Introduction

Learning Outcomes

After reading this chapter, you should be able to answer these questions:

1. What is the meaning of work in a societal context?
2. How do recognize and meet the challenges facing managers in the new millennium?
3. What is expected of a manager?
4. What is the role of the behavioral sciences in management and organizations?

EXPLORING MANAGERIAL CAREERS

The Management Challenge at Apple and Google

When Apple was developing iOS 10, a group of 600 engineers was able to debug, develop, and deploy the new programming within two years. Contrarily, Microsoft engineers were able to develop and execute the programming on Vista, but it took considerably longer and was a bigger undertaking, with almost 6,000 engineers at hand. What was the difference?

According to the study conducted by leadership consulting firm Bain & Company, companies like Apple, Google, and Netflix are 40 percent more productive than the average company. Some may think that this is a product of the hiring pool; big companies generally attract a more talented group of recruits. With unique benefits and prowess in the industry, this must be the case. Wrong. Google and Apple have found a way to answer the most fundamental question in management: How do you balance productivity while maintaining employee satisfaction and commitment?
Companies such as Google have approximately the same percentage of “star players” as other companies, but instead of spreading out the talent, they group them dynamically to achieve more throughout the day. This grouping focuses on grouping key players in the most business-critical roles, and is the key to success for the overall company. You’ve heard the saying “You’re only as strong as your weakest link,” and in the case of Apple, there were no weak links, making their productivity extremely high overall. To make matters more complicated, the fast-paced workplace and technology changes, including the diversity of employees and the global marketplace, takes a considerable toll on employee expectations, as do the overall stresses of the business performance. Apple is just one example of a company that figured out one of the pieces to this puzzle, but it is illustrative of what is happening in the workplace all around the globe.

Contemporary managers are witnessing changes in technologies, markets, competition, workforce demographics, employee expectations, and ethical standards. At the heart of these changes is the issue of how to manage people effectively. To attain corporate objectives, each manager must discover how to develop and maintain a workforce that can meet today’s needs while getting ready for tomorrow’s challenges. As a result, managers are asking questions such as:

- How can we meet the international competition?
- How can we make this organization more effective?
- How can we better utilize our human resources?
- How can we create a more satisfying and rewarding work environment for all employees?
- How can we improve the quality of our products?
- How can we improve communication and decision-making processes at work?
- How should we evaluate and reward performance?
- How can we develop the company leaders of tomorrow?

Questions such as these point to the issue of effective management. That is, what can managers do to improve both organizational and employee performance? Effective management requires an in-depth knowledge of financial management, marketing research and consumer behavior, accounting and control practices, manufacturing and production techniques, and quantitative methods. In addition, however, effective management requires “people skills.” That is, a good manager must be able to motivate his employees, to lead skillfully, to make appropriate and timely decisions, to communicate effectively, to organize work, to deal with organizational politics, and to work to develop both employees and the organization as a whole. These issues constitute the subject of this course. We shall examine principles of the behavioral sciences that can help managers improve both their own skills and abilities and those of their subordinates in order to enhance organizational performance and effectiveness.

As a prelude to this analysis, we begin with a brief look at the natures of work and of management. Contemporary challenges are discussed. Next, we consider a model of organizational behavior that will serve as a guide throughout the study of management and organizational behavior. We begin with an examination of work.

### 1.1 The Nature of Work

1. What is the meaning of work in a societal context?
The Meaning of Work

What is work, and how do people feel about the work they do? These questions may be answered from several perspectives. Perhaps one of the best ways to understand how people feel about their jobs is simply to ask them. A number of years ago Chicago writer Studs Terkel did exactly that. How did the people he interviewed feel about their jobs? Here are some excerpts from his book Working.¹

I’m a dying breed. . . . A laborer. Strictly muscle work . . . pick it up, put it down, pick it up, put it down . . . you can’t take pride any more. You remember when a guy could point to a house he built, how many logs he stacked. He built it and he was proud of it.

—Steelworker [p. 1]

I changed my opinion of receptionists because now I’m one. It wasn’t the dumb broad at the front desk who took telephone messages. She had to be something else because I thought I was something else. I was fine until there was a press party. We were having a fairly intelligent conversation. Then they asked me what I did. When I told them, they turned around to find other people with name tags. I wasn’t worth bothering with. I wasn’t being rejected because of what I said or the way I talked, but simply because of my function.

—Receptionist [p. 57]

People ask me what I do, I say, “I drive a garbage truck for the city.” . . . I have nothing to be ashamed of. I put in my eight hours. We make a pretty good salary. I feel I earn my money. . . . My wife’s happy; this is the big thing. She doesn’t look down at me. I think that’s more important than the white-collar guy looking down at me.

—Sanitation Truck Driver [p. 149]

I’m human. I make mistakes like everybody else. If you want a robot, build machines. If you want human beings, that’s what I am.

—Policeman [p. 186]

I usually say I’m an accountant. Most people think it’s somebody who sits there with a green eyeshade and his sleeves rolled up with a garter, poring over books, adding things—with glasses. I suppose a certified public accountant has status. It doesn’t mean much to me. Do I like the job or don’t I? That’s important.

—Accountant [p. 351]

The boss . . . lost his secretary. She got promoted. So they told this old timekeeper she’s to be his secretary-assistant. Oh, she’s in her glory. No more money or anything and she’s doing two jobs all day long. She’s rushin’ and runnin’ all the time, all day. She’s a nervous wreck. And when she asked him to write her up for an award, he refused. That’s her reward for being so faithful, obedient.

—Process Clerk [p. 461]

Examples such as these—and there are many, many more—show how some employees view their jobs and the work they perform. Obviously, some jobs are more meaningful than others, and some individuals are more easily satisfied than others. Some people live to work, while others simply work to live. In any case, people clearly have strong feelings about what they do on the job and about the people with whom they work.
study of behavior in organizations, we shall examine what people do, what causes them to do it, and how they feel about what they do. As a prelude to this analysis, however, we should first consider the basic unit of analysis in this study: work itself. What is work, and what functions does it serve in today’s society?

Work has a variety of meanings in contemporary society. Often we think of work as paid employment—the exchange of services for money. Although this definition may suffice in a technical sense, it does not adequately describe why work is necessary. Perhaps work could be more meaningfully defined as an activity that produces something of value for other people. This definition broadens the scope of work and emphasizes the social context in which the wage-effort bargain transpires. It clearly recognizes that work has purpose—it is productive. Of course, this is not to say that work is necessarily interesting or rewarding or satisfying. On the contrary, we know that many jobs are dull, repetitive, and stressful. Even so, the activities performed do have utility for society at large. One of the challenges of management is to discover ways of transforming necessary yet distasteful jobs into more meaningful situations that are more satisfying and rewarding for individuals and that still contribute to organizational productivity and effectiveness.

Functions of Work

We know why work activities are important from an organization’s viewpoint. Without work there is no product or service to provide. But why is work important to individuals? What functions does it serve?

First, work serves a rather obvious economic function. In exchange for labor, individuals receive necessary income with which to support themselves and their families. But people work for many reasons beyond simple economic necessity.

Second, work also serves several social functions. The workplace provides opportunities for meeting new people and developing friendships. Many people spend more time at work with their co-workers than they spend at home with their own families.

Third, work also provides a source of social status in the community. One’s occupation is a clue to how one is regarded on the basis of standards of importance prescribed by the community. For instance, in the United States a corporate president is generally accorded greater status than a janitor in the same corporation. In China, on the other hand, great status is ascribed to peasants and people from the working class, whereas managers are not so significantly differentiated from those they manage. In Japan, status is first a function of the company you work for and how well-known it is, and then the position you hold. It is important to note here that the status associated with the work we perform often transcends the boundaries of our organization. A corporate president or a university president may have a great deal of status in the community at large because of his position in the organization. Hence, the work we do can simultaneously represent a source of social differentiation and a source of social integration.

Fourth, work can be an important source of identity and self-esteem and, for some, a means for self-actualization. It provides a sense of purpose for individuals and clarifies their value or contribution to society. As Freud noted long ago, “Work has a greater effect than any other technique of living in binding the individual more closely to reality; in his work he is at least securely attached to a part of reality, the human community.” Work contributes to self-esteem in at least two ways. First, it provides individuals with an opportunity to demonstrate competence or mastery over themselves and their environment. Individuals discover that they can actually do something. Second, work reassures individuals that they are carrying out activities that produce something of value to others—that they have something significant to offer. Without this, the individual feels that he has little to contribute and is thus of little value to society.

We clearly can see that work serves several useful purposes from an individual’s standpoint. It provides a
degree of economic self-sufficiency, social interchange, social status, self-esteem, and identity. Without this, individuals often experience sensations of powerlessness, meaninglessness, and normlessness—a condition called alienation. In work, individuals have the possibility of finding some meaning in their day-to-day activities—if, of course, their work is sufficiently challenging. When employees are not involved in their jobs because the work is not challenging enough, they usually see no reason to apply themselves, which, of course, jeopardizes productivity and organizational effectiveness. This self-evident truth has given rise to a general concern among managers about declining productivity and work values. In fact, concern about this situation has caused many managers to take a renewed interest in how the behavioral sciences can help them solve many of the problems of people at work.

**CONCEPT CHECK**

1. Define work.
2. What functions does work serve in modern society?

### 1.2 The Changing Workplace

2. How do recognize and meet the challenges facing managers in the new millennium?

It has often been said that the only constant in life is change, and nowhere is this truer than in the workplace. As one recent study concluded, “The United States is a competitive location to the extent that firms operating in the U.S. are able to compete successfully in the global economy while supporting high and rising living standards for the average American. Although the U.S. retains profound competitive strengths—for instance, in higher education and entrepreneurship—those strengths are increasingly threatened by weaknesses in areas such as the tax code, basic education, macroeconomic policies, and regulation.” Companies face a variety of changes and challenges that will have a profound impact on organizational dynamics and performance. In fact, in many ways these changes and challenges will determine who will survive and prosper into the next century and who will not. Among these challenges are the following:

#### The Challenge of International Competition

Until the 1980s, many American firms had little in the way of serious international competition. As a result, there was little incentive to innovate and remain efficient and competitive. Many companies became lazy and lost touch with their customers. This situation changed abruptly as companies in Asia and Western Europe developed more sophisticated products and marketing systems and gained significant market shares in home electronics, automobiles, medical equipment, telecommunications, and shipbuilding, to name a few areas. As a result, American companies lost considerable clout—and profitability. In the 1990s and into the new millennium, the lowering of trade barriers and acceptance of trade agreements like NAFTA led corporations to seek less expensive labor overseas. This led to lower costs and the ability to offer products at more competitive prices, but also led to a drop in manufacturing in industries like steel production, a drop in manufacturing of products like iPhones, and the relocation of call centers from the U.S. to India.

If we examine corporate behavior during the early decades of the new millennium, it is not difficult to see
some of the reasons for the demise. In short, many North American firms lost their industrial competitiveness; that is, they lost their capacity to compete effectively in global markets, or they chose to locate in foreign countries as a way to broaden their reach and become more competitive. Consider the following examples:\(^4\)

During the last year reported, India experienced a 7.5 percent annual growth rate in real GDP while China recorded an increase of 6.7 percent. This is a measure of how economies are progressing. Great Britain, France, and Italy all had close to 2 percent increases. At the same time, however, the United States recorded a 3.8 percent annual increase (and Canada had a 3 percent increase), a larger increase after a lethargic recovery from the 2009 financial crisis.

While traditional jobs have shifted to developing countries, countries like the United States and Canada have transformed their economies by incorporating more technology and automation as well as having a greater proportion of the workforce in the service sectors. It is anticipated that the coming decades will continue to bring disruption to traditional workplace skills that will result in challenging workers to continually evolve their skills.

Finally, the number of products that were invented in the United States but are now primarily manufactured overseas has increased dramatically—advances in technology are helping the United States regain the top spot in world manufacturing. There had been a significant decline in our manufacturing sector as less expensive labor in markets like India and China led companies to locate factories there. Since 2010, however, the United States has risen from fourth place to second and is expected to claim the spot as the leading nation by 2020. The major reasons for this are: advanced manufacturing capabilities require fewer “line workers,” and having products produced near their major markets reduces transport and time to market.

Considering several indicators of the relative competitiveness of economies using seven metrics, the U.S. performs quite well. The seven metrics are institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, and labor market efficiency. When taking all of these factors into consideration (see Table 1.1), the United States ranks very well and has an environment of stable growth. One challenge is that workers will need to be nimble and evolve as new skills arise and will need to embrace continuous education and training as a way of managing their careers.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country/Economy</th>
<th>Score</th>
<th>Distance from Best</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Switzerland</td>
<td>5.9</td>
<td>0.00% from best</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>5.9</td>
<td>0.09% from best</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>5.7</td>
<td>2.60% from best</td>
</tr>
<tr>
<td>4</td>
<td>Netherlands</td>
<td>5.7</td>
<td>3.34% from best</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>5.7</td>
<td>3.46% from best</td>
</tr>
<tr>
<td>6</td>
<td>Hong Kong SAR</td>
<td>5.5</td>
<td>5.56% from best</td>
</tr>
</tbody>
</table>

Table 1.1 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)
Table 1.1 (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

In terms of organizational survival, herein lies what is perhaps management’s biggest challenge: how to become more competitive. Greater competitiveness requires an understanding of individuals, groups, and entire organizational systems. Throughout this course, we shall see numerous examples of how companies from around the world are meeting the challenges of global competition. Particular emphasis will be placed on management practices in other countries as a point of comparison.

The Challenge of New Technologies

Although it is common to think of “high tech” as applying only to the aerospace and telecommunications industries, advanced technologies can be found throughout most industries. For example, most of us are familiar with the explosive growth in computing. Both hardware and software change so rapidly that it is difficult for many companies to keep up. Personal computers are being replaced by cell phones that are now faster and more powerful than their predecessors. Cloud computing and access to big data and applications transform data into useful information that is increasingly complex and increasingly user friendly. In November of 1971 Intel launched the first microchip. Today, a modern Intel Skylake processor contains around 1.75 billion transistors—half a million of them would fit on a single transistor from the 4004—and collectively they deliver about 400,000 times as much computing muscle. In 1971, Intel produced its first microchip. Today, a modern Intel Skylake processor contains around 1.75 billion transistors—half a million of them would fit on a single transistor from the 4004—and collectively they deliver about 400,000 times as much computing muscle. More and more companies are using computer-based systems and equipment—such as e-mail, real-time messaging and file sharing, PDAs, and cell phones—for communications. As a result, the way in which employees and managers communicate and make decisions is changing dramatically, and the importance of educated and knowledgeable workers is increasing rapidly.

Technological changes also can be seen in the increased use of robotics, expert systems, and computer-integrated manufacturing systems, which have changed the way many products are manufactured today. Such changes affect not only production efficiency and product quality but also the nature of jobs. In many industries, the first-line supervisors are disappearing and being replaced by self-managing work teams who assume responsibility for production scheduling, quality control, and even performance appraisals. All of these technological changes require managers who are capable of effectively implementing technological change in the workplace—managers who can adapt to the technological imperative while still maintaining and
developing the organization’s human resources. We will examine the role of technology as it relates to organization structure, job design, communication, decision-making, and work-related stress. We will see how some companies successfully adapted to technological change in a way that benefited all parties concerned.

M A N A G I N G C H A N G E

Siri Struggles to Keep Up with the Competition

Many executives struggle in the ongoing competitive landscape of technology. With fast-paced changes, staying one step ahead as well as being able to pivot quickly to respond to action are two critical elements to successful leadership.

Apple Inc. has made its third change in the past year to the leadership of the artificial intelligence voice-assistance system Siri. Due to many factors, including being outperformed by the competition such as Google Assistant and Amazon Inc.’s Alexa, the company decided to pivot and make the change.

These two systems have seen incredible growth in 2018, with the Amazon Echo and Google Home claiming each 34 percent of the market. Now John Giannandrea, formerly Google’s head of search and AI, has joined the Apple team and is tasked with getting on the rival’s level from which he came (Verge 2018).

He will be challenged not only by having a new culture and company to fit into, but also by finding a good balance on how to innovate in his new role, as well as taking the best practices that he has from his previous role and applying it to boost the success of the Apple artificial intelligence. Keys to his success will be how quickly he can adapt to the new role, learning, adapting, and making changes along the way to bring Apple back to the playing field of artificial intelligence.

Question 1: What other challenges would a new executive have coming from a competing company?

Question 2: How much change is too much? What cautions should Apple be concerned about with all of the turnover for this position?


The Challenge of Increased Quality

The challenge of industrial competitiveness incorporates several interrelated factors, including an appropriate product mix, manufacturing efficiency, effective cost controls, investment in research and development, and so forth. Not to be ignored in this pursuit is the quest for increased quality control of the products and services offered in the marketplace. Total Quality Management (TQM) is a term often used to describe comprehensive
efforts to monitor and improve all aspects of quality within a firm. BMW established and continues to maintain its reputation in part because customers have come to respect its high level of quality. Quality is also a major reason for the success of many Japanese products in North America. Simply put, if companies are going to compete, renewed efforts must be devoted to enhanced quality assurance. This, too, is a management challenge. How can managers get employees to care about the products they produce or the services they offer? In this book, we will consider both the issue of quality control (what is it?) and mechanisms of ensuring improved product quality (how do we get it?).

Moreover, quality control includes several organizational issues. For instance, how can managers get parties who are traditionally independently associated with a product to work together to build a better product? That is, how can they get the design staff, manufacturing engineers, workers, suppliers—and potential customers—to come together and cooperate in developing and manufacturing a superior product? Later in the book we will examine several instances in which such teamwork played a major role in quality improvement.

The Challenge of Employee Motivation and Commitment

A major hurdle in the pursuit of industrial competitiveness is the traditional adversarial relationship between management and workers. Whether a company is unionized or not, we see situations in which the average employee simply sees no reason to increase output or to improve the quality of existing outputs. Frequently, the company’s reward system restricts, rather than increases, performance. At other times, rewards encourage employees to increase quantity at the expense of quality. Furthermore, North American companies often view their workforce as a variable expense (in contrast to Japan, where the workforce is viewed as a fixed expense) and lay workers off when they are not needed for short-run activities. As a result, returning the favor, employees see little reason to be committed or loyal to their employers. Turnover and absenteeism rates are often unreasonably high, further eroding performance efficiency and effectiveness.

If companies are to succeed in an increasingly turbulent environment, managers must discover better ways to develop and motivate employees. A company’s human resources often represent its biggest single asset, and failing to properly nurture this asset leads to suboptimal return on an organization’s resources. Part of solving this problem involves knowing and understanding today’s employees. Exhibit 1.2 illustrates the various characteristics employees consider important in their employers. Overall, employees seem to have a fairly positive outlook on their employers. As illustrated in Exhibit 1.3, however, many millennials do not see their tenure lasting for a long period and expect to have another job soon.
This problem is made all the more difficult by the changing nature of occupations. As shown in Table 1.2, we are seeing a sharp increase in the number of technicians, service workers, and sales workers. Growth also can be expected in engineering and managerial positions. These changes require a new look at how such
employees are motivated. For example, do we motive an engineer the same way we motivate a sales representative? How do we motivate senior executives as opposed to junior managers? In this book, we shall touch on these issues when we examine approaches to employee motivation. Managers have at their disposal several ways in which to increase employee motivation and performance, and an effective manager learns how and when to use each approach.

### The Fastest-Growing Occupations

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Growth Rate 2016–2026</th>
<th>2017 Median Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar photovoltaic installers</td>
<td>105%</td>
<td>$39,490</td>
</tr>
<tr>
<td>Wind turbine service technicians</td>
<td>96%</td>
<td>$53,580</td>
</tr>
<tr>
<td>Home health aides</td>
<td>47%</td>
<td>$23,210</td>
</tr>
<tr>
<td>Personal care aids</td>
<td>39%</td>
<td>$23,110</td>
</tr>
<tr>
<td>Physician assistants</td>
<td>37%</td>
<td>$104,860</td>
</tr>
<tr>
<td>Nurse practitioner</td>
<td>36%</td>
<td>$103,880</td>
</tr>
<tr>
<td>Statistician</td>
<td>34%</td>
<td>$84,060</td>
</tr>
<tr>
<td>Physical therapist assistant</td>
<td>31%</td>
<td>$57,440</td>
</tr>
<tr>
<td>Software developers, applications</td>
<td>31%</td>
<td>$101,790</td>
</tr>
<tr>
<td>Mathematicians</td>
<td>30%</td>
<td>$103,010</td>
</tr>
<tr>
<td>Physical therapist aides</td>
<td>29%</td>
<td>$25,730</td>
</tr>
<tr>
<td>Bicycle repairs</td>
<td>29%</td>
<td>$28,390</td>
</tr>
<tr>
<td>Medical assistants</td>
<td>29%</td>
<td>$32,480</td>
</tr>
</tbody>
</table>


### The Challenge of Managing a Diverse Workforce

Historically, the American economy has been dominated by white males. They have filled the vast majority of managerial positions and many of the more important blue-collar jobs, becoming skilled craftsmen. Traditionally, women filled lower-paying clerical positions and often left the workforce to raise their families. Minorities of both genders found considerable barriers to entering the labor market at the higher (and higher-paying) levels. Now, things are changing, and the pace of this change is accelerating. Among other changes, the twenty-first century will also bring major changes in terms of workforce demographics. We will see changes in gender, race, and age.
Exhibit 1.4  

Kaiser Permanente The winner of the E Pluribus Unum Corporate Leadership Award, Kaiser Permanente focuses on the elimination of racial and ethnic health care disparities and has been in the vanguard of efforts to create innovative, scalable approaches that address the cultural and linguistic needs of patients, and thereby improve overall health care quality and outcomes. Its industry-leading training, testing, and certification process for multilingual staff who serve as health care interpreters, as well as for the physicians who speak with patients in languages other than English, helps to improve the quality of patient care while also capitalizing on the organization’s diverse workforce. (Credit: Ted Eytan/ flickr/ Attribution-ShareAlike 2.0 Generic (CC BY-SA 2.0))

For example, we are seeing a drop in the percentage of white American-born male workers in the workplace. Only 15 percent of new entrants into the workforce will be white males. The percentages for nonwhites and immigrants of both genders will increase (see Exhibit 1.5). In general, there are more women in positions of responsibility in both the public and private sectors and more opportunities for minorities. Some predict that the coming labor shortage will cause many companies to try to retain older workers for longer periods of time, beyond the traditional retirement age. Additionally, the belief that mentally or physically challenged individuals can play productive roles at work is increasing. Such changes bring opportunities for companies but also potential problems of adjustment if not managed intelligently. We will examine several of these issues when we discuss careers and employee development.
The Challenge of Ethical Behavior

Finally, the future will bring a renewed concern with maintaining high standards of ethical behavior in business transactions and in the workplace. Many executives and social scientists see unethical behavior as a cancer working on the fabric of society both in business and beyond. Many are concerned that we face a crisis of ethics in the West that is undermining our competitive strength. This crisis involves business, government, customers, and employees. Especially worrisome is unethical behavior among employees at all levels of the organization. For example, recent reports found that employees and vendors accounted for a higher percentage of thefts than did retail customers.  

ETHICS IN PRACTICE

Papa John’s Founder under Fire

As a manager, and leader, the words and actions you take are incredibly important. John Schnatter, founder and chairman of Papa John’s Pizza, found this out the hard way. During a media training conference call, Schnatter used derogatory comments and racial slurs. This call, although intended to be a role-playing exercise, quickly turned into a bad dream for Schnatter. In response to this action, and having admitted the fault, Schnatter was forced to resign as chairman after the local NAACP branch called for his resignation. In addition, the board of directors decided that he would be removed from all marketing, publicity, and pizza boxes, and they took the stance that “Papa John’s is not an individual.”
In addition, we hear about illegal and unethical behavior on Wall Street—pension scandals in which disreputable executives gamble on risky business ventures with employee retirement funds, companies that expose their workers to hazardous working conditions, and blatant favoritism in hiring and promotion practices. Although such practices occur throughout the world, their presence nonetheless serves to remind us of the challenges we face.

This challenge is especially difficult because standards for what constitutes ethical behavior lie in a “gray zone” where clear-cut right-or-wrong answers may not always exist. For example, if you were a sales representative for an American company abroad and your foreign competitors used bribes to get business, what would you do? In the United States such behavior is illegal, yet it is perfectly acceptable in other countries. What is ethical here? Similarly, in many countries women are systematically discriminated against in the workplace; it is felt that their place is in the home. In the United States, again, this practice is illegal. If you ran an American company in one of these countries, would you hire women in important positions? If you did, your company might be isolated in the larger business community, and you might lose business. If you did not, you might be violating what most Americans believe to be fair business practices.

Effective managers must know how to deal with ethical issues in their everyday work lives; therefore, we will devote parts of this course to the role of ethics in decision-making, the exercise of power, performance appraisals and reward systems, and so forth.

**CONCEPT CHECK**

1. Describe the extent and nature of the challenges facing the workplace in the next decade.
The Nature of Management

What Is Management?

Many years ago, Mary Parker Follett defined management as “the art of getting things done through people.” A manager coordinates and oversees the work of others to accomplish ends he could not attain alone. Today this definition has been broadened. Management is generally defined as the process of planning, organizing, directing, and controlling the activities of employees in combination with other resources to accomplish organizational objectives. In a broad sense, then, the task of management is to facilitate the organization’s effectiveness and long-term goal attainment by coordinating and efficiently utilizing available resources. Based on this definition, it is clear that the topics of effectively managing individuals, groups, or organizational systems is relevant to anyone who must work with others to accomplish organizational objectives.

Management exists in virtually all goal-seeking organizations, whether they are public or private, large or small, profit-making or not-for-profit, socialist or capitalist. For many, the mark of an excellent company or organization is the quality of its managers.

Managerial Responsibilities

An important question often raised about managers is: What responsibilities do managers have in organizations? According to our definition, managers are involved in planning, organizing, directing, and controlling. Managers have described their responsibilities that can be aggregated into nine major types of activities. These include:

1. **Long-range planning.** Managers occupying executive positions are frequently involved in strategic planning and development.
2. **Controlling.** Managers evaluate and take corrective action concerning the allocation and use of human, financial, and material resources.
3. **Environmental scanning.** Managers must continually watch for changes in the business environment and monitor business indicators such as returns on equity or investment, economic indicators, business cycles, and so forth.
4. **Supervision.** Managers continually oversee the work of their subordinates.
5. **Coordinating.** Managers often must coordinate the work of others both inside the work unit and out.
6. **Customer relations and marketing.** Certain managers are involved in direct contact with customers and potential customers.

7. **Community relations.** Contact must be maintained and nurtured with representatives from various constituencies outside the company, including state and federal agencies, local civic groups, and suppliers.

8. **Internal consulting.** Some managers make use of their technical expertise to solve internal problems, acting as inside consultants for organizational change and development.

9. **Monitoring products and services.** Managers get involved in planning, scheduling, and monitoring the design, development, production, and delivery of the organization’s products and services.

As we shall see, not every manager engages in all of these activities. Rather, different managers serve different roles and carry different responsibilities, depending upon where they are in the organizational hierarchy. We will begin by looking at several of the variations in managerial work.

**Variations in Managerial Work**

Although each manager may have a diverse set of responsibilities, including those mentioned above, the amount of time spent on each activity and the importance of that activity will vary considerably. The two most salient perceptions of a manager are (1) the manager’s level in the organizational hierarchy and (2) the type of department or function for which he is responsible. Let us briefly consider each of these.

**Management by Level.** We can distinguish three general levels of management: executives, **middle management**, and **first-line management** (see Exhibit 1.6). **Executive managers** are at the top of the hierarchy and are responsible for the entire organization, especially its strategic direction. Middle managers, who are at the middle of the hierarchy, are responsible for major departments and may supervise other lower-level managers. Finally, first-line managers supervise rank-and-file employees and carry out day-to-day activities within departments.
Exhibit 1.7 shows differences in managerial activities by hierarchical level. Senior executives will devote more of their time to conceptual issues, while first-line managers will concentrate their efforts on technical issues. For example, top managers rate high on such activities as long-range planning, monitoring business indicators, coordinating, and internal consulting. Lower-level managers, by contrast, rate high on supervising because their responsibility is to accomplish tasks through rank-and-file employees. Middle managers rate near the middle for all activities. We can distinguish three types of managerial skills:

1. **Technical skills.** Managers must have the ability to use the tools, procedures, and techniques of their special areas. An accountant must have expertise in accounting principles, whereas a production manager must know operations management. These skills are the mechanics of the job.
2. **Human relations skills.** Human relations skills involve the ability to work with people and understand employee motivation and group processes. These skills allow the manager to become involved with and lead his or her group.
3. **Conceptual skills.** These skills represent a manager’s ability to organize and analyze information in order to improve organizational performance. They include the ability to see the organization as a whole and to understand how various parts fit together to work as an integrated unit. These skills are required to coordinate the departments and divisions successfully so that the entire organization can pull together.

As shown in Exhibit 1.7, different levels of these skills are required at different stages of the managerial hierarchy. That is, success in executive positions requires far more conceptual skill and less use of technical skills in most (but not all) situations, whereas first-line managers generally require more technical skills and fewer conceptual skills. Note, however, that human or people skills remain important for success at all three levels in the hierarchy.
Exhibit 1.7  Difference in Skills Required for Successful Management According to Level in the Hierarchy  (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

Management by Department or Function. In addition to level in the hierarchy, managerial responsibilities also differ with respect to the type of department or function. There are differences found for quality assurance, manufacturing, marketing, accounting and finance, and human resource management departments. For instance, manufacturing department managers will concentrate their efforts on products and services, controlling, and supervising. Marketing managers, in comparison, focus less on planning, coordinating, and consulting but more on customer relations and external contact. Managers in both accounting and human resource management departments rate high on long-range planning, but will spend less time on the organization’s products and service offerings. Managers in accounting and finance are also concerned with controlling and with monitoring performance indicators, while human resource managers provide consulting expertise, coordination, and external contacts. The emphasis on and intensity of managerial activities varies considerably by the department the manager is assigned to.

At a personal level, knowing that the mix of conceptual, human, and technical skills changes over time and that different functional areas require different levels of specific management activities can serve at least two important functions. First, if you choose to become a manager, knowing that the mix of skills changes over time can help you avoid a common complaint that often young employees want to think and act like a CEO before they have mastered being a first-line supervisor. Second, knowing the different mix of management activities by functional area can facilitate your selection of an area or areas that best match your skills and interests.
In many firms, managers are rotated through departments as they move up in the hierarchy. In this way they obtain a well-rounded perspective on the responsibilities of the various departments. In their day-to-day tasks they must emphasize the right activities for their departments and their managerial levels. Knowing what types of activity to emphasize is the core of the manager’s job. In any event, we shall return to this issue when we address the nature of individual differences in the next chapter.

The Twenty-First Century Manager

We discussed above many of the changes and challenges facing organizations in the twenty-first century. Because of changes such as these, the managers and executives of tomorrow will have to change their approaches to their jobs if they are to succeed in meeting the new challenges. In fact, their profiles may even look somewhat different than they often do today. Consider the five skills that Fast Company predicts that successful future managers, compared to the senior manager in the year 2000, will need. The five skills are: the ability to think of new solutions, being comfortable with chaos, an understanding of technology, high emotional intelligence, and the ability to work with people and technology together.

For the past several decades, executive profiles have typically looked like this: He started out in finance with an undergraduate degree in accounting. He methodically worked his way up through the company from the controller’s office in a division, to running that division, to the top job. His military background shows. He is used to giving orders—and to having them obeyed. As head of the philanthropic efforts, he is a big man in his community. However, the first time he traveled overseas on business was as chief executive. Computers, which became ubiquitous during his career, make him nervous.

Now compare this with predictions about what a twenty-first-century executive will look like:

Her [or his] undergraduate degree might be in French literature, but she also has a joint MBA/engineering degree. She started in research and was quickly picked out as a potential CEO. She is able to think creatively and thrives in a chaotic environment. She zigzagged from research to marketing to finance. She is comfortable with technology and people, with a high degree of emotional intelligence. She proved valuable in Brazil by turning around a failing joint venture. She speaks multiple languages and is on a first-name basis with commerce ministers in half a dozen countries. Unlike her predecessor’s predecessor, she isn’t a drill sergeant. She is first among equals in a five-person office of the chief executive.

Clearly, the future holds considerable excitement and promise for future managers and executives who are properly prepared to meet the challenges. How do we prepare them? One study suggested that the manager of the future must be able to fill at least the following four roles:

1. Global strategist. Executives of the future must understand world markets and think internationally. They must have a capacity to identify unique business opportunities and then move quickly to exploit them.

2. Master of technology. Executives and managers of the future must be able to get the most out of emerging technologies, whether these technologies are in manufacturing, communications, marketing, or other areas.

3. Leadership that embraces vulnerability. The successful executive of the future will understand how to cut through red tape to get a job done, how to build bridges with key people from highly divergent backgrounds and points of view, and how to make coalitions and joint ventures work.

4. Follow-from-the-front motivator. Finally, the executive of tomorrow must understand group dynamics and how to counsel, coach, and command work teams and individuals so they perform at their best. Future organizations will place greater emphasis on teams and coordinated efforts, requiring managers to understand participative management techniques.
Great communicator. To this list of four, we would add that managers of the future must be great communicators. They must be able to communicate effectively with an increasingly diverse set of employees as well as customers, suppliers, and community and government leaders.

Whether these predictions are completely accurate is difficult to know. Suffice it to say that most futurists agree that the organizational world of the twenty-first century will likely resemble, to some extent, the portrait described here. The task for future managers, then, is to attempt to develop these requisite skills to the extent possible so they will be ready for the challenges of the next decade.

### Concept Check

1. Define management.
2. How does the nature of management change according to one’s level and function in the organization?

### 1.4 A Model of Organizational Behavior and Management

4. What is the role of the behavioral sciences in management and organizations?

A major responsibility—perhaps the major responsibility—of managers is to make organizations operate effectively. Bringing about effective performance, however, is no easy task. As Nadler and Tushman note:

Understanding one individual’s behavior is challenging in and of itself; understanding a group that’s made up of different individuals and comprehending the many relationships among those individuals is even more complex. Imagine, then, the mind-boggling complexity of a large organization made up of thousands of individuals and hundreds of groups with myriad relationships among these individuals and groups.

Despite this difficulty, however, organizations must be managed. Nadler and Tushman continue:

Ultimately the organization’s work gets done through people, individually or collectively, on their own or in collaboration with technology. Therefore, the management of organizational behavior is central to the management task—a task that involves the capacity to understand the behavior patterns of individuals, groups, and organizations, to predict what behavioral responses will be elicited by various managerial actions, and finally to use this understanding and these predictions to achieve control.

The work of society is accomplished largely through organizations, and the role of management is to see to it that organizations perform this work. Without it, the wheels of society would soon grind to a halt.

### What Is Organizational Behavior?

The study of the behavior of people in organizations is typically referred to as organizational behavior. Here, the focus is on applying what we can learn from the social and behavioral sciences so we can better understand and predict human behavior at work. We examine such behavior on three levels—the individual, the group, and the organization as a whole. In all three cases, we seek to learn more about what causes people—individually or collectively—to behave as they do in organizational settings. What motivates people? What makes some employees leaders and others not? Why do groups often work in opposition to their
employer? How do organizations respond to changes in their external environments? How do people communicate and make decisions? Questions such as these constitute the domain of organizational behavior and are the focus of this course.

To a large extent, we can apply what has been learned from psychology, sociology, and cultural anthropology. In addition, we can learn from economics and political science. All of these disciplines have something to say about life in organizations. However, what sets organizational behavior apart is its particular focus on the organization (not the discipline) in organizational analysis (see Exhibit 1.8). Thus, if we wish to examine a problem of employee motivation, for example, we can draw upon economic theories of wage structures in the workplace. At the same time, we can also draw on the psychological theories of motivation and incentives as they relate to work. We can bring in sociological treatments of social forces on behavior, and we can make use of anthropological studies of cultural influences on individual performance. It is this conceptual richness that establishes organizational behavior as a unique applied discipline. And throughout our analyses, we are continually concerned with the implications of what we learn for the quality of working life and organizational performance. We always look for management implications so the managers of the future can develop more humane and more competitive organizations for the future.

For convenience, we often differentiate between micro- and macro-organizational behavior. Micro-organizational behavior is primarily concerned with the behavior of individuals and groups, while macro-organizational behavior (also referred to as organization theory) is concerned with organization-wide issues, such as organization design and the relations between an organization and its environment. Although there are times when this distinction is helpful, it is always important to remember that in most instances we learn the most when we take a comprehensive view of organizational behavior and integrate these two perspectives. That is, issues such as organization structure can influence employee motivation. Hence, by keeping these two realms separate we lose valuable information that can help us better understand how to manage organizations.

Exhibit 1.8  Origins of Organizational Behavior  (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)
Xinyu Liu was hired as the studio designer at Invo, a Massachusetts-based firm. Prior to joining Invo, she was a user experience researcher at Samsung, where she investigated how to apply future technologies in everyday living. Changing behavior for good was a key component of the R&D work, leveraging invisible sensing tech, devising emotional effects, and crafting just-in-time graphic communication. Her wide-ranging skills, from analyzing social behavior to 3D modeling to electronics to UI design, are well-suited for the multi-domain projects at Invo. As part of the employee selection process, the hiring managers at Invo needed to recognize that their employees come from various backgrounds and have varying abilities and skills, differing motivational levels, and different ambitions. Within the organizational context, they needed to consider how Xinyu would fit on the team in the areas of communication, decision-making, and leadership, and how she would handle power and organizational politics as she carried out her responsibilities. (Credit: Juhan Sonin/flickr/Attribution 2.0 Generic (CC BY 2.0))

Building Blocks of Organizations

Understanding the behavior of people at work is fundamental to the effective management of an organization. Obviously, a number of factors come together to determine this behavior and its organizational consequences. In order to understand the origins and characteristics of these factors, it is necessary to have a model that organizes and simplifies the variables involved. We offer such a model here in the hope that it will bring some order to the study of this subject. The model can be considered in two parts (see Exhibit 1.10).
The first part of the model is the simple recognition of organizational inputs and outcomes. That is, organizations receive inputs from the external environment in the form of capital, raw materials, labor, community or government support, and so forth. In addition, organizations experience or produce certain outcomes, including (1) organizational goal attainment, (2) group performance and effectiveness, and (3) individual performance and effectiveness. Thus, organizations and the people in them exist in a constant state of flux, receiving and transforming inputs from the environment and returning those transformed inputs in the form of finished goods and services, return on stockholders’ equity, salaries that are paid to employees, and so forth. It is, in short, a dynamic system.

The second aspect of the model is the organization itself and all of its parts. One way to understand the complexity of organizations is to think of them simply as a set of building blocks, including:

**Individuals and groups.** Organizations are collectives of individuals and groups working to pursue common objectives. Their members come from various backgrounds and have varying abilities and skills, differing motivational levels, and different ambitions. Within the organizational context, these people must
communicate, make decisions, show leadership, and handle power and organizational politics as they carry out their assigned activities.

**Tasks and technology.** In addition to variations among individuals and groups, we must recognize variations in the technology of the workplace. That is, how does the work actually get done? Technology includes both the actual design of jobs and the tools and techniques used in manufacture (e.g., robotics and expert systems).

**Organization design.** Putting together these factors—individuals and groups and tasks—is the subject of organization design. That is, how do we structure an organization so it effectively coordinates and controls employee behavior to facilitate performance?

**Organizational processes.** In addition to people, machines, and structure, we must recognize a series of organizational processes, such as leadership, communication, decision-making, power and politics, and so forth. The processes largely determine the nature and quality of interpersonal and intergroup relations within the workplace and, as such, influence ultimate organizational performance.

Management. Finally, the glue that holds these building blocks together is the character of management. Throughout this text, we shall see numerous examples of how the degree of managerial effectiveness and prowess have determined the success or failure of a venture. We shall take a managerial view throughout our survey of organizational behavior.

There have been many attempts to provide a differentiation between leadership and management over time. While they are not the same thing, they are necessarily linked, and complementary. Any effort to separate the two is likely to cause more problems than it solves and as business evolved the content of leadership and management has changed. The emergence of the “knowledge worker,” and the profound differences that this causes the way business is organized. With the rise of the knowledge worker, one does not ‘manage’ people, and instead the task is to lead people and the goal is to make productive the specific strengths and knowledge of every individual.

These five variables, then, will constitute the primary ingredients of this book. We shall proceed sequentially, beginning with individual behavior and moving to group and intergroup behavior and finally to organization design and structure. On the basis of this, we will turn to a consideration of several of the more important organizational processes. Finally, we will look to the future and examine ways that organizations can continue to develop and improve their workforces and the organization as a whole. Throughout, the roles of technology and management will be considered. Also, throughout, we will blend theory with research and practice.

**CONCEPT CHECK**

1. Discuss the role of management in the larger societal context.
2. What do you think the managers of the future will be like?
3. Identify what you think are the critical issues facing contemporary management. Explain.
Key Terms

Alienation  The experience of being isolated from a group or an activity to which one should belong, or in which one should be involved.
Ethics  Moral principles that govern a person’s behavior or the conducting of an activity.
Executive managers  Generally, a team of individuals at the highest level of management of an organization.
First-line management  The level of management directly managing nonmanagerial employees.
Industrial competitiveness  The ability to provide products and services more effectively and efficiently than competitors.
Long-range planning  A process of setting goals that outlines the path for the company’s future.
Macro-organizational behavior  Macro-organizational behavioral research steps back and looks at an organization as a whole.
Management  The process of planning, organizing, directing, and controlling the activities of employees in combination with other resources to accomplish organizational objectives.
Micro-organizational behavior  Micro-organizational behavioral studies focus on individual and group dynamics within an organization.
Middle management  The managers in an organization at a level just below that of senior executives.
Organization theory  The study of organization designs and organization structures, relationship of organizations with their external environment, and the behavior of managers and workers within organizations.
Organizational behavior  The study of the actions and attitudes of individuals and groups toward one another and toward the organization as a whole.
Organizational design  A formal methodology that identifies dysfunctional aspects of workflow, procedures, structures and systems, and then realigns them to fit current business goals and develops plans to implement change.
Organizational processes  The activities that establish the business goals of the organization and develop processes, product and resource assets that when used will help to achieve business goals.
Technology  The application of scientific knowledge for practical purposes.
Theory  A set of principles on which the practice of an activity is based.
Work  All activity involving mental or physical effort done in order to achieve a purpose or result.

Summary of Learning Outcomes

1.1 The Nature of Work

1. What is the meaning of work in a societal context?

Work will almost inevitably be a large part of your life. An understanding of organizational behavior will aid you in making that part of life more productive and enjoyable for yourself as well those you are in a position to influence. In this course, our objective is to provide sound and relevant insights concerning individuals, groups, and overall organizational systems that will be helpful to you not just as an executive or CEO but also when you are starting your career as an individual contributor or subordinate.

1.2 The Changing Workplace

2. How do recognize and meet the challenges facing managers in the new millennium?

The fundamental challenge facing managers is how to achieve performance goals while simultaneously providing for employee welfare and satisfaction. Work may be defined as an activity that produces something
of value for other people. Work serves several functions, including economic, social, status, self-esteem, and self-actualization. As managers in today’s environment, several challenges arise, including international competition, new technologies, the need for increased quality, employee motivation and commitment, a diverse workforce, and ethical behavior. These challenges must be met by managers concerned about survival and competitiveness in the future.

1.3 The Nature of Management
3. What is expected of a manager?

Management is the process of planning, organizing, directing, and controlling the activities of employees in combination with other resources to accomplish organizational goals. Managerial responsibilities include long-range planning, controlling, environmental scanning, supervision, coordination, customer relations, community relations, internal consulting, and monitoring of products and services. These responsibilities differ by level in the organizational hierarchy and by department or function. The twenty-first-century manager will differ from most current managers in four ways. In essence, he or she will be a global strategist, a master of technology, a good politician, and a premier leader-motivator.

1.4 A Model of Organizational Behavior and Management
4. What is the role of the behavioral sciences in management and organizations?

Organizational behavior is the study of people in organizations. It can be studied on a micro level, which focuses on individual or group behavior, or on a macro level, which focuses on organization-wide actions and events. A model of organizational behavior is presented, consisting of five building blocks: individuals and groups, tasks and technology, organization design, organizational processes, and management.

### Chapter Review Questions

1. Define work.
2. What functions does work serve in modern society?
3. Describe the extent and nature of the challenges facing the workplace in the next decade.
4. What can be done about these challenges?
5. Define management.
6. How does the nature of management change according to one’s level and function in the organization?
7. Discuss the role of management in the larger societal context. What do you think the managers of the future will be like?
8. Identify what you think are the critical issues facing contemporary management. Explain.

### Critical Thinking Case

**New Management Challenges for the New Age**

Today’s news is littered with scandals, new allegations of sexual assault, and tragedy. Since 2017 and the #metoo movement, stemming from the Harvey Weinstein scandal, more and more public figures have been put into the spotlight to defend themselves against allegations from women around the globe.

Not only publicly, but privately in companies around the world, there have been firings and investigations into misconduct from coworkers, managers, and CEOs. It is a relevant topic that is getting long-overdue publicity...
and encouraging more men and women to come forward to discuss openly rather than hide the events and injustices of the past. Other events showcase the tumultuous and on-edge society we are living in, such as the Charlottesville, VA, attack that left one dead and 19 injured when a person drove a car through a crowd of protestors during a white nationalist gathering.

With unanticipated events on a daily business, it is important for companies to take a stand against racial hatred and harassment of any kind, and to have firm policies when such events occur. Take Netflix, for example, who in July 2018 fired their chief communications officer for saying the “N-word” in full form. This event occurred during an internal meeting in which the speaker was not directing the slur at anyone specific, but claimed it was being made as an emphatic point about offensive words in comedy programming. The “Netflix way,” the culture that is built around radical candor and transparency, was put to the test during this occurrence.

The offender, Jonathan Friedland, attempted to apologize for his misdeed, hoping it would fade away and his apology would be accepted. However, it didn’t work that way; instead, the anger was palpable between coworkers and eventually led to the firing of Friedland after a few months of inaction.

Netflixers are given a high level of freedom and responsibility within their “Netflix way” culture. Blunt feedback is encouraged, and trust and discretion are the ultimate gatekeeper, as employees have access to sensitive information and are ultimately trusted for how they expense items and take vacation time.

In the insanely fast-paced streaming-services industry, it is hard to keep this culture at a premium, but it is imperative for the success of the company overall. “As you scale a company to become bigger and bigger, how do you scale that kind of culture?” said Colin Estep, a former senior engineer who left voluntarily in 2016. “I don’t know that we ever had a good answer.”

In order to keep up, sometimes the company is seen as harsh in their tactics to keep the best of the best. “I think we’re transparent to a fault in our culture and that can come across as cutthroat,” said Walta Nemariam, an employee in talent acquisition at Netflix.

Netflix has stayed true to their cultural values despite the pressures and sometimes negative connotations associated with this “cutthroat” environment. Their ability to remain agile, while displaying no tolerance for societal injustices, puts them at the forefront of new-age companies. It is a difficult pace to stay in line with, but it seems that they are keeping in stride and remaining true to who they are, for now.

Questions:
1. How has the current cultural environment of our country shaped the way that companies are looking at their own corporate cultural standards?
2. What are the potential downfalls and positive influences of the “Netflix way”?
3. How does Netflix’s internal culture negatively or positively affect their ability to stay competitive and deliver cutting-edge content?
