lead to conflict and power struggles between individuals and groups.

Anthropology

Anthropology is the study of people and their activities in relation to societal, environmental, and cultural influences. In a global organizational environment, anthropological research has become even more significant because it increases our understanding of other cultures and the types of values and attitudes held by others from other countries and organizations.

A CRITICAL-THINKING APPROACH TO OB

In the section "What Is Organizational Behavior and Why Is It Important?" we outlined the four main functions of management (planning, organizing, leading, and controlling) and the skills (technical, human, and conceptual) managers need to be effective in an organization. However, another skill is becoming increasingly important for managers in the workplace: critical thinking. **Critical thinking** is the use of intelligence, knowledge, and skills to question and carefully explore situations and arrive at thoughtful conclusions based on evidence and reason.[21]

Increasingly used in business as a problem-solving tool, the critical-thinking approach is a powerful analytical method that helps managers consider intended and unintended consequences of individual behaviors on their teams and within their organizations and communities. Organizations need managers who think independently without judgment and bias, predict patterns of behaviors and processes, and ask the right questions—*how* and *why* and not just *what*—in order to make effective and thoughtful decisions.

As the business environment changes, so do the types of skills expected from employees. New and recent graduates may find that their educational backgrounds don't fulfill the requirements of organizations and may be forced to change, adapt, or learn new skill sets to secure a job. Furthermore, many organizations are becoming more selective; for some positions, a degree isn't enough.

Your ability to think critically will differentiate you from other job applicants. In an interview situation, critical thinkers take the time to think carefully about the questions they're asked, base their responses on facts or experience rather than emotion or bias, consider different viewpoints or perspectives equally, and compare their responses with similar examples that have occurred in the past. Once hired, critical thinkers are more likely to succeed. After all, most companies don't employ graduates to simply go through the motions or to be a mere cog in the wheel. They expect their employees to play a pivotal role in helping the company achieve its organizational goals. And when a company does well, everyone benefits. You don't need to be an expert in critical thinking to get a job. Many of these skills can be learned in the workplace. However, employers look for candidates who have a questioning mind, a willingness to embrace change, and a keen desire to learn.

Indeed, as research shows, businesses are desperate to attract employees with critical- thinking skills.[22] Why? Because organizations are undergoing such rapid change that they need their employees to consistently introduce new, fresh ideas to stay ahead of the competition.

Business leaders use critical thinking when making decisions, solving problems, gathering information, and asking questions. Time and again, research has shown the effectiveness of critical thinking in the workplace:

1. According to a 2016 survey of nearly 64,000 managers and more than 14,000 recent graduates, 60% of managers believe critical thinking to be the number-one soft skill lacking in new graduates.[23]

2. In 2017, research found that critical thinking is more influential than intelligence in predicting good or bad decision-making.[24]

3. In 2020, a survey conducted by the American Enterprise Institute found that 70% of STEM (science, technology, engineering, and math) workers considered critical thinking an essential skill in that field.[25]

4. The PwC 23rd CEO Survey released in 2020 found that 74% of CEOs are worried about finding employees who possess critical-thinking skills such as creativity, problem-solving, and the ability to navigate digital technology.[26]

5. In 2021, the World Economic Forum reported that critical thinking will be at the top of the list of skills employers seek over the next five years.[27]

Rachel Lyubovitzky, cofounder of New Jersey–based technology company EverythingBenefits, said, "The ability to think critically will be crucial as we chart the course toward a post-COVID world. Businesses will continue to face challenges that will require teams to be innovative in their problem-solving and communicating frequently."[28] Table 1.2 shows other skills that employers considered to be important for job applicants.

| TABLE 1.2 ■ The Top 10 Skills Employers Are Looking For in 2021[29] |
|---|
| 1. Growth mindset: the belief that skills can be gained through hard work and perseverance. |
| 2. Continuous learning: the ability to continuously build and learn new skills. |
| 3. Critical thinking: the process of arriving at thoughtful conclusions based on evidence and reason. |
| 4. Survival skills: the drive to adapt and succeed despite obstacles and downfalls. |
| 5. Resilience, curiosity: the capability to be curious about the world and adjust easily in times of change. |
| 6. Flexibility: the capacity to cope with change and ambiguity. |
| 7. Dedication: the power to show up to work and fully commit. |
| 8. Coaching mindset: the ability to collaborate with others and support teams through listening and empathy. |
| 9. Comfort with ambiguity: the capability to navigate a changing landscape and understand the purpose of the company. |
| 10. Thriving in a virtual environment: the capacity to stay visible when working remotely through collaboration, responsiveness, and promoting team success. |

The Five Steps of Critical Thinking

The process of critical thinking provides you with the tools to make better decisions as a manager and help you to predict the effects and consequences of those decisions. Most important, you will be better able to manage the complexities of human behavior and initiate behavioral changes by following the critical-thinking process. There are five steps to applying critical thinking in order to manage and change behavior (Figure 1.4): *observe* (recognize the behavior), *interpret* (understand the cause and effects of behavior), *analyze* (investigate the causes and effects of behavior), *evaluate* (assess the consequences of changing behavior), and *explain* (justify a change to behavior).

Let's use an example to illustrate the five steps of critical-thinking methodology. Suppose you're the manager of a restaurant owned by a local businesswoman. Samir, one of your waitstaff, has failed to show up for several shifts without giving any meaningful reason. Since Samir is usually reliable, you are puzzled by this absenteeism. Because you don't have all the facts, you decide to use critical-thinking skills to investigate the real source of the problem.

FIGURE 1.4 ■ Five-Step Critical-Thinking Framework for Managing and Changing Behavior
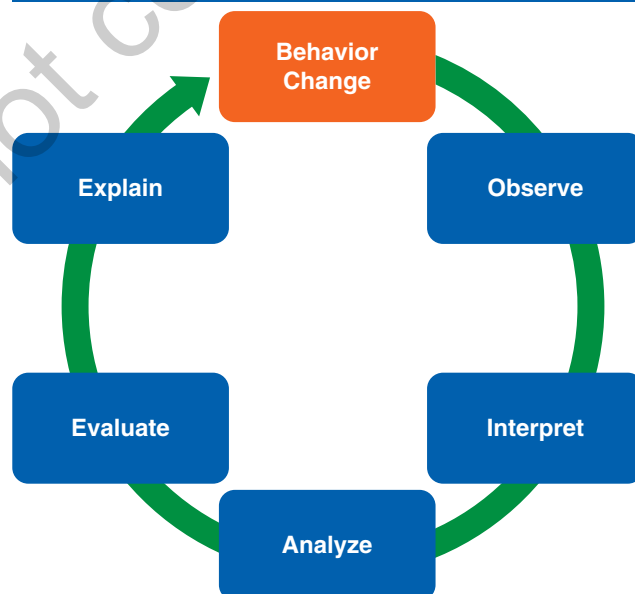
Source: Neck, C. P., Houghton, J. D., & Murray, E. L. (2014). *Management*, p. 5. Wiley.

The next time Samir comes to work, you *observe* the situation objectively, suspending all bias and judgment. You notice that Samir is abrupt with customers, doesn't attempt to communicate with fellow colleagues, and walks across the restaurant with a heavy gait. This helps you to *interpret* the situation better, giving you enough evidence to deduce that your employee is not happy. You might *analyze* these effects and think of a way to deal with the behavior.

What should you do? You decide to *evaluate* the situation and assess the consequences of trying to change Samir's behavior. Based on Samir's performance, Jessica, the restaurant owner, tells you to fire Samir, but you *explain* to Jessica why you believe an attempt to change their behavior might be justified, and Jessica agrees to give Samir another chance.

You set up a meeting with Samir to discover the reasons behind the unexplained absences and unmotivated behavior at work. Samir apologizes and tells you they have become dissatisfied with the job and would much rather work on the front desk of the restaurant, greeting customers and taking reservations. Following a trial period at the front desk, Samir demonstrates a *behavior change* by becoming more motivated.

Of course, there could be many ways to handle this dilemma, but it's clear that critical thinking can help to find the best solution for each situation when dealing with the complexities of real-life challenges.

In the next section, we explore how managers use OB research findings to enhance their critical-thinking skills.

Research in OB

Researchers use the scientific method to conduct research that managers can use to understand their employees and enhance critical thinking in OB. Researchers often begin with a **theory**, a set of principles intended to explain behavioral phenomena in organizations.[30] OB researchers may also use **models**, simplified snapshots of reality, to summarize and illustrate the reasons behind certain behaviors such as absenteeism or employee turnover. Connecting the elements of these models are **independent variables**, which are factors that remain unchanged, and **dependent variables**, factors affected by independent variables. Researchers then write a prediction called a **hypothesis**, a statement that specifies the relationships between the two variables. For example, much OB research has been carried out on the **correlation**, or the reciprocal relationship, between job satisfaction (independent variable) and absenteeism (dependent variable).

Researchers discovered that employees who were more satisfied in their jobs had higher attendance at work than those who had lower levels of job satisfaction. At first glance, this seems pretty reasonable—you may feel more inclined to call in sick when you dislike your job. But it doesn't end there. OB researchers used critical thinking to examine the theory further in order to provide a solution to this work dilemma. What are the factors affecting job satisfaction? What makes employees happy or miserable in their jobs? How can organizations improve conditions to increase job satisfaction and decrease levels of absenteeism? By drilling down deeply into proposed theories, researchers have created practical resolutions to address these problems. OB researchers apply critical thinking to facets of an organization by questioning and exploring the reasons behind issues such as work stress, unethical behavior, lack of team cohesion, poor relationships between individuals and groups, and many more.

EXAMINING THE EVIDENCE
EVIDENCE-BASED MANAGEMENT

One of the strongest proponents of applying research evidence to management practice, Denise M. Rousseau, H. J. Heinz II University Professor of Organizational Behavior at Carnegie Mellon University, defines evidence-based management (EBMgt) as "the systematic, evidence-informed practice of management, incorporating scientific knowledge in the content and processes of making decisions."[31] EBMgt employs valid scientific findings in the context of critical thinking,

decision-making, and judgment to help managers obtain and use the best and most reliable information available to increase managerial and organizational effectiveness.

But why is it important for managers to think critically about and incorporate current research findings into their management practices and decision-making? A good parallel comes from the field of medicine. You may naturally assume that medical doctors and health care practitioners use the latest and best research evidence available in the field of medicine to make their decisions. Yet despite the thousands of studies conducted and published in the field of medicine each year, studies suggest that only about 15% of doctors make evidence-based decisions. Instead, most rely on obsolete information they learned in school, unproven traditions, personal experiences, and information provided by vendors selling medical products and services. During the past two decades, however, evidence-based medicine has begun to revolutionize the way medical practitioners make decisions and prescribe treatments.

Stanford professors Jeffrey Pfeffer and Robert I. Sutton argue that managers should take a similar evidence-based approach in making decisions, taking actions, and prescribing cures for organizational ills: "Managers are actually much more ignorant than doctors about which prescriptions are reliable—and they're less eager to find out. If doctors practiced medicine like many companies practice management, there would be more unnecessarily sick or dead patients and many more doctors in jail or suffering other penalties for malpractice."[32]

Professor Rousseau suggests that EBMgt consists of four basic activities: (1) obtaining the best scientific information available, (2) systematically assessing organizational facts, (3) using critical thinking and reflective judgment to apply the research evidence, and (4) considering key ethical issues.[33] Throughout the remainder of the text, you will be presented with current research evidence from the field of OB and asked to think critically about how you might apply these findings in your current or future career as a management practitioner.

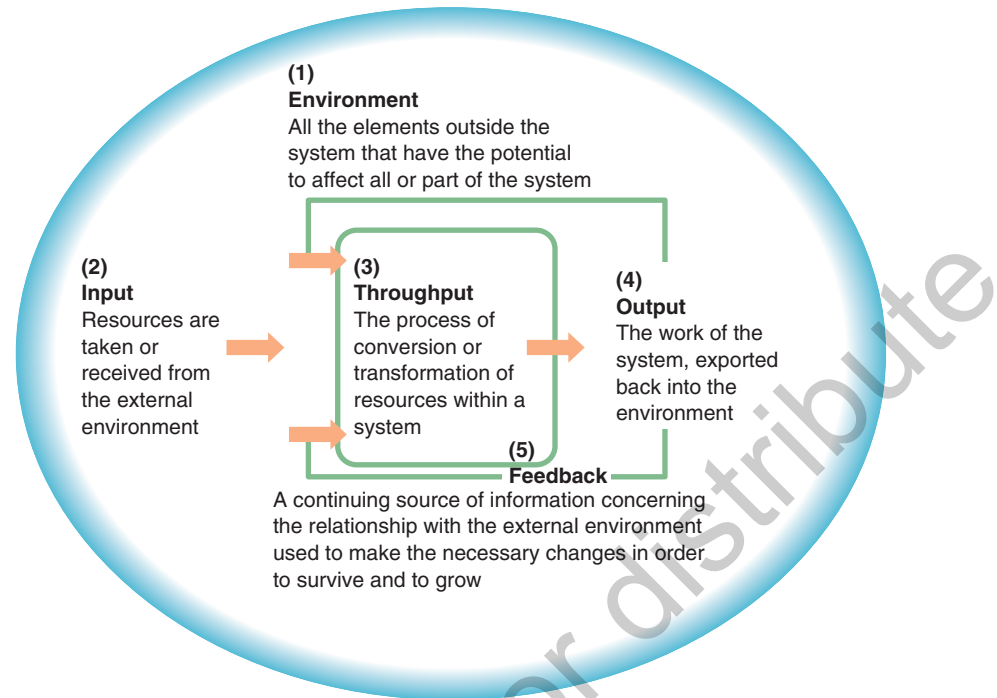## Critical-Thinking Questions

1. What are some of the primary advantages of evidence-based management practices?
2. What makes it difficult for managers to be evidence based in their actions and decision-making?

We could apply the same critical-thinking method to the issue of work/life balance (independent variable) and its relationship to stress (dependent variable), which is one of the main issues facing today's organizations. Employees who sacrifice their personal lives for too many hours in the office may be subject to higher levels of stress. Conversely, workers who achieve a balance between their personal and working lives may have lower levels of stress. We may conclude from this that an acceptable work/life balance leads to higher levels of job satisfaction. Using critical thinking, managers explore how they can help their employees achieve a balance between work and play.

Yet, for all the research that exists on OB and the debates it continues to inspire, it's still universally agreed that there's no one best way of managing people. In fact, there's a theory for that too. It's called **contingency thinking**, and it states that our actions must be dependent on the nature of the situation. In other words, one size does not fit all. Every single circumstance brings about a whole new set of questions and solutions—this is where critical thinking comes into play. By asking the right questions to fit each scenario, managers have a better chance of resolving problems. Related to contingency thinking is **evidence-based management**, which relies on a variety of sources of evidence to make decisions.[34] Successful OB managers use this wealth of research findings as a basis for understanding different situations.

Open Systems Theory

A key OB research finding that has had a significant impact on managers' use of critical thinking is called **open systems theory**. According to this theory, organizations are systems that interact with (are *open* to) their environments and use their environments to obtain resources, or inputs, and transform those inputs into outputs that are returned to the environment for consumption.[35] Open systems theory maintains that all organizations are unique and subject to internal and external environmental influences that can affect their efficiency. To ensure the smooth running of an organization, a defined structure should be in place that can accommodate problems and opportunities as they arise. Let's take a look at how a car manufacturing company might operate, according to this theory (see Figure 1.5).

FIGURE 1.5 ■ Open Systems Theory: Inputs and Outputs

(1)
Environment
All the elements outside the
system that have the potential
to affect all or part of the system

(2)
Input
Resources are
taken or
received from
the external
environment

(3)
Throughput
The process of
conversion or
transformation of
resources within a
system

(4)
Output
The work of the
system, exported
back into the
environment

(5)
Feedback
A continuing source of information concerning
the relationship with the external environment
used to make the necessary changes in order
to survive and to grow

Source: CSAP Institute for Partnership Development. (n.d.). *File:Basic open system model.gif* [Diagram]. U.S. Department of Health and Human Services. https://commons.wikimedia.org/wiki/File:Basic_Open_System_Model.gif

In this example, a car manufacturing company takes inputs from suppliers of certain goods or materials and then uses these resources to manufacture cars within the organization itself ("throughput" in the figure) before exporting them back into the environment as outputs. Put into a general context, this means organizations use input from their resources, such as technology, people, money, raw materials, information, and processes, and transform them into the finished product or output, which they sell.

When open systems work well, they create a **value chain**, the sequence of activities carried out by organizations to deliver valued goods and services to consumers.[36] In the car example, if every link in the chain is working efficiently, suppliers are satisfied with the way they have been treated by the car company and continue to meet its specifications, employees are productive and manufacture the car in good time and within budget, and consumers are gratified with their new purchase. However, a poorly managed value chain can have disastrous consequences. Suppliers that go out of business, high employee turnover, and a dissatisfied consumer base can all lead to the decline of an organization.

Open systems strive to find a balance between themselves and their environment and to remain harmonious, especially in the face of environmental changes. A strong open system can be crucial to organizational survival, especially in today's organizations that are continually adjusting to meet the demands of global challenges and opportunities.

OB CHALLENGES AND OPPORTUNITIES

Organizations are in a continual state of flux and transformation. The resulting uncertainty has immeasurably influenced the behavior of people and organizations. So what can you expect when you enter the workforce? Next, we discuss some of the main challenges and opportunities facing organizations today (see Figure 1.6).

FIGURE 1.6 ■ Challenges and Opportunities Facing Today's Organizations

Globalization

Globalization is a process by which the world has become increasingly interconnected through trade, culture, technology, and politics. It has had a huge influence on OB. Many organizations now have offices all over the world, and you are very likely to be working with people from abroad or from cultures different from yours. It is essential to be able to work well with others regardless of their location or background. Communicating effectively across time zones and via the latest technological methods is important.

Economic Factors

Economic events have had a significant effect on the workplace. The COVID-19 pandemic caused a massive recession as businesses were shut down, leading to reduced customer spending and investment, reduced wages, unemployment, bankruptcy, and poverty.[37] Organizations are continuously strategizing to overcome economic stumbling blocks by seeking out talent and focusing on the skill set of their workforce to find innovative ways to differentiate themselves from the competition. To flourish in a work environment that is continually in flux, you will need to be agile, adaptable, and open to learning new skills.

Workforce Diversity

The demographic profile of the United States is changing, and the resulting diversity in the workforce is encouraging organizations to foster inclusive working environments that don't discriminate against employees regardless of gender, race, ethnicity, age, sexual orientation, or disability.[38] In most large organizations, employees are educated about diversity and taught the importance of respecting

In an increasingly global economy with more companies expanding internationally, having a strong grasp of organizational behavior can help individuals to relate to and respect their colleagues.

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individual differences. Forming and building good working relationships is central to achieving professional success. You'll need to respect others and accept people without prejudice if you want to get ahead in the workplace.

Customer Service

Organizations are creating customer-responsive cultures to meet the increasing needs and changing demands of their customer bases. Companies are striving to understand the customers' needs first and then tailor the product to customer requirements. In most businesses, you will carry out some level of customer service, whether you're dealing with external clients (customers) or internal ones (coworkers). In doing so, you'll need to develop a customer-focused attitude and think creatively about how to satisfy customers' needs.

People Skills

Managers and employees must have excellent people skills, such as the ability to communicate and interact with others, in order to work harmoniously with their colleagues. Being able to relate to other people has just as much impact on success as your technical skills, especially when you're leading and managing teams.

Innovation and Change

Organizations need to stimulate innovation and change by becoming faster and more agile than the competition. Tangible resources such as physical equipment are no longer the mainstays of an organization. The organization's most important assets are its people and their ability to continuously create, strategize, innovate, and convert their ideas into quality products and processes. Critical thinking is imperative in innovation; you will need to question, analyze, and create to come up with new, original ideas that will appeal to your customers to secure a competitive advantage.

Sustainability

Many organizations are striving to build a more sustainable and responsible global marketplace by taking environmental factors into consideration during decision-making and goal setting. Whatever role you play, you will need to take into account the effects your decisions and the decisions of others may have on the environment, your community, and the organization itself.
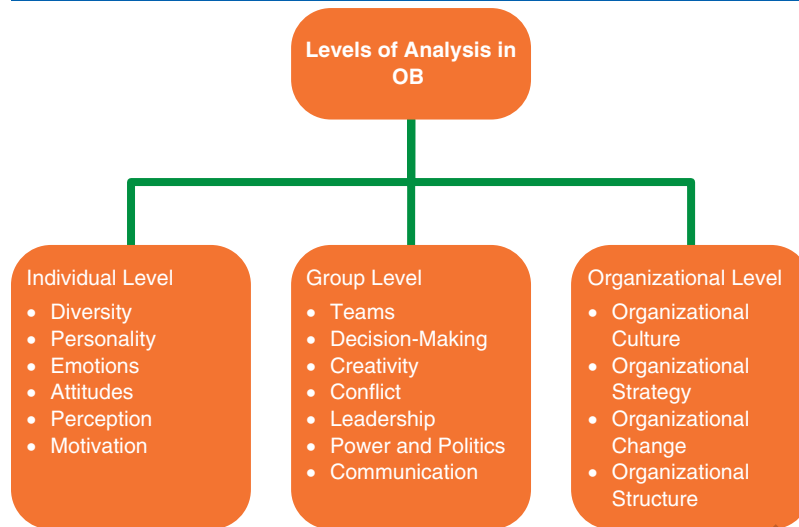
Throughout this book, we explore these and other factors that influence OB, including leadership, and the effects of a new generation of workers on the workplace. In the next section, we analyze one of the most important elements of global OB: ethical behavior in organizations.

THREE LEVELS OF ANALYSIS IN OB

There are three main levels of analysis within the OB model: individuals, teams, and organizations (see Figure 1.7).[39] Each level builds on the previous one. For example, individuals working well together lay the foundation for effective teams, which in turn work together to achieve organizational goals.

Individuals

Individuals are the foundation of organizations, and the way they work and behave makes or breaks a business. The role of managers is to integrate individuals into the organization, nurture their skills and attributes, and balance their needs and expectations accordingly. When managers do this successfully, individuals will achieve high levels of job satisfaction, motivating them to work toward attaining organizational goals. For instance, Dimple Thakkar, founder of the social media and online marketing agency Synhergy Marketing, based in California, believes that the key to business success is to nurture happy, productive, engaged employees, which is why Synhergy's remote work program is specifically designed to provide employees with a better work/life balance.[40]

FIGURE 1.7 ■ The Three Main Levels of Analysis

Levels of Analysis in OB

Individual Level
- Diversity
- Personality
- Emotions
- Attitudes
- Perception
- Motivation

Group Level
- Teams
- Decision-Making
- Creativity
- Conflict
- Leadership
- Power and Politics
- Communication

Organizational Level
- Organizational Culture
- Organizational Strategy
- Organizational Change
- Organizational Structure

Teams

Teams or groups exist in all organizations, large or small, and their effective functioning is essential to the success of any organization. Teams are complex because they consist of many different personalities and attitudes. Managers who understand the dynamics of a team and the way it's structured also better understand the underlying behaviors of individuals within the group. A good example is the manager of Manchester United Football Club, Sir Alex Ferguson, who helped to grow the team into a world-famous brand. Ferguson was well known for listening to the younger members and hearing their thoughts, believing them to be "the people most in touch with the realities of today and the prospects for tomorrow."[41]

Organizations

Organizations provide individuals and groups with the tools and systems they need to achieve objectives and goals. The attitudes and behavior of employees are influenced by the way organizations are structured. For instance, a recent survey reported that employees derive job satisfaction from a flexible working structure that provides them the freedom to set their own goals and standards.[42]

With organizations continually juggling market changes and customer demands, the success of a business depends on its workforce as never before. But how do managers get the best from individuals, teams, and the organization itself? Let's explore the impact of positive OB and high-involvement management.

Positive OB and High-Involvement Management

Drawing from a range of organizational research and theories, scholarship on **positive organizational behavior** focuses on the strengths, virtues, vitality, and resilience of individuals and organizations.[43] The idea is that nurturing the strengths of individuals rather than attempting to "fix" their weaknesses is far more beneficial to achieving organizational goals. Employees will gain more self-confidence and feel more positive about their skills and abilities, leading to better performance. Research shows that employees working for companies that value positive organizational behavior experience less stress, exhibit greater concern for others, and gain more enjoyment from work, leading to higher degrees of motivation.[44] Managers who practice positive OB value human capital as their most important resource.

Say you're the manager of a sales and marketing department. You need your sales team to reach a specific sales target by the end of each month. However, one of your new hires, a recent business graduate, is regularly failing to meet objectives, bringing down the department's sales total. When

you arrange a one-to-one meeting, the hire admits finding the role tougher than they thought it would be. They know the products and services inside and out but find it difficult to persuade people to discuss a potential sale. As the hire's manager, you arrange additional training to improve their sales technique and build their confidence in selling. Following extensive training, they succeed in securing a couple of meetings with prospects but fail to sell anything. When you hired them, you felt they had potential. Do you fire them for not bringing in the business, or do you consider another position for them in the organization?

Managers who practice positive OB will choose the second option. This employee may not be a good fit for sales, but what else can they do that would benefit the organization? Perhaps the employee loves to write and feels more comfortable communicating through media rather than over the phone. As a web content assistant, writing articles for the company website and working with project teams, designers, and developers to ensure information is presented in the best way, they can thrive.

Managers who practice positive OB will communicate with their employees and learn their strengths to discover the position best suited to their skills.

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This is just one example of how managers get the best from (and for) their employees using positive behavior. Most people are hired for a reason, but it's entirely possible that some may not be the best fit in the role they were hired for. In such a case, managers who value their human capital should make every effort to match employees' skill sets with a more appropriate position. Otherwise, organizations could face the dilemmas of low job satisfaction and reduced productivity, leading to an increase in absenteeism and high turnover.

High Involvement Management

Positive OB places the highest priority on the well-being of employees. This style of management is closely linked with **high-involvement management**, a strategy in which managers empower employees to make decisions, provide them with extensive training and opportunities to increase their knowledge base, share important information, and provide incentive compensation.[45] Increasing employee involvement in this way is a very democratic approach to management, giving all employees, including those who carry out basic duties, a say in how the work is conducted. They are then more likely to work hard and be more willing to adapt to new processes and learn new tasks. Empowered, satisfied employees strive to achieve organizational goals.

Again, this type of approach works only when the right employees are selected to work in an organization. They must be the right cultural fit and believe in the values and mission of the company. Equally, managers must treat employees with respect, listen carefully to their ideas, and be willing to admit to themselves and their employees that they don't have all the answers. When high-involvement management is effective, it helps to build strong relationships between employees and managers, fosters trust, and increases job satisfaction and productivity.

High-involvement managers have different ways of empowering their employees. Take Anissa Jones, for instance. Jones is a chiropractor, author, business consultant, and the founder of Total Health Chiropractic and Wellness Center, based in Atlanta, and believes employees should be given the opportunity to take responsibility for tasks rather than being micromanaged. For example, employees can present agenda items at meetings and take the lead on certain tasks.[46] Would you like to work for a company like Total Health Chiropractic and Wellness Center that strongly promotes autonomy and accountability? Do you think you would fit in and buy into the ethos of this type of organization? If you're not the type of person who likes to take the lead on work tasks, then perhaps this might not be the right work culture for you. Remember, high-involvement management works best when employees are a good fit for the organization.

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Throughout this text, we present a number of real-world case studies that demonstrate a critical-thinking perspective in relation to OB. We've structured this book to explore the challenges and opportunities facing OB on individual, group, and organizational levels. We explore the complexities of human behavior, including individual behaviors, emotions, and attitudes. We also examine OB in the context of leadership, motivation, teamwork, and culture.

At the heart of every job, regardless of the industry, lies the need to get along with people and to fit in with the values and culture of the organization. However, in today's organizations, fitting in does not mean agreeing with everything to maintain the status quo, nor does it mean laughing at your manager's jokes (especially when you don't think they're very funny!). Instead, applying critical thinking by asking questions, suspending bias, and providing creative solutions, all of which you'll experience in this book, form the new norm. Understanding and gaining knowledge about OB is a lifelong learning process. Your career success depends on your ability to learn from your everyday experiences and on the way you conduct your relationships with others, behave, and communicate.

In a world where the only constant is change, it's more important than ever to manage our own behavior and understand the feelings, attitudes, and behaviors of others around us so we can work harmoniously and productively and succeed in a complex working environment.

IN REVIEW

1.1   Explain the basic concept of organizational behavior and its value in organizations

Organizational behavior studies how and why individual employees and groups of employees behave the way they do within an organizational setting. The three main reasons for studying organizational behavior in your organization are to be able to *explain* it, *predict* it, and *influence* it.

1.2   Describe the key role of managing human capital in creating a sustainable competitive advantage for organizations

Human capital is essential for gaining **competitive advantage**, the edge that gives organizations a more beneficial position than their competitors and allows them to generate more profits and retain more customers. Three main aspects of human capital enhance true competitive advantage: *value, rareness*, and *inimitability*.

1.3   Identify the major behavioral science disciplines that contribute to OB

Psychology is the scientific study of the human mind that seeks to measure and explain behavioral characteristics. **Sociology** is the study of the behavior of groups and how they relate to each other in a social setting. **Social psychology** blends concepts from sociology and psychology and focuses on how people influence each other in a social setting. **Political science** studies the behavior of individuals and groups within a political environment. **Anthropology** is the study of people and their activities in relation to societal, environmental, and cultural influences.

1.4   Demonstrate the value of critical thinking in the context of OB

Critical thinking is the ability to use intelligence, knowledge, and skills to question and carefully explore situations and arrive at thoughtful conclusions based on evidence and reason. The critical-thinking approach is a powerful analytical method that helps managers consider intended and unintended consequences of behaviors on their teams, organizations, and communities.

1.5   Identify the major challenges and opportunities in the field of OB

The process of *globalization* has had a huge influence on OB. The *economy* has had a significant effect on OB. Organizations are continually strategizing to overcome economic stumbling blocks by hiring talent and focusing on the skill sets of their workforce to find new, innovative ways to differentiate themselves from the competition. *Workforce diversity* develops when organizations foster working environments that don't discriminate against others regardless of gender, race, ethnicity, age, sexual orientation, and disability. Organizations are creating *customer-responsive cultures* to meet the increasing needs and changing demands of their customer base. Managers and employees must have excellent people skills and use them on the job to work harmoniously with their colleagues. Organizations need to stimulate *innovation* and *change* by becoming faster and more agile than the competition. There is a growing commitment to fostering an *ethical culture* and improving ethical behavior in the workplace. Many organizations are striving to build a more sustainable and responsible global marketplace by taking environmental factors into consideration during decision-making and goal-setting practices.

1.6   Differentiate the three basic levels of analysis at which OB may be examined

There are three main levels of analysis within the OB model: individuals, teams, and organizations. Individuals are the foundation of organizations: the way they work and behave makes or breaks a business. The role of managers is to integrate individuals into the organization, nurture their skills and attributes, and balance their needs and expectations accordingly. Teams or groups exist in all organizations, large or small, and have a significant influence on the behavior of individual team members. **Positive organizational behavior** focuses on the strengths, virtues, vitality, and resilience of individuals and organizations.

High-involvement management occurs when managers empower employees to make decisions, provide them with extensive training and the opportunities to increase their knowledge base, share important information, and provide incentive compensation. This type of approach works only when the right employees are selected to work in an organization. When high-involvement management is effective, it helps to build strong relationships between individuals and teams, fosters trust, and increases job satisfaction and productivity.

KEY TERMS

Anthropology (p. 11)

Competitive advantage (p. 9)

Conceptual skill (p. 8)

Contingency thinking (p. 15)

Correlation (p. 14)

Critical thinking (p. 12)

Dependent variables (p. 14)

Emotional intelligence (p. 8)

Evidence-based management (p. 15)

High-involvement management (p. 20)

Human capital (p. 9)

Human capital inimitability (p. 10)

Human capital rareness (p. 10)

Human capital value (p. 9)

Human skills (p. 8)

Hypothesis (p. 14)

Independent variables (p. 14)

Model (p. 14)

Open systems theory (p. 15)

Organization (p. 6)

Organizational behavior (p. 6)

Political science (p. 11)

Positive organizational behavior (p. 22)

Psychology (p. 11)

Social psychology (p. 11)

Sociology (p. 11)

Strategic OB approach (p. 9)

Technical skill (p. 8)

Theory (p. 14)

Value chain (p. 16)

UP FOR DEBATE: HIRING CRITERIA

When hiring employees, the emotional intelligence of the potential employee is more important than their IQ. Agree or disagree?

EXERCISE 1.1: ORGANIZATIONAL BEHAVIOR IN AN INTERNATIONAL FIRM

Objective

The purpose of this exercise is to gain a greater understanding of organizational behavior as it applies to globalization.

Instructions

Globalization is a major consideration for large, diversified companies and their understanding of organizational behavior. Suppose you work for an American organization that has been operating in this country for over a hundred years. The company manufactures a variety of light bulbs but over the last 10 years has specialized in LED bulbs. As the business has grown, the leaders of the organization have begun to see opportunities to expand internationally for the first time in the firm's history. The CEO wants to begin international operations next year with a manufacturing plant in a country outside the United States.

In teams of three to six, choose a country in which to open a new division of your company. Select one you are either familiar with or can readily find information about. Next, determine what you would need to know about the country and its culture for the new facility to be successful. For example, does the country and culture you selected value individualism or teams more? Is the country one where loud, expressive communication is commonplace, or does interpersonal communication tend to be more quiet and subdued? Assume that 95% of the employees will be hired from the country you selected and only 5% will be expatriates from the United States.

Reflection Questions

1. How important is it for managers to understand both organizational behavior *and* globalization when operating an international organization?

2. What could managers do to ensure that the employees hired have a firm understanding of the accepted standards of behavior in the company?

3. How about the 5% of the employees who will be relocating from the United States? What challenges will they have in adjusting to this new country and culture? How can the company assist them in acclimating more quickly and easily to this new working environment?

Exercise contributed by Steven Stovall, Southeast Missouri State University.

EXERCISE 1.2: WHO CAN BE CEO?

Objective

The purpose of this exercise is to grasp the concept of human capital and its value to organizations.

Instructions

Human capital is described as the sum of people's skills, knowledge, experience, and general attributes. To be the president or chief executive officer (CEO) of a firm, one must be strong in all of these factors. The top leaders of organizations change over time due to the death or retirement of the CEO, the CEO moving on to a different organization voluntarily, or the board of directors asking the CEO to step down because of poor performance.

When the board of directors at a major corporation has an opening for a CEO and they want to promote someone from within the organization, they examine all the qualifications of various candidates—the human capital of those vying for the position.

The question for the class to discuss is this: Can anyone be a CEO? Does every single employee in a company have the same skill set, knowledge about the firm and the industry, experience in the field, and other general attributes to step into the role of CEO? Why or why not?

Reflection Questions

1. If you feel that anyone can be CEO, what do you base this on? And if you feel otherwise—that only certain individuals can be CEO—what would prevent others from filling that role? What is it they're missing?

2. How do companies identify human capital in their organization? What ways could a board of directors evaluate who is most qualified to be CEO?

What training and development could a company offer to prepare more candidates to be the top manager of an organization? Are all the qualifications a CEO should have able to be learned, or are they innate skills these individuals are born with?

Exercise contributed by Steven Stovall, Southeast Missouri State University.

EXERCISE 1.3: YOUR EXPERIENCE WITH OB

Objective

This exercise will help you to better *understand* organizational behavior, its concepts, and its uses by helping you to *explain* and *discuss* your organizational experiences in terms of Chapter 1 concepts.

Instructions

Step 1 (10 minutes): Think about an organization you are or have been a member of. It can be any type of organization as discussed in the first chapter of this text (e.g., social, religious, charitable). After selecting your organization, think about a problem the organization has had. Write down a brief (no

more than half a page) narrative describing this problem. Be sure to explain the problem using the concept terms from Chapter 1. Also, try to identify the level at which this problem existed: individual, group, organizational, or across multiple levels.

Step 2 (10 minutes): Find a partner and read each other the problems you wrote about. Select the most interesting of the two write-ups. Together rewrite the description so that it clarifies any points that are unclear and is more concrete in its use and application of chapter concepts.

Step 3 (10 minutes): As a pair, find another pair to form a quad. Each pair should read the situation write-up selected in Step 2 to the other pair. Again, select the situation that is the most interesting, and work together as a group to improve the situation description. Clarify any misuse of terms and be sure that as much of the situation as possible is described using chapter concepts.

Step 4 (10 to 30 minutes): Select one person from the quad to read the write-up chosen by the entire quad as the most interesting to the entire class. The person who reads the situation should be someone other than the person who initially wrote about the situation, but everyone should be prepared to help clarify any points about the write-up using chapter concepts.

Reflection Questions

Think about the process of identifying organizational problems in terms of the organizational behavior concepts you're learning.

1. How did identifying the problem in this way change the way you thought about the problem?

2. How did linking the problem to the concepts help you think about methods for dealing with the problem?

3. How did thinking about the level of the problem shape the way you thought about the problem?

4. When listening to other groups, note how their descriptions used chapter concepts. Were there any usages that surprised you or you were uncertain about?

Exercise contributed by Milton R. Mayfield, Professor of Business, Texas A&M International University, and Jacqueline R. Mayfield, Professor of Business, Texas A&M International University.

ONLINE EXERCISE 1.1: UNDERSTANDING ORGANIZATIONAL CHALLENGES AND OPPORTUNITIES

Objective

The purpose of this exercise is to gain an understanding of the challenges and opportunities facing organizations today.

Instructions

This chapter identifies seven challenges and opportunities facing organizations (globalization, people skills, innovation and change, etc.). These challenges and opportunities may be either external (e.g., globalization) or internal (e.g., people skills).

In an online discussion group, choose one of the seven challenges and opportunities, then provide an example of how that is both a challenge and an opportunity for an organization. For example, if you chose globalization, an example of a challenge would be understanding different cultures in the workplace (for instance, you might be working alongside someone from Japan who tends to bow or lower their head when greeting you). An example of an opportunity would be that the company will be able to offer its products or services to an entirely new consumer overseas.

Reflection Questions

1. Are any of the seven challenges and opportunities (globalization, people skills, innovation and change, etc.) more important than the others? Explain.

2. Select one of the challenges and opportunities listed in the chapter. Think about an organization you currently work for or have worked for before. How well or how poorly does/did that organization perform with that challenge or opportunity?

3. How successful would an organization be if it ignored one or more of these challenges and opportunities? Explain.

Exercise contributed by Steven Stovall, Southeast Missouri State University.

ONLINE EXERCISE 1.2: UNDERSTANDING SKILLS

Objective

The purpose of this exercise is to gain an appreciation for technical, human, and conceptual skills.

Instructions

Technical, human, and conceptual skills are used to varying degrees by managers at all levels of an organization. For example, a forklift driver will have more technical skills, while the vice president of sales will have more conceptual skills.

Have each person on the discussion board post a job title familiar to that individual. If it's a job title peculiar to a particular industry or one that many won't readily recognize, offer a brief a description of the job. Once the job title is posted, discuss whether that job title would involve more conceptual, human, or technical skills. Discuss why you think one job title would involve more of one set of skills than another job title that has been posted.

Reflection Questions

1. What kinds of jobs have more conceptual skills? More human skills? More technical skills?

2. Are human skills important for every job title? Why or why not?

3. How effective would the president of a company be if they had strong technical skills but weak conceptual skills? What about a janitor who had excellent conceptual skills but poor technical skills?

4. In your current job or in jobs you have had in the past, which skills have been most important: technical, human, or conceptual? Explain.

Exercise contributed by Steven Stovall, Southeast Missouri State University.

CASE 1.1: CVS HEALTH

Time and time again, job satisfaction has been proven to have large effects on the bottom line; employee happiness and productiveness go hand in hand. As mentioned in this chapter, human capital, which is the sum of people's skills, knowledge, experience, and general attributes, is a key element of competitive advantage. One way to influence people and employees is from a sociological perspective, which involves managers and corporations committing to a bigger picture. The text speaks on the ways in which feelings, actions, and beliefs can influence the behavior of employees and consumers, and CVS Health has spent considerable time and resources forming a fulfilling mission.

Making Difficult Decisions

In September 2014, CVS Corporation made a landmark decision: they ceased all tobacco sales in their nearly 7,900 locations at the time. The CVS bottom line took a $2 billion annual reduction, which was a risky move for a Fortune 500 company, but the CVS mission became clear to all employees and consumers.[47] They had branded themselves as a leading provider of health services, and they could no longer square their cigarette sales with their genuine pursuits in health care. The people at CVS and the upper management team decided that a value chain must be viable in the marketplace, but it must also reside within their corporation's bigger mission.

While there may be short-term financial losses embedded in decisions like these, they give employees a reason to find more fulfillment in their work and have financially lucrative sociological side effects. For example, since CVS was the first drugstore to eliminate tobacco, many prominent figures came out in support of the effort, ranging from Bill Gates, founder of Microsoft, to then-president Barack Obama. These larger societal implications can make short-term difficulties pay off in the long run. Studies have shown that CVS's decision led to a reduction in total cigarette purchases, from any seller, of 95 million packs in eight months.[48] In addition, considering how heavy smokers are twice as likely to be hospitalized and stand a greater risk of dying from COVID-19, this short-term decision has greatly benefited society in ways that wouldn't have been expected. Overall, CVS revenues have increased from around $139.4 billion at the end of 2014 to $268.7 billion in 2020.[49]

The Value Chain

At first glance, it can be difficult to understand how a decline in sales could improve a company's value chain, described in the text as the sequence of activities carried out by organizations to deliver valued goods and services to consumers. "For now," explained executive Eileen Howard Boone, "we focused on helping our customers lead tobacco-free lives. We believe passionately that is a powerful preventive health measure that will have a positive impact on their health and quality of life. I'm so proud that we are the first national pharmacy chain to stop the sale of tobacco products. While it produced $2 billion in annual sales, we wanted to take a bold step in support of the health and well-being of our patients and customers and I truly hope [it] will continue to fuel the public health discussion."[50] CVS and their employees are committed to creating healthy lives, and they believe they can now provide that valuable service better than ever as they maintain a more fulfilling, long-term outlook on their value chain.

Aside from making waves in their industry with their decision to nix tobacco sales, the leadership members at CVS have sought to define their business on their own terms. The text describes the value of having a purpose, on the individual employee level all the way up to the corporate level, and CVS describes theirs as such: "We're reinventing pharmacy to have a more active, supportive role in each person's unique health experience and in the greater health care environment."[51] A consistent purpose like this one can play a key role in keeping a company on track in spite of financial gains and losses and the ebbs and flows of the market as a whole. CVS (NYSE: CVS) stock has seen some large fluctuations, but they have grown steadily on a long-term basis even amid the COVID-19 pandemic, and they rose all the way to number four on the Fortune 500 list in 2021.[52]

Ethics

It's no stretch to see the ethical implications of the CVS tobacco-free decision: they believe it's worth short-term pains to benefit the health of their communities. Ethics are morals that guide behavior—but they never make answers black and white, and often create ethical dilemmas. While all of CVS's best practices don't fit into a case study, the company takes a number of notable measures to ensure they promote ethical behavior. CVS ensures that all their suppliers, of which they have thousands, go through application and compliance processes to guarantee ethical sourcing. They also offer a website for customers and employees to report any ethical dilemmas and offenses they notice, as the pharmaceutical and health industries present many difficult decisions and temptations.

Conclusion

In sum, many large corporations have issues, but many also have valuable best practices, from which all managers and business owners can learn. CVS has taken meaningful strides to improve their corporate culture, management style, and society as a whole, all the while investing in the growth and improvement of their value chain.

Case Questions

1. Describe the big decision that CVS Health made. How does it relate to the text?

2. How does the text describe ethics, and how do they play a role at CVS Health?